

PRELIMINARY OFFICIAL STATEMENT DATED MAY 28, 2026

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

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

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

New Issue

Rating Application Made: S&P Global Ratings

INDEPENDENT SCHOOL DISTRICT NO. 820 (SEBEKA PUBLIC SCHOOL), MINNESOTA (Wadena, Becker, Cass, and Otter Tail Counties)

(Minnesota School District Credit Enhancement Program)

\$1,050,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS AND CAPITAL NOTES, SERIES 2026A

PROPOSAL OPENING: June 8, 2026, 9:30 A.M., C.T.

CONSIDERATION: June 8, 2026, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$1,050,000* General Obligation Facilities Maintenance Bonds and Capital Notes, Series 2026A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and Minnesota Statutes, Sections 123B.595 and 123B.61, by Independent School District No. 820 (Sebeka Public School), Minnesota (the "District"), to provide funds for roofing projects included in the District's ten-year facility plan approved by the Commissioner of Education and to purchase capital equipment for 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: July 2, 2026

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2027	\$30,000	2031	\$100,000	2035	\$115,000
2028	60,000	2032	100,000	2036	125,000
2029	85,000	2033	105,000	2037	125,000
2030	90,000	2034	115,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: February 1, 2027 and semiannually thereafter.

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

MINIMUM PROPOSAL: \$1,050,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$21,000 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL: Kennedy & Graven, Chartered.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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



BUILDING COMMUNITIES. IT'S WHAT WE DO.

✉ info@ehlers-inc.com

☎ 1 (800) 552-1171

🌐 www.ehlers-inc.com

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

TABLE OF CONTENTS

<p>INTRODUCTORY STATEMENT..... 1</p> <p>THE BONDS 1</p> <p style="padding-left: 20px;">GENERAL 1</p> <p style="padding-left: 20px;">OPTIONAL REDEMPTION 2</p> <p style="padding-left: 20px;">AUTHORITY; PURPOSE 2</p> <p style="padding-left: 20px;">ESTIMATED SOURCES AND USES 2</p> <p style="padding-left: 20px;">SECURITY 3</p> <p style="padding-left: 20px;">RATING 4</p> <p style="padding-left: 20px;">STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS 4</p> <p style="padding-left: 20px;">CONTINUING DISCLOSURE..... 5</p> <p style="padding-left: 20px;">LEGAL OPINION 6</p> <p style="padding-left: 20px;">TAX EXEMPTION..... 6</p> <p style="padding-left: 20px;">QUALIFIED TAX-EXEMPT OBLIGATIONS 7</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR 7</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR AFFILIATED COMPANIES.... 8</p> <p style="padding-left: 20px;">INDEPENDENT AUDITORS 8</p> <p style="padding-left: 20px;">RISK FACTORS..... 8</p> <p>VALUATIONS 11</p> <p style="padding-left: 20px;">OVERVIEW 11</p> <p style="padding-left: 20px;">CURRENT PROPERTY VALUATIONS..... 12</p> <p style="padding-left: 20px;">2025/26 NET TAX CAPACITY BY CLASSIFICATION . 13</p> <p style="padding-left: 20px;">TREND OF VALUATIONS..... 13</p> <p style="padding-left: 20px;">LARGEST TAXPAYERS..... 14</p> <p>DEBT 14</p> <p style="padding-left: 20px;">DIRECT DEBT 14</p> <p style="padding-left: 20px;">DEBT PAYMENT HISTORY 14</p> <p style="padding-left: 20px;">FUTURE FINANCING..... 15</p> <p style="padding-left: 20px;">STATE AID FOR DEBT SERVICE..... 15</p> <p style="padding-left: 20px;">BONDED DEBT LIMIT..... 16</p> <p style="padding-left: 20px;">SCHEDULE OF BONDED INDEBTEDNESS 17</p> <p style="padding-left: 20px;">OVERLAPPING DEBT 18</p> <p style="padding-left: 20px;">DEBT RATIOS 19</p>	<p>TAX LEVIES, COLLECTION AND RATES 19</p> <p style="padding-left: 20px;">TAX LEVIES AND COLLECTIONS 19</p> <p style="padding-left: 20px;">TAX CAPACITY RATES 20</p> <p>THE ISSUER 20</p> <p style="padding-left: 20px;">EMPLOYEES 20</p> <p style="padding-left: 20px;">PENSIONS; UNIONS..... 20</p> <p style="padding-left: 20px;">POST EMPLOYMENT BENEFITS..... 21</p> <p style="padding-left: 20px;">STUDENT BODY 21</p> <p style="padding-left: 20px;">SCHOOL BUILDINGS..... 22</p> <p style="padding-left: 20px;">LITIGATION 22</p> <p style="padding-left: 20px;">MUNICIPAL BANKRUPTCY..... 22</p> <p style="padding-left: 20px;">FUNDS ON HAND..... 22</p> <p style="padding-left: 20px;">BUDGET SUMMARY 23</p> <p style="padding-left: 20px;">SUMMARY GENERAL FUND INFORMATION..... 24</p> <p>GENERAL INFORMATION 25</p> <p style="padding-left: 20px;">LOCATION 25</p> <p style="padding-left: 20px;">LARGER EMPLOYERS 25</p> <p style="padding-left: 20px;">U.S. CENSUS DATA 25</p> <p style="padding-left: 20px;">EMPLOYMENT/UNEMPLOYMENT DATA..... 26</p> <p>FINANCIAL STATEMENTS..... A-1</p> <p>FORM OF LEGAL OPINION B-1</p> <p>BOOK-ENTRY-ONLY SYSTEM C-1</p> <p>FORM OF CONTINUING DISCLOSURE CERTIFICATE .. D-1</p> <p>TERMS OF PROPOSAL E-1</p> <p>PROPOSAL FORM</p>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

SEBEKA PUBLIC SCHOOL SCHOOL BOARD

		<u>Term Expires</u>
Eric Nelson	Board Chair	January 2029
Kayla Frame	Vice Chair	January 2027
Joann Olson	Clerk	January 2027
Nate Erickson	Treasurer	January 2027
Jeannie Arthur	Member	January 2029
Rodney Huttunen	Member	January 2029
Cheri Kangas	Member	January 2027

ADMINISTRATION

David Kerkvliet, Superintendent of Schools

Holly Paulson, Business Manager

PROFESSIONAL SERVICES

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. 820 (Sebeka Public School), Minnesota (the "District") and the issuance of its \$1,050,000* General Obligation Facilities Maintenance Bonds and Capital Notes, Series 2026A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the School Board on June 8, 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 July 2, 2026. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2027, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

*Preliminary, subject to change.

OPTIONAL REDEMPTION

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

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and Minnesota Statutes, Sections 123B.595 and 123B.61, by the District, to provide funds for roofing projects included in the District's ten-year facility plan approved by the Commissioner of Education (the "Facilities Maintenance Portion") and to purchase capital equipment for the District (the "Capital Notes Portion").

ESTIMATED SOURCES AND USES*

Sources	Facilities Maintenance Portion	Capital Notes Portion	Total Bond Issue
Par Amount of Bonds	\$475,000	\$575,000	\$1,050,000
Reoffering Premium	27,658	35,066	62,724
Funds on Hand - Debt Service Funds	<u>-</u>	<u>15,878</u>	<u>15,878</u>
Total Sources	\$502,658	\$625,944	\$1,128,602
Uses			
Total Underwriter's Discount (2.000%)	\$9,500	\$11,500	\$21,000
Costs of Issuance	21,737	26,313	48,050
Capitalized Interest	-	15,878	15,878
Deposit to Construction Fund	<u>471,421</u>	<u>572,253</u>	<u>1,043,674</u>
Total Uses	\$502,658	\$625,944	\$1,128,602

*Preliminary, subject to change.

Breakdown of Principal Payments*:

Payment Date	Facilities Maintenance Portion	Capital Notes Portion	Total Bond Issue
2/01/2027	\$30,000	-	\$30,000
2/01/2028	20,000	\$40,000	60,000
2/01/2029	40,000	45,000	85,000
2/01/2030	40,000	50,000	90,000
2/01/2031	45,000	55,000	100,000
2/01/2032	45,000	55,000	100,000
2/01/2033	45,000	60,000	105,000
2/01/2034	50,000	65,000	115,000
2/01/2035	50,000	65,000	115,000
2/01/2036	55,000	70,000	125,000
2/01/2037	<u>55,000</u>	<u>70,000</u>	<u>125,000</u>
Total	\$475,000	\$575,000	\$1,050,000

*Preliminary, subject to change.

SECURITY

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

For Capital Notes issued pursuant to Minnesota Statutes, Section 123B.61, the District is required to make an annual debt service levy equal to 105% of the debt service requirements on the Capital Notes Portion of the Bonds. There will be an offsetting reduction each year in the District's general fund tax levy. The District will use funds available in their debt redemption fund to pay the interest due February 1, 2027. Debt service payments due thereafter will be paid from an ad valorem tax levy.

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 an ad valorem tax upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

RATING

The District will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a credit enhanced rating from S&P Global Ratings ("S&P"). S&P has a policy which assigns a rating of "AAA" to issuers participating in the MNCEP. The "AAA" rating is based on the State of Minnesota's current "AAA"/Stable outlook rating from S&P. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS" for further details. The District currently has a "A-"/Negative outlook underlying rating from S&P, however, it will not be requesting an underlying rating on this issue. A rating for the Bonds may not be requested without contacting Ehlers and receiving the permission of the District.

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on March 9, 2026 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, as amended, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

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

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

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

In its Official Statement dated September 23, 2025, for General Obligation State Bonds, Series 2025A, 2025B, 2025C, 2025D and 2025E, the State of Minnesota disclosed the following information about the State Credit Enhancement Program for School Districts:

"As of June 30, 2025, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2054, is approximately \$19,610,000,000. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of June 30, 2025 is currently estimated at \$3,155,000,000, with the maximum amount of principal and interest payable in any one month being \$1,253,600,000. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.

The State has not had to make any debt service payments on behalf of school districts or intermediate school districts under the program and does not expect to make any payments in the future. If such payments are made the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the school districts and intermediate school districts."

CONTINUING DISCLOSURE

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

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

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

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

LEGAL OPINION

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

TAX EXEMPTION

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

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

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

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

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

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

Legislative proposals

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2025 have been audited by Brady Martz, Grand Forks, North Dakota, 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 \$743,444,269¹

2025/26 Assessor's Estimated Market Value

	Wadena County	Becker County	Cass County	Otter Tail County	Total
Real Estate	\$522,640,800	\$367,400	\$2,113,300	\$174,991,000	\$700,112,500
Personal Property	13,364,800	0	0	2,300	13,367,100
Total Valuation	<u>\$536,005,600</u>	<u>\$367,400</u>	<u>\$2,113,300</u>	<u>\$174,993,300</u>	<u>\$713,479,600</u>

2025/26 Net Tax Capacity

	Wadena County	Becker County	Cass County	Otter Tail County	Total
Real Estate	\$4,319,542	\$1,837	\$12,325	\$1,339,672	\$5,673,376
Personal Property	267,166	0	0	46	267,212
Net Tax Capacity	\$4,586,708	\$1,837	\$12,325	\$1,339,718	\$5,940,588
Less: Captured Tax Increment Tax Capacity ²	(20,832)	0	0	0	(20,832)
Taxable Net Tax Capacity	<u>\$4,565,876</u>	<u>\$1,837</u>	<u>\$12,325</u>	<u>\$1,339,718</u>	<u>\$5,919,756</u>

1

According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District was about 96.02% 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 \$743,444,269.

2

The captured tax increment value shown above represents the captured net tax capacity of a tax increment financing district(s) located in the District.

2025/26 NET TAX CAPACITY BY CLASSIFICATION

	2025/26 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$1,108,201	18.65%
Agricultural	3,491,621	58.78%
Commercial/industrial	184,295	3.10%
Public utility	195,188	3.29%
Non-homestead residential	353,574	5.95%
Commercial & residential seasonal/rec.	340,497	5.73%
Personal property	<u>267,212</u>	<u>4.50%</u>
 Total	 <u><u>\$5,940,588</u></u>	 <u><u>100.00%</u></u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity¹	Taxable Net Tax Capacity²	Percent Increase/Decrease in Estimated Market Value
2021/22	\$405,056,600	\$377,350,363	\$3,439,854	\$3,423,275	3.57%
2022/23	499,858,300	472,403,597	4,200,121	4,187,585	23.40%
2023/24	587,515,700	560,964,273	4,957,331	4,946,987	17.54%
2024/25	689,549,100	654,748,062	5,725,998	5,712,374	17.37%
2025/26	713,479,600	678,233,727	5,940,588	5,919,756	3.47%

¹ Net Tax Capacity includes tax increment values.

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

LARGEST TAXPAYERS

Taxpayer	Type of Property	2025/26 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Minnesota Pipeline Company	Transportation	\$423,098	7.12%
Individual	Agricultural	84,314	0.00%
Otter Wings, LLP	Commercial	36,812	0.00%
Individual	Agricultural	36,031	0.61%
Individual	Agricultural	34,786	0.59%
Individual	Agricultural	27,427	0.46%
Watz Meadows, LLC	Agricultural	27,253	0.46%
West Central Telephone AAS'N	Commercial	26,891	0.45%
Heritage Properties, LLC	Commercial	26,358	0.44%
Lausten Land Co, LLC	Commercial	22,648	0.38%
Total		<u>\$624,492</u>	<u>10.51%</u>

District's Total 2025/26 Net Tax Capacity \$5,940,588

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by Wadena, Becker, Cass and Otter Tail Counties.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids² (includes the Bonds)* \$10,110,000

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

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

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

FUTURE FINANCING

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

STATE AID FOR DEBT SERVICE

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

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

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

Some school districts will also receive aid for debt service payments through the State School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minnesota Statutes, Section 273.1387). The reimbursement percentage for each qualifying property is 70% of the property's eligible net tax capacity multiplied by the school debt tax rate determined under Minnesota Statutes, Section 275.08, subdivision 1b. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, and to rural vacant land and managed forest land. The amount of agricultural credit received in the debt service fund for taxes payable 2025 is approximately 33.89% 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	\$743,444,269
Multiply by 15%	<u>0.15</u>
Statutory Debt Limit	\$111,516,640
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	<u>(10,110,000)</u>
Unused Debt Limit*	<u><u>\$101,406,640</u></u>

*Preliminary, subject to change.

Independent School District No. 820 (Sebeka Public School), Minnesota
 Schedule of Bonded Indebtedness
 General Obligation Debt Secured by Taxes
 (As of 07/02/2026)

Dated Amount	School Building Bonds Series 2017A		Facilities Maintenance Bonds Series 2019A		Capital Facilities Bonds Series 2025A		Facilities Maint Bonds & Capital Notes Series 2026A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	10/26/2017	\$12,255,000	06/27/2019	\$820,000	08/07/2025	\$255,000	07/02/2026	\$1,050,000*						
Maturity	02/01		02/01		02/01 & 08/01		02/01							
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Estimated Interest						
2027	600,000	249,131	85,000	9,869	14,000	11,318	30,000	29,028	729,000	299,346	1,028,346	9,381,000	7.21%	2027
2028	615,000	236,531	90,000	7,506	14,000	10,688	60,000	48,500	779,000	303,225	1,082,225	8,602,000	14.92%	2028
2029	630,000	218,081	90,000	5,004	14,000	10,058	85,000	45,500	819,000	278,643	1,097,643	7,783,000	23.02%	2029
2030	650,000	199,181	90,000	2,502	16,000	9,405	90,000	41,250	846,000	252,338	1,098,338	6,937,000	31.38%	2030
2031	670,000	179,681			16,000	8,685	100,000	36,750	786,000	225,116	1,011,116	6,151,000	39.16%	2031
2032	690,000	159,581			16,000	7,965	100,000	31,750	806,000	199,296	1,005,296	5,345,000	47.13%	2032
2033	710,000	138,881			18,000	7,223	105,000	26,750	833,000	172,854	1,005,854	4,512,000	55.37%	2033
2034	730,000	117,581			18,000	6,413	115,000	21,500	863,000	145,494	1,008,494	3,649,000	63.91%	2034
2035	755,000	95,681			19,000	5,603	115,000	15,750	889,000	117,034	1,006,034	2,760,000	72.70%	2035
2036	775,000	73,031			20,000	4,725	125,000	10,000	920,000	87,756	1,007,756	1,840,000	81.80%	2036
2037	800,000	49,781			21,000	3,825	125,000	5,000	946,000	58,606	1,004,606	894,000	91.16%	2037
2038	825,000	25,781			22,000	2,858			847,000	28,639	875,639	47,000	99.54%	2038
2039					23,000	1,868			23,000	1,868	24,868	24,000	99.76%	2039
2040					24,000	810			24,000	810	24,810	0	100.00%	2040
	8,450,000	1,742,925	355,000	24,881	255,000	91,440	1,050,000	311,778	10,110,000	2,171,024	12,281,024			

* Preliminary, subject to change.

OVERLAPPING DEBT¹

Taxing District	2025/26 Taxable Net Tax Capacity	% In District	Total G.O. Debt²	District's Proportionate Share
Counties of:				
Becker	\$110,880,952	0.0017%	\$14,880,000	\$253
Otter Tail	181,377,092	0.7386%	19,417,500	143,418
Wadena	22,073,162	20.6852%	560,000	115,837
City of:				
Sebeka	531,878	100.0000%	1,090,000	<u>1,090,000</u>
District's Share of Total Overlapping Debt				<u><u>\$1,349,508</u></u>

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$743,444,269	Debt/ Per Capita 3,062 ¹
Total G.O. Debt Secured By Taxes and State Aids*	\$10,110,000		
Less: Agricultural Credit ²	(3,426,279)		
Tax Supported General Obligation Debt*	\$6,683,721	0.90%	\$2,182.80
District's Share of Total Overlapping Debt	\$1,349,508	0.18%	\$440.73
Total*	\$8,033,229	1.08%	\$2,623.52

*Preliminary, subject to change.

TAX LEVIES, COLLECTION AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ³	Total Collected Following Year	Collected to Date	% Collected
2021/22	\$1,118,038	\$1,094,322	\$1,116,668	99.88%
2022/23	1,106,514	1,079,408	1,101,775	99.57%
2023/24	1,155,893	1,121,230	1,148,289	99.34%
2024/25	1,152,504	1,118,181	1,118,181	97.02%
2025/26	1,191,526	In process of collection		

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

¹ Estimated 2024 population.

² Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 33.89% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is \$3,426,279.

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

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

TAX CAPACITY RATES¹

	2021/22	2022/23	2023/24	2024/25	2025/26
I.S.D. No. 820 (Sebeka Public School)	34.018%	27.789%	23.491%	21.303%	20.104%
Becker County	35.607%	32.060%	28.844%	27.846%	27.621%
Cass County	29.034%	22.097%	21.886%	22.917%	23.905%
Otter Tail County	40.409%	34.017%	32.201%	30.807%	30.562%
Wadena County	78.491%	63.830%	54.595%	52.831%	54.425%
City of Nimrod	44.265%	31.608%	25.069%	22.488%	22.565%
City of Sebeka	145.625%	116.798%	133.062%	111.286%	91.291%
Town of Butler	22.818%	17.704%	15.565%	13.219%	12.208%
Otter Tail County HRA	1.931%	1.507%	1.491%	1.494%	1.398%
Region V Commission	0.123%	0.091%	0.085%	0.084%	0.081%

Referendum Market Value Rates:

I.S.D. No. 820 (Sebeka Public School)	0.14619%	0.14989%	0.15662%	0.12926%	0.13450%
---------------------------------------	----------	----------	----------	----------	----------

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Wadena, Becker, Cass and Otter Tail Counties.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 119, including 77 non-licensed employees and 42 licensed employees (39 of whom are teachers). The District provides education for 418 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

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.

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
EMS Teachers Union	June 30, 2027
ESP Support Professionals	June 30, 2027

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent Audited Financial Statements (Audit) shows a total OPEB liability of \$278,813 as of June 30, 2025. The District has been funding these obligations on a pay-as-you-go basis.

Source: The District's most recent Audit.

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2021/22	26	185	245	456
2022/23	25	184	257	466
2023/24	33	201	244	478
2024/25	23	190	225	438
2025/26	29	189	200	418

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2026/27	25	183	198	406
2027/28	25	184	198	407
2028/29	25	184	198	407

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Pre-K-12 Building	1928	1957, 1967, 1976, 1987, 2019, 2020

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

FUNDS ON HAND (as of March 31, 2026)

Fund	Total Cash and Investments
General	\$1,421,253
Food Service	92,906
Community Service	39,247
Debt Service	<u>184,428</u>
Total Funds on Hand	<u><u>\$1,737,834</u></u>

BUDGET SUMMARY

Fund	June 30, 2025 Actual Fund Balance	2025-26 Projected Revenues and Transfers In	2025-26 Projected Expenditures and Transfers Out	2025-26 Revenues over (under) expenditures	June 30, 2026 Projected Fund Balance
General	\$1,507,733	\$7,360,172	(\$7,578,791)	(\$218,619)	\$1,289,114
Food Service	105,247	410,350	(422,204)	(11,854)	93,393
Community Service	39,842	127,456	(144,719)	(17,263)	22,579
Building/Construction	0	623,572	(623,572)	0	0
Debt Service	196,958	998,044	(959,185)	38,859	235,817
Total All Funds	\$1,849,780	\$9,519,594	(\$9,728,471)	(\$208,877)	\$1,640,903

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	\$457,800	\$481,925	\$487,531	\$519,018	\$606,714
Other local and county revenues	287,977	341,759	312,182	302,079	390,247
Investment earnings	0	3,860	0	0	0
Revenue from state sources	5,040,597	5,064,706	5,371,525	6,200,607	6,353,847
Revenue from federal sources	637,710	1,222,058	912,189	598,467	277,849
Sales and other conversion of assets	0	56,269	80,550	110,235	98,538
Total Revenues	<u>\$6,424,084</u>	<u>\$7,170,577</u>	<u>\$7,163,977</u>	<u>\$7,730,406</u>	<u>\$7,727,195</u>
Expenditures					
Current:					
Administration	\$390,149	\$427,276	\$369,461	\$424,004	\$443,275
District support services	206,719	218,712	205,779	227,298	217,452
Regular instruction	3,236,640	3,429,719	3,317,834	3,233,084	3,199,181
Vocational education instruction	391,648	392,275	410,971	347,503	339,219
Special education instruction	890,698	943,141	1,076,550	1,288,091	1,381,812
Instructional support services	235,077	173,232	272,304	294,458	340,863
Pupil support services	637,134	676,568	697,448	775,410	818,822
Sites and buildings	591,932	642,932	609,351	643,080	634,061
Fiscal and other fixed cost programs	57,948	68,544	76,549	85,514	79,722
Debt service	0	82,765	156,808	110,641	108,861
Capital outlay	0	443,814	610,183	117,513	77,872
Total Expenditures	<u>\$6,637,945</u>	<u>\$7,498,978</u>	<u>\$7,803,238</u>	<u>\$7,546,596</u>	<u>\$7,641,140</u>
Excess of revenues over (under) expenditures	(\$213,861)	(\$328,401)	(\$639,261)	\$183,810	\$86,055
Other Financing Sources (Uses)					
Insurance recovery	\$0	\$0	\$0	\$0	\$5,619
Sale of asset	0	0	500	400	0
Direct borrowing proceeds	0	0	338,358	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>338,858</u>	<u>400</u>	<u>5,619</u>
Net changes in Fund Balances	(\$213,861)	(\$328,401)	(\$300,403)	\$184,210	\$91,674
General Fund Balance July 1	\$2,074,514	\$1,860,653	\$1,532,252	\$1,231,849	\$1,416,059
Prior Period Adjustment	0	0	0	0	0
General Fund Balance June 30	\$1,860,653	\$1,532,252	\$1,231,849	\$1,416,059	\$1,507,733
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	\$51,329	\$37,113	\$554	\$35,085	\$79,332
Restricted	437,623	361,673	383,401	529,240	670,988
Assigned	2,314	4,801	961	5,926	6,660
Unassigned	1,369,387	1,128,665	846,933	845,808	750,753
Total	<u>\$1,860,653</u>	<u>\$1,532,252</u>	<u>\$1,231,849</u>	<u>\$1,416,059</u>	<u>\$1,507,733</u>

GENERAL INFORMATION

LOCATION

The District, with a 2020 U.S. Census population of 3,015 and a 2024 population estimate of 3,062, and comprising an area of 232 square miles, is located approximately 181 miles northwest of St. Paul, Minnesota

LARGER EMPLOYERS¹

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 820 (Sebeka Public School)	Elementary and secondary education	90
Caring Hands Home Care Inc	Home health services	50
West Central	Internet service provider	27
Anderson Homes	Modular homes dealer/builder	20
City of Sebeka	Municipal government and services	20
Wadena County Development Achievement	Disability services	20
Providence Villa	Residential home care	11
Hub 71 Restaurant	Restaurant	10
Rife's Stop N Shop	Convenience store	8
Olson AG	Farm supplies and agricultural services	7

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	2,950
2020 U.S. Census population	3,015
Percent of Change 2010 - 2020	2.20%
2024 State Demographer Estimate	3,062

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

Income and Age Statistics

	The District	Wadena County	State of Minnesota	United States
2024 per capita income	\$28,846	\$32,541	\$48,237	\$44,673
2024 median household income	\$56,595	\$61,467	\$89,062	\$80,734
2024 median family income	\$73,214	\$84,103	\$113,993	\$99,999
2024 median gross rent	\$691	\$746	\$1,280	\$1,413
2024 median value owner occupied units	\$180,600	\$173,000	\$329,300	\$332,700
2024 median age	40.3 yrs.	40.0 yrs.	38.8 yrs.	38.9 yrs.

	State of Minnesota	United States
District % of 2024 per capita income	59.80%	64.57%
District % of 2024 median family income	64.23%	73.21%

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

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Wadena County	Wadena County	Wadena County	State of Minnesota
2022	6,483		3.5%	2.5%
2023	6,518		4.3%	2.8%
2024	6,661		4.5%	3.1%
2025	6,438		6.0%	3.9%
2026, April	6,412		6.1%	4.0%

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
TABLE OF CONTENTS**

	<u>PAGES</u>
ROSTER OF SCHOOL OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	6
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	13
Statement of Activities	15
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	19
Notes to Basic Financial Statements	20
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule for the General Fund	45
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	46
Schedule of District Contributions	47
Schedule of District Share of the Net Pension Liability	48
Notes to Required Supplementary Information	49
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Nonmajor Governmental Funds	51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	52
Schedule of Changes in Fund Balances	53
INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE	54

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
TABLE OF CONTENTS**

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	55
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----

Schedule of Findings	57
----------------------	----

Corrective Action Plan	59
------------------------	----

SUPPLEMENTARY INFORMATION

Uniform Financial Accounting and Reporting Standards Compliance Table	60
-----------------------------------------------------------------------	----

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
ROSTER OF SCHOOL OFFICIALS
June 30, 2025**

Eric Nelson	Chairperson
Kayla Frame	Vice Chairperson
Nathan Erickson	Treasurer
JoAnn Olson	Clerk
Rodney Huttunen	Director
Cheri Kangas	Director
Jeannie Arthur	Director
Dave Kerkvliet	Superintendent

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District No. 820
Sebeka, 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 the Independent School District No. 820, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 820, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Independent School District No. 820, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note 2 to the financial statements, the District has adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the

preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Independent School District No. 820'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 judgement 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 judgement 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 Independent School District No. 820'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Independent School District No. 820'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, budgetary comparison information, schedules, and notes as listed in the table of contents as required supplementary information 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 District's basic financial statements. The combining statements, schedule of changes in fund balances, and compliance table as listed in the table of contents as supplementary information 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 combining statements, schedule of changes in fund balances, and compliance table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

October 17, 2025

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025**

This section of Independent School District No. 820's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

The general fund balance increased \$91,674 during the 2024-2025 school year.

Overview of the Financial Statements

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

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
 - The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's general fund budget for the year, and supplementary information that is presented for additional analysis.

Government-wide Statements

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2025**

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

- *Governmental activities:* All of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The District has one kind of fund:

- **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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, reconciliations have been provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances to help explain the relationship (or differences) between the governmental funds and governmental activities.
- The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data is provided in the form of combining statements elsewhere in this report.

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
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 \$2,478,504 on June 30, 2025 (see details in Table A-1). This was an increase of \$409,799 from the prior year.

**Table A-1
Statement of Net Position**

	<u>2025</u>	<u>2024</u>	<u>Total Percentage Change</u>
Current and Other Assets	\$ 4,155,230	\$ 4,231,922	(1.8) %
Capital Assets	14,831,150	15,251,573	(2.8)
Total Assets	<u>18,986,380</u>	<u>19,483,495</u>	(2.6)
Deferred Outflows of Resources	<u>1,123,626</u>	<u>1,339,557</u>	(16.1)
Long-Term Liabilities	12,738,154	14,677,893	(13.2)
Other Liabilities	1,918,283	1,891,221	1.4
Total Liabilities	<u>14,656,437</u>	<u>16,569,114</u>	(11.5)
Deferred Inflows of Resources	<u>2,975,065</u>	<u>2,185,233</u>	36.1
Net Position			
Net Investment in Capital Assets	5,054,206	4,726,646	6.9
Restricted	942,696	842,685	11.9
Unrestricted	(3,518,398)	(3,500,626)	(0.5)
Total Net Position	<u>\$ 2,478,504</u>	<u>\$ 2,068,705</u>	19.8 %

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2025**

Change in Net Position

Table A-2 presents the change in net position of the District.

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

	<u>2025</u>	<u>2024</u>	Total Percentage Change
Revenues			
Program Revenues			
Charges for Services	\$ 280,574	\$ 217,849	28.8 %
Operating Grants and Contributions	3,125,752	3,215,495	(2.8)
General Revenues			
Property Taxes	1,159,995	1,098,037	5.6
Unrestricted State Aid	4,489,672	4,600,595	(2.4)
Other Sources	200,597	212,311	(5.5)
Total Revenues	<u>9,256,590</u>	<u>9,344,287</u>	(0.9)
Expenses			
Administration	443,997	424,726	4.5
District Support Services	249,552	255,846	(2.5)
Elementary & Secondary Regular Instruction	3,010,061	2,817,700	6.8
Vocational Education Instruction	347,142	354,214	(2.0)
Special Education Instruction	1,382,862	1,288,091	7.4
Community Education and Services	145,859	144,425	1.0
Instructional Support Services	348,854	320,706	8.8
Pupil Support Services	1,334,950	1,371,517	(2.7)
Sites and Buildings	976,077	986,967	(1.1)
Fixed Costs	79,722	85,514	(6.8)
Interest and Fees on Long-Term Debt	298,880	330,149	(9.5)
Depreciation - Unallocated	50,879	50,879	-
Total Expenses	<u>8,668,835</u>	<u>8,430,734</u>	2.8
Change in Net Position	587,755	913,553	(35.7)
Net Position - Beginning	2,068,705	1,155,152	
GASB 101 Adjustment - See Note 2	(177,956)	-	
Net Position - Beginning, Restated	<u>1,890,749</u>	<u>1,155,152</u>	
Net Position - Ending	<u>\$ 2,478,504</u>	<u>\$ 2,068,705</u>	19.8 %

The District's total revenues were \$9,256,590 for the year ended June 30, 2025. Property taxes and unrestricted state aid payments accounted for 88 percent of total revenue for the year.

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2025**

The total cost of all programs and services was \$8,668,835. The District's expenses are predominantly related to educating and caring for students.

Total revenues surpassed expenses, increasing net position by \$587,755 over the last year. For the year ended June 30, 2025, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by \$242,722. For the year ended June 30, 2024, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by \$471,249.

The net cost of governmental activities is their total costs less program revenues applicable to each category.

Table A-3 presents these net costs.

**Table A-3
Net Cost of Governmental Activities**

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2025	2024		2025	2024	
Expenses						
Administration	\$ 443,997	\$ 424,726	4.5 %	\$ 443,997	\$ 424,726	4.5 %
District Support Services Elementary & Secondary	249,552	255,846	(2.5)	249,552	255,846	(2.5)
Regular Instruction	3,010,061	2,817,700	6.8	365,187	144,028	153.6
Vocational Education Instruction	347,142	354,214	(2.0)	347,142	347,577	(0.1)
Special Education Instruction	1,382,862	1,288,091	7.4	1,381,682	1,288,091	7.3
Community Education and Services	145,859	144,425	1.0	33,605	36,592	(8.2)
Instructional Support Services	348,854	320,706	8.8	246,054	264,059	(6.8)
Pupil Support Services	1,334,950	1,371,517	(2.7)	872,532	866,891	0.7
Sites and Buildings	976,077	986,967	(1.1)	927,462	935,754	(0.9)
Fixed Costs	79,722	85,514	(6.8)	45,537	52,798	(13.8)
Interest and Fees on Long-Term Debt	298,880	330,149	(9.5)	298,880	330,149	(9.5)
Depreciation - Unallocated	50,879	50,879	-	50,879	50,879	-
	<u>\$ 8,668,835</u>	<u>\$ 8,430,734</u>	2.8 %	<u>\$ 5,262,509</u>	<u>\$ 4,997,390</u>	5.3 %

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Major Funds

	Fund Balance		Increase (Decrease)	Percentage Increase (Decrease)
	2025	2024		
Governmental Funds				
General	\$ 1,507,733	\$ 1,416,059	\$ 91,674	6.5 %
Debt Service Fund	196,960	199,408	(2,448)	(1.2)

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2025**

General Fund

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

Table A-5 presents a summary of general fund revenue.

**Table A-5
General Fund Revenue**

	2025	2024	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	\$ 606,714	\$ 519,018	\$ 87,696	16.9 %
Interest Earnings	78,839	79,273	(434)	(0.5)
Other	311,408	222,806	88,602	39.8
State Sources	6,353,847	6,200,607	153,240	2.5
Federal Sources	277,849	598,467	(320,618)	(53.6)
Other	98,538	110,235	(11,697)	(10.6)
Total General Fund Revenue	<u>\$ 7,727,195</u>	<u>\$ 7,730,406</u>	<u>\$ (3,211)</u>	(0.0) %

Total general fund revenue decreased by \$3,211 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 in revenue.

Table A-6 presents a summary of general fund expenditures.

**Table A-6
General Fund Expenditures**

	2025	2024	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	\$ 4,495,308	\$ 4,353,338	\$ 141,970	3.3 %
Employee Benefits	1,316,293	1,270,803	45,490	3.6
Purchased Services	1,227,542	1,151,263	76,279	6.6
Supplies and Materials	351,022	471,336	(120,314)	(25.5)
Capital Expenditures	77,872	117,513	(39,641)	(33.7)
Debt Service	108,861	110,641	(1,780)	(1.6)
Other Expenditures	64,242	71,702	(7,460)	(10.4)
Total General Fund Expenditures	<u>\$ 7,641,140</u>	<u>\$ 7,546,596</u>	<u>\$ 94,544</u>	1.3 %

Total general fund expenditures increased \$94,544 or 1.3 percent from the previous year.

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2025**

General Fund Budgetary Highlights

During the year the District amended their original budget. The District's final budget for the general fund anticipated that expenditures would exceed revenues by \$130,339. The actual results for the year show a \$91,674 surplus.

Capital Assets

Note 4 to the financial statements presents an analysis of capital asset transactions occurring during the year ended June 30, 2025. Additions totaling \$96,999 consisted mainly of kitchen and sports equipment, a vehicle purchase and early construction of playground equipment.

Long-Term Liabilities

At year-end, the District had \$10,018,273 of long-term debt consisting of bonds payable, net of premium of \$9,636,630, direct borrowings of \$140,314, and compensated absences payable of \$241,329. Note 7 to the financial statements presents details and payment provisions of these items.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the existing circumstances that could significantly affect its financial health in the future:

- Uncertainty in state funding
- Stability of student enrollment
- Future building repairs
- Increased energy costs

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, 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 Administration Offices, Independent School District No. 820, 200 1st Street NW, Sebeka, MN 56477.

INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
STATEMENT OF NET POSITION
June 30, 2025

GOVERNMENTAL ACTIVITIES

ASSETS

Cash and Investments	\$ 2,389,009
Property Taxes Receivable, Net of Allowance	880,966
Accounts Receivable	30,099
Due From Other School Districts	32,285
Due From Department of Education	645,365
Due From Federal Government - DOE	80,883
Due From Federal Government	9,606
Prepays	80,292
Inventory	6,725
Capital Assets	
Land	17,044
Construction in Process	24,353
Other Capital Assets, Net of Depreciation and Amortization	<u>14,789,753</u>

TOTAL ASSETS 18,986,380

DEFERRED OUTFLOWS OF RESOURCES

Cost Sharing Defined Benefit Pension Plan	1,059,307
Other Postemployment Benefit	<u>64,319</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES 1,123,626

LIABILITIES

Accounts Payable	37,887
Salaries Payable	337,772
Due to Other MN Districts	77,115
Due to Other Governments	43,668
Payroll Deductions	355,143
Unearned Revenue	3,746
Interest Payable	116,212
Current Portion of Long-Term Liabilities	946,740
Long-Term Liabilities	
Bonds Payable	9,475,000
Bond Premiums Payable	161,630
Direct Borrowing Payable	140,314
Compensated Absences Payable	241,329
Other Postemployment Benefit Liability	278,813
Net Pension Liability	3,387,808
Less Amount Due Within One Year	<u>(946,740)</u>
Total Long-Term Liabilities	<u>12,738,154</u>

TOTAL LIABILITIES 14,656,437

DEFERRED INFLOWS OF RESOURCES

Property Taxes Levied - Subs. Years	1,442,482
Cost Sharing Defined Benefit Pension Plan	1,515,858
Other Postemployment Benefit	<u>16,725</u>

TOTAL DEFERRED INFLOWS OF RESOURCES 2,975,065

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2025

NET POSITION	
Net Investment in Capital Assets	5,054,206
Restricted For:	
Student Activity	204,761
Scholarships	140,611
Staff Development	4,002
Literacy Incentive Aid	18,021
Operating Capital	830
Learning and Development	24,265
St Approved Alt Prog	13,382
Q Comp	18,151
Gifted and Talented	6,252
Basic Skills	221
School Library Aid	548
Safe Schools	4,430
Literacy Aid	1,372
Teacher Comp READ Act	10,677
LTFM	43,552
Student Support Personnel	40,000
Med Assistance	139,913
Debt Service	80,748
Food Service	105,252
ECFE	85,708
Unrestricted	<u>(3,518,398)</u>
TOTAL NET POSITION	<u>\$ 2,478,504</u>

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Administration	\$ 443,997	\$ -	\$ -	\$ (443,997)
District Support Services	249,552	-	-	(249,552)
Elementary & Secondary				
Regular Instruction	3,010,061	213,616	2,431,258	(365,187)
Vocational Education Instruction	347,142	-	-	(347,142)
Special Education Instruction	1,382,862	-	1,180	(1,381,682)
Community Education and Services	145,859	57,203	55,051	(33,605)
Instructional Support Services	348,854	-	102,800	(246,054)
Pupil Support Services	1,334,950	9,755	452,663	(872,532)
Sites and Buildings	976,077	-	48,615	(927,462)
Fixed Costs	79,722	-	34,185	(45,537)
Interest and Fees on Long-Term Debt and Lease Liabilities	298,880	-	-	(298,880)
Depreciation - Unallocated	50,879	-	-	(50,879)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 8,668,835	\$ 280,574	\$ 3,125,752	(5,262,509)

GENERAL REVENUES

Taxes	
Property Taxes, Levied for General Purposes	577,860
Property Taxes, Levied for Community Education and Services	23,711
Property Taxes, Levied for Debt Service	558,424
Unrestricted State Aid	4,489,672
Unrestricted Investment Earnings	87,958
Other General Revenue	112,639
TOTAL GENERAL REVENUES	5,850,264
Change in Net Position	587,755
Net Position - Beginning	2,068,705
GASB 101 Adjustment - See Note 2	(177,956)
Net Position - Beginning, Restated	1,890,749
Net Position - Ending	\$ 2,478,504

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2025

	General Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 1,706,605	\$ 496,442	\$ 185,962	\$ 2,389,009
Current Property Taxes Receivable	253,124	608,017	12,194	873,335
Delinquent Property Taxes Receivable	14,335	9,990	1,306	25,631
Accounts Receivable	30,099	-	-	30,099
Due From MN School Districts	28,118	-	4,167	32,285
Due From Federal Government - DOE	76,630	-	4,253	80,883
Due From Department of Education	600,929	38,931	5,505	645,365
Due From Federal Government	9,606	-	-	9,606
Prepaid Items	79,332	-	960	80,292
Inventory	-	-	6,725	6,725
TOTAL ASSETS	\$ 2,798,778	\$ 1,153,380	\$ 221,072	\$ 4,173,230
LIABILITIES				
Accounts Payable	\$ 37,281	\$ -	\$ 606	\$ 37,887
Salaries Payable	314,289	-	23,483	337,772
Payroll Deductions	335,954	-	19,189	355,143
Due to Other MN Districts	77,115	-	-	77,115
Due to Other Governments	43,668	-	-	43,668
Unearned Revenue	-	-	3,746	3,746
TOTAL LIABILITIES	808,307	-	47,024	855,331
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes	14,335	9,990	1,306	25,631
Property Taxes Levied - Subs. Years	468,403	946,430	27,649	1,442,482
TOTAL DEFERRED INFLOWS OF RESOURCES	482,738	956,420	28,955	1,468,113
FUND BALANCES				
Nonspendable: Inventory	-	-	6,725	6,725
Nonspendable: Prepaid Items	79,332	-	960	80,292
Restricted for Student Activities	204,761	-	-	204,761
Restricted for Scholarships	140,611	-	-	140,611
Restricted for Staff Development	4,002	-	-	4,002
Restricted for Literacy Incentive Aid	18,021	-	-	18,021
Restricted for Operating Capital	830	-	-	830
Restricted for Learning and Development	24,265	-	-	24,265
Restricted for St Approved Alt Prog	13,382	-	-	13,382
Restricted for Q Comp	18,151	-	-	18,151
Restricted for Gifted and Talented	6,252	-	-	6,252
Restricted for Basic Skills	221	-	-	221
Restricted for School Library aid	548	-	-	548
Restricted for Safe Schools	4,430	-	-	4,430
Restricted for Literacy Aid	1,372	-	-	1,372
Restricted for Teacher Comp READ Act	10,677	-	-	10,677
Restricted for LTFM	43,552	-	-	43,552
Restricted for Student Support Personnel	40,000	-	-	40,000
Restricted for Med Assistance	139,913	-	-	139,913
Restricted for Food Service	-	-	97,567	97,567
Restricted for ECFE	-	-	85,708	85,708
Restricted for Debt Service	-	196,960	-	196,960
Assigned for Entrepreneur Program	6,660	-	-	6,660
Unassigned	750,753	-	(45,867)	704,886
TOTAL FUND BALANCES	1,507,733	196,960	145,093	1,849,786
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,798,778	\$ 1,153,380	\$ 221,072	\$ 4,173,230

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2025**

Total fund balances - governmental funds	\$ 1,849,786
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
Cost of capital assets	21,499,236
Less accumulated depreciation and amortization	(6,668,086)
Deferred outflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
	1,123,626
Long-term liabilities, including other postemployment benefit liabilities, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Bond Payable	(9,475,000)
Bond Premium Payable	(161,630)
Direct Borrowing Payable	(140,314)
Compensated Absences Payable	(241,329)
Interest Payable	(116,212)
Other postemployment benefit liability	(278,813)
Net pension liability	(3,387,808)
Deferred inflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
	(1,532,583)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	
	25,631
An allowance has been set up for taxes receivable in the government-wide financial statements.	
	<u>(18,000)</u>
Net position - governmental activities	<u>\$ 2,478,504</u>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025**

	General Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local Property Tax Levies	\$ 606,714	\$ 556,500	\$ 23,277	\$ 1,186,491
Other Local & County Revenues	390,247	-	76,322	466,569
Revenue From State Sources	6,353,847	389,314	215,459	6,958,620
Revenue From Federal Sources	277,849	-	254,724	532,573
Sale/Other Conversion of Asset	98,538	-	9,755	108,293
TOTAL REVENUES	<u>7,727,195</u>	<u>945,814</u>	<u>579,537</u>	<u>9,252,546</u>
EXPENDITURES				
Current				
Administration	443,275	-	-	443,275
District Support Services	217,452	-	-	217,452
Elementary & Secondary				
Regular Instruction	3,199,181	-	-	3,199,181
Vocational Education Instruction	339,219	-	-	339,219
Special Education Instruction	1,381,812	-	-	1,381,812
Community Education and Services	-	-	145,859	145,859
Instructional Support Services	340,863	-	-	340,863
Pupil Support Services	818,822	-	441,264	1,260,086
Sites and Buildings	634,061	-	-	634,061
Fixed Costs	79,722	-	-	79,722
Debt Service				
Principal	95,138	640,000	-	735,138
Interest & Fiscal Fees	13,723	308,262	-	321,985
Capital Outlay	77,872	-	37,132	115,004
TOTAL EXPENDITURES	<u>7,641,140</u>	<u>948,262</u>	<u>624,255</u>	<u>9,213,657</u>
Revenues Over (Under) Expenditures	86,055	(2,448)	(44,718)	38,889
OTHER FINANCING SOURCES				
Insurance Recovery	5,619	-	-	5,619
TOTAL OTHER FINANCING SOURCES	<u>5,619</u>	<u>-</u>	<u>-</u>	<u>5,619</u>
Net Change in Fund Balances	91,674	(2,448)	(44,718)	44,508
Fund Balances - Beginning	1,416,059	199,408	189,811	1,805,278
Fund Balances - Ending	<u>\$ 1,507,733</u>	<u>\$ 196,960</u>	<u>\$ 145,093</u>	<u>\$ 1,849,786</u>

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 820

SEBEKA, MINNESOTA

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

For the Year Ended June 30, 2025

Total net change in fund balances - governmental funds \$ 44,508

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense.

Capital outlays	96,999
Depreciation and amortization expense	(517,422)

Payment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position. 735,138

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, governmental funds report the effect of issuance costs and premiums when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 23,105

Change in net pension liability. 1,216,866

Revenue in the statement of activities that does not provide current financial resources is not reported as revenues in the governmental funds. 7,352

Changes in deferred outflows and inflows of resources related to net pension liability. (974,144)

Changes in deferred outflows and inflows of resources related to other postemployment benefit liability. (6,037)

Changes in allowance (18,000)

Recognition of additional pension expense and grant revenue for the District's proportionate share of the State of Minnesota's contribution to the PERA and TRA.

In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).

Compensated absences payable	1,965
Total other postemployment benefit liability	<u>(22,575)</u>

Change in net position - governmental activities \$ 587,755

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 820 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The District's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable.

Component units are legally separated entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

C. Basic Financial Statement Presentation

The district-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.

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.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial 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 district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for advance amounts recognized in accordance with a statutory "tax shift." Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner:

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 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.

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

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

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. Descriptions of the major funds included in this report are as follows:

Major Governmental Funds

General Fund – Accounts for all financial resources and transactions except those required to be accounted for in other funds including pupil transportation and capital outlay activities, which were previously (prior to July 1, 1996) accounted for in separate special revenue funds.

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

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2025**

Nonmajor Governmental Funds

Special Revenue Funds – Accounts for proceeds of specific revenue sources (other than permanent fund and major capital projects) that are legally restricted to expenditures for specified purposes. The District’s special revenue funds and their purposes are as follows:

Food Service Fund - Accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities.

Community Service Fund - Accounts for all resources designated for programs other than those for elementary and secondary students.

GASB No. 34 also requires that budget vs. actual information be presented for the general fund and all major special revenue funds.

E. Specific Account Information

Cash and 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 carried at fair value. The District considers certificates of deposit to be cash.

When fair value measurements are required, various data is used in determining those values. Assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable market inputs that are not corroborated by market data

Taxes Receivable – Taxes receivable represents taxes levied in 2024 which are not payable until 2025, net of the amount received prior to June 30.

Property Taxes – Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the District at periodic intervals as the taxes are collected.

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

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as unavailable revenue (property taxes levied for subsequent years).

INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2025

The majority of the revenue in the general fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property taxes and state aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the “tax shift.”

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year. The allowance for uncollectible taxes is \$18,000.

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 expense or expenditure at the time of consumption.

Inventory – Inventory is recorded using the consumption method of accounting and consists 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.

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 acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

Capital assets are recorded in the district-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 sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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

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.

Leases – The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the District has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2025

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the lease commencement date. The district has made an accounting policy election to use a risk free based on US Treasury T-bill rate as of the lease commencement. The District accounts for lease agreements with lease and non lease components together as a single lease component for all underlying classes of assets.

The District continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District is reasonably certain to exercise.

The District's lease agreements do not include any material residual value guarantees or restrictive covenants.

Unearned Revenue – The District defers revenue recognition in connection with resources that have been received but not yet earned.

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Existing bonded debt is reported at the face value of remaining indebtedness. Any new indebtedness that may be issued in the future, bond premiums and discounts, will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable will be reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Compensated Absences – It is the District's policy to permit employees to accumulate earned but unused vacation. All vacation pay is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Employees grandfathered into to the District's severance policy will be paid out sick leave upon retirement from the District. Remaining employees not eligible for severance pay will receive sick leave. Certified and classified staff of 0.5 FTE-1.0 FTE shall earn sick leave at the rate of up to 13 days per year of service prorated to the school calendar. Unused sick leave days may accumulate to a maximum of 140 days of sick leave per employee. An employee is not entitled to be paid for sick leave.

The District accounts for compensated absences using a days-used approach. This approach consists of gathering the historical usage of compensated absences used to determine both a liability related to leave to be used as time off and leave to be settled in cash upon termination of employment. Salary-related employer payments are included in the calculation of the compensated absence liability.

INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2025

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/expenditure) until then. The District has two items that qualify for reporting in this category named *Cost Sharing Defined Benefit Pension Plan* and *Other Postemployment Benefits* which represents actuarial differences within PERA and TRA pension plans and OPEB as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, *property taxes levied – subs. years*, is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the Statement of Net Position as these amounts represent property tax revenue levied for a subsequent period. The third and fourth items, *Cost Sharing Defined Benefit Pension Plan* and *Other Postemployment Benefits*, represent actuarial differences within PERA and TRA pension plans and other postemployment benefits.

Net Position – Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District’s financial statements. Net investment in capital assets consists of capital and lease assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2025

Net Position Flow Assumption – Sometimes the government will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance – The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – Consists of amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted – Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the Minnesota Department of Education.

Committed – Consists of amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned – Consists of amounts a government intends to use for a specific purpose. These constraints are established by the Board of Education.

Unassigned – Consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the District’s policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the District’s policy to use resources in the following order; 1) committed, 2) assigned, and 3) unassigned.

The District will strive to maintain a minimum unassigned general fund balance of 13 percent of the general fund operating expenditures.

F. 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 revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

NOTE 2 CHANGE IN ACCOUNTING PRINCIPLES

The District implemented GASB Statement No. 101, *Compensated Absences*, in the fiscal year ended June 30, 2025. GASB Statement No. 101 establishes uniform accounting and financial reporting requirements for compensated absences.

INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2025

The adoption of GASB 101 resulted in the recognition of an additional compensated absence liability of \$177,956 as of July 1, 2024.

NOTE 3 DEPOSITS AND INVESTMENTS

The District maintains a cash account at its depository bank. Investments are carried at fair value. The District considers certificates of deposit to be cash.

The District's interest income for the year ended June 30, 2025, was \$87,958.

The pooled cash and investment account is comprised of the following:

Cash	\$	247,618
Investments		<u>2,141,391</u>
Total	\$	<u><u>2,389,009</u></u>

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

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value (Level 1)</u>
MN School District Liquid Asset Fund	\$	2,141,391

The Minnesota School District Liquid Asset Fund is a common law trust organized and existing under the laws of the State of Minnesota, in accordance with the provisions of the Minnesota Joint Powers Act. The general objective of the Fund is to provide a high yield for the participants while maintaining liquidity and preserving capital by investing only in instruments authorized by Minnesota Statutes, which govern the temporary investment of school district monies. In addition, the fixed rate/fixed term portion of the program is also structured with safety of principal as the major objective.

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 2a7. The fair value of the position is the same as the value of the pool shares.

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

Credit Risk - The District may invest idle funds as authorized in Minnesota Statutes, as follows:

- (a) Direct obligations or obligations guaranteed or insured issued by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
- (b) General obligations and revenue obligations of any state or local government with taxing powers rated "A" and "AA," respectively, and general obligations of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and rated "A" or better.
- (c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.

INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2025

- (d) Time deposits that are fully insured by the FDIC or bankers acceptances of U.S. banks.
- (e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (f) Repurchase or reverse repurchase agreements with banks that are qualified as a “depository” of public funds of the government entity, any other financial institution which is a member 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.
- (g) Guaranteed investment contracts (GIC’s) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC’s issued by Minnesota banks.
- (h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualifications described in (f) above.

The Minnesota School District Liquid Asset Fund is rated AAA by Standard & Poor’s.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk - Deposits – The District does not have a formal policy for custodial credit risk. In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District's board, all of which are members of the Federal Reserve System. Minnesota Statutes require that all district deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. As of June 30, 2025, the District was not exposed to custodial credit risk.

Custodial Credit Risk - Investments - The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 17,044	\$ -	\$ -	\$ 17,044
Construction in Progress	10,677	13,676	-	24,353
Total Capital Assets, Not Being Depreciated	<u>27,721</u>	<u>13,676</u>	<u>-</u>	<u>41,397</u>
Capital Assets, Being Depreciated:				
Land Improvements	357,594	-	-	357,594
Buildings	18,343,214	9,595	-	18,352,809
Equipment	2,576,921	73,728	6,613	2,644,036
Right to Use - Lease Equipment	103,400	-	-	103,400
Total Capital Assets, Being Depreciated	<u>21,381,129</u>	<u>83,323</u>	<u>6,613</u>	<u>21,457,839</u>
Less Accumulated Depreciation For:				
Land Improvements	253,610	8,963	-	262,573
Buildings	4,076,014	367,593	-	4,443,607
Equipment	1,738,353	126,766	6,613	1,858,506
Right to Use - Lease Equipment	89,300	14,100	-	103,400
Total Accumulated Depreciation	<u>6,157,277</u>	<u>517,422</u>	<u>6,613</u>	<u>6,668,086</u>
Total Capital Assets, Being Depreciated, Net	<u>15,223,852</u>	<u>(434,099)</u>	<u>-</u>	<u>14,789,753</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,251,573</u>	<u>\$ (420,423)</u>	<u>\$ -</u>	<u>\$ 14,831,150</u>

In the statement of activities, depreciation/amortization expense was charged to the following governmental functions:

Administration	\$ 722
District Support Services	14,100
Elementary & Secondary Regular Instruction	14,298
Vocational Education Instruction	7,373
Special Education Instruction	1,050
Instructional Support	7,103
Pupil Support Services	74,864
Sites and Buildings	<u>347,029</u>
	466,539
Unallocated	50,883
Total Depreciation/Amortization Expense	<u>\$ 517,422</u>

NOTE 5 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially, all employees of the District are required by state law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025**

Disclosures relating to these plans follow:

A. Public Employees Retirement Association

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

General Employees Retirement Plan (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.

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025**

Recipients receiving the annuity or benefit for at least one month but less than a full year as of June 30 before the effective date of the increase will receive a reduced prorated increase.

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 \$114,864. The District’s contributions were equal to the required contributions as set by state statute.

Pension Costs – At June 30, 2025, the District reported a liability of \$649,096 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 \$16,784.

District's proportionate share of net pension liability	\$ 649,096
State of Minnesota's proportionate share of the net pension liability associated with the District	16,784
Total	<u>\$ 665,880</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA’s participating employers. The District’s proportionate share was 0.0176% at the end of the measurement period and 0.0162% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$54,513 for its proportionate share of the General Employee Plan’s pension expense. In addition, the District recognized an additional expense of \$322 for its proportionate share of the State of Minnesota’s pension expense for the annual \$16 million contribution.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$2,880 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the General Employees Fund.

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

INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 59,580	\$ -
Net difference between projected and actual earnings on pension plan investments	-	169,027
Changes in actuarial assumptions	3,014	231,800
Changes in proportion	89,000	15,102
Employer contributions subsequent to the measurement date	114,864	-
Total	<u>\$ 266,458</u>	<u>\$ 415,929</u>

\$114,864 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2026	\$ (138,307)
2027	(19,722)
2028	(56,555)
2029	(49,751)

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025**

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

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

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

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

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

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:

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025**

Sensitivity Analysis - NPL at Different Discount Rates		
1% Decrease	Current	1% Increase
(6.0%)	(7.0%)	(8.0%)
\$ <u>1,417,730</u> \$	<u>649,096</u> \$	<u>16,824</u>

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

B. Teachers Retirement Association

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

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

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

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

Tier I Benefits:

<u>Tier I</u>	<u>Step Rate Formula</u>	<u>Percentage</u>
Basic	1st ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	1st ten years if service years are up to July 1, 2006	1.2 percent per year
	1st 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

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025**

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

or

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

Tier II Benefits:

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

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

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.

Contribution Rate - Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025 were \$262,026. The District's contributions were equal to the required contributions for each year as set by state statute.

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025**

Actuarial 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.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Experience Studies August 2, 2023 (demographic and economic assumptions)*

Actuarial Cost Method Entry Age Normal

Actuarial Assumptions:

Investment Rate of Return	7.0%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% after June 30, 2028
Cost of Living Adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually

Mortality Assumption

Pre-retirement	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Healthy Retirees	PubT-2010 (A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries	Pub-2010 (A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Disabled Retirees	PubNS-2010 Disabled Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

** The assumptions prescribed are based on the experience study dated August 2, 2023. For GASB67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary*

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

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025**

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

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

Changes in actuarial assumptions since the 2023 valuation:

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

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2024 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability - On June 30, 2025, the District reported a liability of \$2,738,712 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.0431% at the end of the measurement period and 0.0448% 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:

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025**

District's proportionate share of net pension liability	\$ 2,738,712
State's proportionate share of the net pension liability associated with the District	\$ 179,049

For the year ended June 30, 2025, the District recognized pension expense of \$169,044. It also recognized \$9,842 as an increase to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$16,335 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

At June 30, 2025, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 132,622	\$ 36,958
Net difference between projected and actual earnings on plan	-	352,359
Changes in actuarial assumptions	289,046	326,599
Changes in proportion	109,155	384,013
District contributions subsequent to the measurement date	262,026	-
Total	<u>\$ 792,849</u>	<u>\$ 1,099,929</u>

\$262,026 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2026	\$ (278,037)
2027	215,693
2028	(222,356)
2029	(220,325)
2030	(64,081)

Pension Liability Sensitivity - The following presents the net pension liability calculated using the discount rate of 7.00 percent as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage higher (8.00 percent) than the current rate.

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025**

Sensitivity Analysis - NPL at Different Discount Rates		
1% Decrease	Current	1% Increase
(6.0%)	(7.0%)	(8.0%)
\$ 4,823,033 \$	2,738,712 \$	1,023,267

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

The District recognized total pension expense of \$223,557 for all of the pension plans in which it participates.

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The District's Plan is a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through the District's collective bargaining agreements with employee groups. In as much as the Plan has no assets, reporting another employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand-alone report issued.

Benefit Provided – The District allows eligible individuals who have separated from employment to remain on the healthcare plan with no subsidized benefit from the District. An eligible individual is an active employee who has access to the healthcare plan and all retirees who have elected to continue coverage on the District's medical plan after retiring.

Employees Covered by Benefit Term – At June 30, 2025, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	2
Active plan members	90
Total Members	92

Total OPEB Liability

At June 30, 2025, the District reported a liability of \$278,813 for the defined benefit healthcare plan. The total OPEB liability was measured as of July 1, 2024, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2023.

Actuarial Methods and Assumptions

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

INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

Inflation	2.50%
Salary increases	Service graded table
Discount rate	3.90%
Healthcare cost trend	6.25% grading to 5.00% over 6 years, then 4.00% over next 48 years

The discount rate was based on the 20-year AA rated municipal bond yield.

The valuation uses mortality rates based the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Amortization of deferred resource flows are based on the average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.

In the July 1, 2023 actuarial valuation, the entry age, level percentage of pay actuarial cost method was used.

Retirees and their spouses contribute to the healthcare plan according to their benefit received at retirement. Since the premium is a blended rate determined on the entire active retiree population, the retirees are receiving an implicit rate subsidy for which the District has historically funded on a pay-as-you-go basis. All of the active employees who have access to healthcare and all retirees who have elected to continue coverage on the employer's medical plan after retirement have been included in this valuation.

Changes in the Total OPEB Liability:

	Total OPEB Liability
Beginning Balance	\$ 256,238
Changes for the year:	
Service Cost	27,363
Interest Cost	10,760
Benefit Payments	<u>(15,548)</u>
Net Changes	<u>22,575</u>
Ending Balance	<u>\$ 278,813</u>

Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability as of June 30, 2025, calculated using the discount rate of 3.9%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.9 percent) or 1-percentage-point higher (4.9 percent) than the current rate:

INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

District Total OPEB Liability		
1% Decrease (2.9%)	Current (3.9%)	1% Increase (4.9%)
\$ 296,693	\$ 278,813	\$ 261,401

The following presents the total OPEB liability as of June 30, 2025, calculated using the healthcare cost trend rate of 6.25% grading to 5.0% over six years, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

District Healthcare Cost Trend Rates		
(5.25% decreasing to 4.0% then 3.00%)	(6.25% decreasing to 5.0% then 4.00%)	(7.25% decreasing to 6.0% then 5.00%)
\$ 246,805	\$ 278,813	\$ 316,377

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 \$46,396.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 43,863	\$ 1,581
Changes in actuarial assumptions	2,672	15,144
Employer contributions paid subsequent to the measurement date	17,784	-
Total	\$ 64,319	\$ 16,725

\$17,784 reported as deferred outflows of resources related to OPEB resulting from District contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the total other postemployment benefit liability in the year ending June 30, 2026. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized as pension expense as follows:

Year Ending June 30	OPEB Expense Amount
2026	\$ 8,271
2027	7,180
2028	7,180
2029	7,179

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025**

NOTE 7 LONG-TERM DEBT

Changes in the District's long-term debt for the year ended June 30, 2025 are as follows:

	Beginning Balance Restated	Additions	Retired	Ending Balance	Due Within One Year
Bonds Payable	\$ 10,115,000	\$ -	\$ 640,000	\$ 9,475,000	\$ 670,000
Unamortized Bond Premium	174,475	-	12,845	161,630	12,845
Direct Borrowing	205,132	-	64,818	140,314	68,314
Lease Payable	30,320	-	30,320	-	-
Compensated Absences	213,472	27,857	-	241,329	195,581
	<u>\$ 10,738,399</u>	<u>\$ 27,857</u>	<u>\$ 747,983</u>	<u>\$ 10,018,273</u>	<u>\$ 946,740</u>

Compensated absences and lease payable are generally liquidated by the general fund. Compensated absences are presented net of additions and retirements. The District's interest expense on long-term debt for the year ended June 30, 2025 was \$291,155.

A. General Obligation Bonds

Date of Issue	Interest Rate	Maturity Date	Original Amount	Current Year Retired	Balance 6/30/2025	Due in 25-26	
						Principal	Interest
2017	2.1-4.0%	2/1/2038	\$ 12,225,500	\$ 560,000	\$ 9,035,000	\$ 585,000	\$ 266,680
2019	2.78%	2/1/2030	820,000	80,000	440,000	85,000	12,232

Annual debt service requirements to maturity are as follows:

June 30	Principal	Interest	Total
2026	\$ 670,000	\$ 278,912	\$ 948,912
2027	685,000	258,998	943,998
2028	705,000	244,036	949,036
2029	720,000	223,084	943,084
2030	740,000	201,682	941,682
2031-2035	3,555,000	691,400	4,246,400
2036-2038	2,400,000	148,590	2,548,590
	<u>\$ 9,475,000</u>	<u>\$ 2,046,702</u>	<u>\$ 11,521,702</u>

B. Direct Borrowing

The District has entered into a direct borrowing agreement in a prior year to finance the purchase of 3 buses valued at \$338,358.

June 30	Principal	Interest	Total
2026	\$ 68,314	\$ 7,568	\$ 75,882
2027	72,000	3,882	75,882
	<u>\$ 140,314</u>	<u>\$ 11,450</u>	<u>\$ 151,764</u>

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025**

C. Lease Liability

The District is a lessee for a noncancellable lease of copy machine and postage machine. The value of the lease liability was \$0 as of June 30, 2025. The value of the right-to-use lease asset was \$103,400 at the end of the fiscal year and had accumulated amortization of \$103,400.

NOTE 8 COMPENSATED ABSENCES

The District has compensated absences consisting of several plans, vacation plans, and sick leave. The District accounts for compensated absences using a days-used approach. This approach consists of gathering the historical usage of compensated absences used to determine both a liability related to leave to be used as time off and leave to be settled in cash upon termination of employment. Salary-related employer payments are included in the calculation of the compensated absence liability. At June 30, 2025, the estimated liability under this plan was \$241,329.

NOTE 9 CONTINGENCIES

The District receives significant financial assistance from numerous federal, state and local governmental agencies in the form of grants and aids. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2025.

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 11 NEW PRONOUNCEMENTS

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025**

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the entity's financial statements.

NOTE 12 SUBSEQUENT EVENT

On July 31, 2025, the District issued General Obligation Bonds in the amount of \$255,000 for a Solar Panel Project. The interest rate on the note is 4.50% and the maturity date is 2040.

INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
REVENUES				
Local Property Tax Levies	\$ 594,953	\$ 598,271	\$ 606,714	\$ 8,443
Other Local & County Revenues	259,979	347,895	390,247	42,352
Revenue From State Sources	6,007,849	6,282,803	6,353,847	71,044
Revenue From Federal Sources	280,564	272,862	277,849	4,987
Sale/Other Conversion of Asset	96,639	76,296	98,538	22,242
TOTAL REVENUES	7,239,984	7,578,127	7,727,195	149,068
EXPENDITURES				
Current				
Administration	469,734	465,861	443,275	(22,586)
District Support Services	210,989	217,756	217,452	(304)
Elementary & Secondary Regular Instruction	3,209,185	3,241,956	3,199,181	(42,775)
Vocational Education Instruction	341,386	340,723	339,219	(1,504)
Special Education Instruction	1,353,046	1,363,375	1,381,812	18,437
Instructional Support Services	314,041	374,589	340,863	(33,726)
Pupil Support Services	758,229	809,392	818,822	9,430
Sites and Buildings	635,590	622,767	634,061	11,294
Fixed Costs	112,712	89,450	79,722	(9,728)
Debt Service				
Principal	92,618	96,818	95,138	(1,680)
Interest & Fiscal Fees	11,064	11,064	13,723	2,659
Capital Outlay	92,550	74,715	77,872	3,157
TOTAL EXPENDITURES	7,601,144	7,708,466	7,641,140	(67,326)
Revenues Over (Under) Expenditures	(361,160)	(130,339)	86,055	216,394
OTHER FINANCING SOURCES				
Insurance Recovery	-	-	5,619	5,619
TOTAL OTHER FINANCING SOURCES	-	-	5,619	5,619
Net Change in Fund Balances	(361,160)	(130,339)	91,674	222,013
Fund Balances - Beginning	1,416,059	1,416,059	1,416,059	-
Fund Balances - Ending	<u>\$ 1,054,899</u>	<u>\$ 1,285,720</u>	<u>\$ 1,507,733</u>	<u>\$ 222,013</u>

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 Years**

	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB Liability	\$ 17,173	\$ 17,688	\$ 16,547	\$ 17,043	\$ 24,073	\$ 24,795	\$ 26,566	\$ 27,363
Service Cost	7,819	7,658	7,760	5,067	5,614	4,254	4,553	10,760
Interest	-	-	(7,094)	-	13,376	-	(22,716)	-
Assumption Changes	-	-	(64,934)	-	(7,913)	-	65,795	-
Differences between Expected and Actual Experience	(41,552)	(18,739)	(23,753)	(11,196)	(11,846)	(16,921)	(16,286)	(15,548)
Benefit Payments	(16,560)	6,607	(71,474)	10,914	23,304	12,128	57,912	22,575
Net Change in Total OPEB Liability	233,407	216,847	223,454	151,980	162,894	186,198	198,326	256,238
Total OPEB Liability - Beginning	\$ 216,847	\$ 223,454	\$ 151,980	\$ 162,894	\$ 186,198	\$ 198,326	\$ 256,238	\$ 278,813
Covered Payroll	\$ 3,402,092	\$ 3,504,155	\$ 3,385,062	\$ 3,486,614	\$ 3,737,960	\$ 3,850,099	\$ 3,961,329	\$ 4,080,169
District's Total OPEB Liability as a Percentage of a Covered Payroll	6.37%	6.38%	4.49%	4.67%	4.98%	5.15%	6.47%	6.83%

The District implemented GASB No. 75 for the fiscal year ended June 30, 2018. Information from prior years is not available.

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
SCHEDULE OF DISTRICT CONTRIBUTIONS
Last 10 Years**

Fiscal Year Ended June 30	Statutorily Required		Contributions in Relation to the		Contribution Deficiency (Excess)	District's Covered		Contributions as a	
	Contribution	Contribution	Statutorily Required Contributions	Statutorily Required Contributions		Payroll	Payroll	Percentage of Covered Payroll	Payroll
PERA									
2016	\$	69,718	\$	69,718	\$	-	929,567	7.50	7.50
2017		74,807		74,807	-	-	997,432	7.50	7.50
2018		76,058		76,058	-	-	1,014,109	7.50	7.50
2019		70,946		70,946	-	-	945,944	7.50	7.50
2020		71,342		71,342	-	-	951,223	7.50	7.50
2021		75,558		75,558	-	-	1,007,442	7.50	7.50
2022		94,870		94,870	-	-	1,264,933	7.50	7.50
2023		96,710		96,710	-	-	1,280,358	7.55	7.55
2024		112,542		112,542	-	-	1,498,249	7.51	7.51
2025		114,864		114,864	-	-	1,534,131	7.49	7.49
TRA									
2016	\$	191,320	\$	191,320	\$	-	2,550,933	7.50	7.50
2017		203,334		203,334	-	-	2,711,120	7.50	7.50
2018		206,778		206,778	-	-	2,757,040	7.50	7.50
2019		223,079		223,079	-	-	2,893,372	7.71	7.71
2020		218,247		218,247	-	-	2,755,644	7.92	7.92
2021		219,579		219,579	-	-	2,700,849	8.13	8.13
2022		247,737		247,737	-	-	2,970,468	8.34	8.34
2023		245,157		245,157	-	-	2,858,570	8.58	8.58
2024		252,233		252,233	-	-	2,884,872	8.74	8.74
2025		262,026		262,026	-	-	2,942,241	8.91	8.91

The amounts presented for each fiscal year were determined as of the District's year end which is June 30th.

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
SCHEDULE OF DISTRICT SHARE OF NET PENSION LIABILITY
Last 10 Years**

Fiscal Year Ended June 30	District's		State's		District's		District's	
	Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability Associated with the District (if Applicable)	Total	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	
PERA								
2015	0.0156 %	\$ 808,473	\$ -	\$ 808,473	\$ 865,684	93.39 %	78.19 %	
2016	0.0161	1,307,240	17,062	1,324,302	929,567	140.63	68.90	
2017	0.0162	1,034,197	12,974	1,047,171	997,432	103.69	75.90	
2018	0.0161	893,162	29,248	922,410	1,014,109	88.07	79.53	
2019	0.0145	701,673	24,999	726,672	945,944	74.18	80.23	
2020	0.0142	851,355	26,364	877,719	951,223	89.50	79.06	
2021	0.0149	636,297	19,488	655,785	1,007,442	63.16	87.00	
2022	0.0167	1,322,646	38,799	1,361,445	1,264,933	104.56	76.67	
2023	0.0162	905,886	24,902	930,788	1,280,358	70.75	83.10	
2024	0.0176	649,096	16,784	665,880	1,498,249	43.32	89.08	
TRA								
2015	0.0484 %	\$ 2,994,019	\$ 366,997	\$ 3,361,016	\$ 2,456,107	121.90 %	76.80 %	
2016	0.0490	11,687,669	172,738	11,860,407	2,550,933	458.17	44.88	
2017	0.0504	10,060,754	973,033	11,033,787	2,711,120	371.09	51.57	
2018	0.0499	3,134,320	294,529	3,428,849	2,757,040	113.68	78.07	
2019	0.0510	3,250,751	287,612	3,538,363	2,893,372	112.35	78.21	
2020	0.0477	3,425,140	295,348	3,720,488	2,755,644	124.30	75.48	
2021	0.0451	1,973,711	166,448	2,140,159	2,700,849	73.08	86.63	
2022	0.0472	3,779,526	280,837	4,060,363	2,970,486	127.24	76.17	
2023	0.0448	3,698,788	259,429	3,958,217	2,858,570	129.39	76.42	
2024	0.0431	2,738,712	179,049	2,917,761	2,884,872	94.93	82.07	

The amounts Presented for each fiscal year were determined as of measurement data of the collective net pension liability which is June 30 of the previous fiscal year.

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025**

NOTE 1 BUDGETARY DATA

Budgets are prepared for District funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. All appropriations lapse at year-end. Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is not utilized in the governmental funds of the District.

The budget is adopted through the passage of a resolution. Administration can authorize the transfer of budgeted amounts within any fund. Any revisions that alter the total expenditures of any fund must be approved by the governing board. The legal level of budgetary control is the fund level. The annual appropriated budget is not legally binding on the District unless the District has a deficit fund balance which exceeds 2.5% of expenditures.

NOTE 2 DEFINED BENEFIT PLANS

PERA

2024 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

TRA

Changes in actuarial assumptions since the 2023 valuation:

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.

INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
June 30, 2025

- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

NOTE 3 OTHER POSTEMPLOYMENT BENEFITS

Changes since the prior valuation:

Plan Changes: None

Assumption Changes: None

Method Changes: None

INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2025

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	
ASSETS			
Cash and Investments	\$ 125,072	\$ 60,890	\$ 185,962
Current Property Taxes Receivable	-	12,194	12,194
Delinquent Property Taxes Receivable	-	1,306	1,306
Due from MN Districts	-	4,167	4,167
Due From Department of Education	-	5,505	5,505
Due From Federal Government - DOE	4,253	-	4,253
Prepaid Expenses	960	-	960
Inventory	6,725	-	6,725
TOTAL ASSETS	\$ 137,010	\$ 84,062	\$ 221,072
LIABILITIES			
Accounts Payable	\$ 240	\$ 366	\$ 606
Salaries Payable	14,590	8,893	23,483
Payroll Deductions	13,182	6,007	19,189
Unearned Revenue	3,746	-	3,746
TOTAL LIABILITIES	31,758	15,266	47,024
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Delinquent Taxes	-	1,306	1,306
Property Taxes Levied - Subs. Years	-	27,649	27,649
TOTAL DEFERRED INFLOWS OF RESOURCES	-	28,955	28,955
FUND BALANCES			
Nonspendable: Inventory	6,725	-	6,725
Nonspendable: Prepaid	960	-	960
Restricted for Food Service	97,567	-	97,567
Restricted for ECFE	-	85,708	85,708
Unassigned	-	(45,867)	(45,867)
TOTAL FUND BALANCES	105,252	39,841	145,093
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 137,010	\$ 84,062	\$ 221,072

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES –
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	
REVENUES			
Local Property Tax Levies	\$ -	\$ 23,277	\$ 23,277
Other Local & County Revenues	5,720	70,602	76,322
Revenue From State Sources	160,408	55,051	215,459
Revenue From Federal Sources	254,724	-	254,724
Sale/Other Conversion of Asset	9,755	-	9,755
TOTAL REVENUES	<u>430,607</u>	<u>148,930</u>	<u>579,537</u>
EXPENDITURES			
Current			
Community Education and Services	-	145,859	145,859
Pupil Support Services	441,264	-	441,264
Capital Outlay	<u>23,456</u>	<u>13,676</u>	<u>37,132</u>
TOTAL EXPENDITURES	<u>464,720</u>	<u>159,535</u>	<u>624,255</u>
Net Change in Fund Balances	(34,113)	(10,605)	(44,718)
Fund Balances - Beginning	<u>139,365</u>	<u>50,446</u>	<u>189,811</u>
Fund Balances - Ending	<u>\$ 105,252</u>	<u>\$ 39,841</u>	<u>\$ 145,093</u>

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2025**

	UFARS Balance Beginning of Year	Revenues	Expenditures	Transfers	Insurance Recovery	UFARS Balance End of Year	Reclassify	Financial Statement Balance End of Year
General Fund	\$ 35,085	\$	\$	\$ 44,247	\$	\$ 79,332	\$	\$ 79,332
Nonspendable								
Restricted for:								
Student Activity	198,362	196,222	189,823			204,761		204,761
Scholarships	133,932	34,185	27,506			140,611		140,611
Staff Development	7,382	69,545	72,925			4,002		4,002
Literacy Incentive Aid		22,156	4,135			18,021		18,021
Operating Capital	1,044	108,258	108,472			830		830
Learning and Development	26,191	93,480	95,406			24,265		24,265
St Approved Alt Prog	17	48,837	35,472			13,382		13,382
Q Comp		125,683	107,532			18,151		18,151
Gifted and Talented	5,201	6,209	5,158			6,252		6,252
Basic Skills	21,542	620,236	641,557			221		221
School Library aid	2,418	40,000	41,870			548		548
Safe Schools	1,261	17,446	14,277			4,430		4,430
Literacy Aid		19,251	17,879			1,372		1,372
Teacher Comp READ Act		17,381	6,704			10,677		10,677
Long-Term Facilities Maint.	(5,548)	99,820	50,720			43,552		43,552
Student Support Personnel	40,000					40,000		40,000
Med Assistance	91,890	98,969	50,946			139,913		139,913
Assigned for Entrepreneur Program	5,926	734				6,660		6,660
Unassigned	851,356	6,108,783	6,170,758	(44,247)	5,619	750,753		750,753
Food Service Fund								
Nonspendable	14,157			(6,472)		7,685		7,685
Restricted for Food Service	125,208	430,607	464,720	6,472		97,567		97,567
Community Service Fund								
Restricted for:								
Community Education	(14,760)	39,615	40,553			(15,698)	15,698	-
ECFE	75,000	25,381	14,673			85,708		85,708
School Readiness	(35,938)	72,981	102,752			(65,709)	65,709	-
Community Service	26,144	10,953	1,557			35,540	(35,540)	-
Unassigned								(45,867)
Debt Service								
Restricted for Debt Service	199,408	945,814	948,262			196,960		196,960

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Education
Independent School District No. 820
Sebeka, 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. 820 as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 17, 2025.

Legal Compliance

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

Purpose of the Report

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.



BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

October 17, 2025

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

To the Board of Education
Independent School District No. 820
Sebeka, 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. 820, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 17, 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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2025-001 and 2025-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying schedule of findings and corrective action plan. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

October 17, 2025

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
SCHEDULE OF FINDINGS
June 30, 2025**

2025-001 FINDING

Criteria

An appropriate system of internal controls requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the Board of Education. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The District elected to have the auditor assist with the preparation of the financial statements for efficiency.

Effect

There is an increased risk of material misstatement to the District's financial statements.

Recommendation

We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures. As a compensating control the District should establish an internal control policy to document the annual review of the financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and will review on an annual basis.

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
SCHEDULE OF FINDINGS (CONTINUED)
June 30, 2025**

2025-002 FINDING

Criteria

Generally, a system of internal control contemplates separation of duties that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Condition

Lack of sufficient segregation of duties.

Cause

Size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of the internal control over financial reporting that could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

The areas should be reviewed periodically and consideration given to improving the segregation of duties.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and will review on an annual basis.

**INDEPENDENT SCHOOL DISTRICT NO. 820
SEBEKA, MINNESOTA
CORRECTIVE ACTION PLAN
June 30, 2025**

2025-001 FINDING

Contact Person – Dave Kerkvliet, Superintendent

Corrective Action Plan – Will establish policy to document review of financial statements and notes.

Completion Date – Ongoing

2025-002 FINDING

Contact Person – Dave Kerkvliet, Superintendent

Corrective Action Plan – The following steps are being taken to mitigate the risk: the Superintendent will review and approve all journal entries, the board will approve checks, and the Superintendent will review all bank statements and credit card statements before turning the statements over to the business office for reconciliation.

Completion Date – Ongoing

**INDEPENDENT SCHOOL DISTRICT NO. 820
 SEBEKA, MINNESOTA
 UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE
 TABLE
 June 30, 2025**

District Name:	INDEPENDENT SCHOOL DISTRICT NO.820			District Number:	820		
	Audit	UFARS	Variance		Audit	UFARS	Variance
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	7,727,195	7,727,194	1	Total Revenue			
Total Expenditures	7,641,140	7,641,140	-	Total Expenditures			
<i>Non Spendable</i>				<i>Non Spendable</i>			
460 Non Spendable Fund Balance	79,332	79,332	-	460 Non Spendable Fund Balance			
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
401 Student Activities	204,761	204,763	(2)	407 Capital Projects Levy			
402 Scholarships	140,611	140,612	(1)	413 Projects Funded By COP			
403 Staff Development	4,002	4,003	(1)	467 LTFM			
407 Capital Projects Levy				<i>Restricted</i>			
408 Cooperative Revenue				464 Restricted Fund Balance			
412 Literacy Incentive Aid	18,021	18,020	1	467 LTFM			
414 Operating Debt				<i>Unassigned:</i>			
416 Levy Reduction				463 Unassigned Fund Balance			
417 Taconite Building Maintenance				Reconciliation of Building Construction			
420 American Indian Ed Aid							
424 Operating Capital	830	832	(2)	07 DEBT SERVICE			
426 \$25 Taconite				Total Revenue	945,814	945,814	-
427 Disabled Accessibility				Total Expenditures	948,262	948,262	-
428 Learning & Development	24,265	24,265	-	<i>Non Spendable</i>			
434 Area Learning Center				460 Non Spendable Fund Balance			
435 Contracted Alt Programs				<i>Restricted/Reserved:</i>			
436 State Approved Alt Program	13,382	13,383	(1)	425 Bond Refundings			
437 Q Comp	18,151	18,151	-	433 Max Effort Loan			
438 Gifted & Talented	6,252	6,251	1	451 QZAB Payments			
440 Teacher Development and Eval				467 LTFM			
441 Basic Skills Programs	221	221	-	<i>Restricted</i>			
443 School Library Aid	548	548	-	464 Restricted Fund Balance	196,960	196,958	2
448 Achievement and Integration				<i>Unassigned:</i>			
449 Safe Schools Levy	4,430	4,430	-	463 Unassigned Fund Balance			
451 QZAB Payments				Reconciliation of Debt Service	2,091,036	2,091,034	2
452 OPEB Liab Not In Trust							
453 Unfunded Sev & Retirement Levy				08 TRUST			
459 Basic Skills Ext Time				Total Revenue			
456 Literacy Aid	1,372	1,372	-	Total Expenditures			
457 Teacher Comp Read Act	10,677	10,677	-	<i>Unassigned:</i>			
467 LTFM	43,552	43,551	1	422 Unassigned Fund Balance			
471 Student Support Personnel	40,000	40,000	-	Reconciliation of Internal Service			
472 Medical Assistance	139,913	139,913	-	20 INTERNAL SERVICE			
<i>Restricted</i>				Total Revenue			
464 Restricted Fund Balance				Total Expenditures			
475 Title VII - Impact Aid				<i>Unassigned:</i>			
<i>Committed</i>				422 Unassigned Fund Balance			
418 Committed for Separation				Reconciliation of Internal Service			
461 Committed				25 OPEB REVOCABLE TRUST FUND			
<i>Assigned</i>				Total Revenue			
462 Assigned Fund Balance	6,660	6,660	-	Total Expenditures			
<i>Unassigned:</i>				<i>Unassigned:</i>			
422 Unassigned Fund Balance	750,753	750,749	4	422 Unassigned Fund Balance			
Reconciliation of General	16,876,068	16,876,067	1	Reconciliation of OPEB Revocable Trust			
02 FOOD SERVICE				45 OPEB IRREVOCABLE TRUST FUND			
Total Revenue	430,607	430,606	1	Total Revenue			
Total Expenditures	464,720	464,720	-	Total Expenditures			
<i>Non Spendable</i>				<i>Unassigned:</i>			
460 Non Spendable Fund Balance	7,685	7,685	-	422 Unassigned Fund Balance			
<i>Restricted/Reserved:</i>				Reconciliation of OPEB Irrevocable Trust			
452 OPEB Liab Not In Trust				47 OPEB DEBT SERVICE FUND			
<i>Restricted</i>				Total Revenue			
464 Restricted Fund Balance	97,567	97,562	5	Total Expenditures			
<i>Unassigned</i>				<i>Non Spendable</i>			
463 Unassigned Fund Balance				425 Bond Refunding			
Reconciliation of Food Service	1,000,579	1,000,573	6	460 Non Spendable Fund Balance			
04 COMMUNITY SERVICE				<i>Restricted</i>			
Total Revenue	148,930	148,931	(1)	464 Restricted Fund Balance			
Total Expenditures	159,535	159,535	-	<i>Unassigned</i>			
<i>Non Spendable</i>				463 Unassigned Fund Balance			
460 Non Spendable Fund Balance				Reconciliation of OPEB Debt Service			
<i>Restricted/Reserved:</i>							
426 \$25 Taconite							
431 Community Education	(15,698)	(15,698)	-				
432 E.C.F.E.	85,708	85,707	1				
440 Teacher Development and Eval							
444 School Readiness	(65,709)	(65,707)	(2)				
447 Adult Basic Education							
452 OPEB Liab Not In Trust							
<i>Restricted</i>							
464 Restricted Fund Balance	35,540	35,541	(1)				
<i>Unassigned</i>							
463 Unassigned Fund Balance							
Reconciliation of Community Service	348,306	348,309	(3)				

FORM OF LEGAL OPINION

(See following pages)



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

§ _____
INDEPENDENT SCHOOL DISTRICT NO. 820
(SEBEKA PUBLIC SCHOOL)
WADENA, CASS, OTTER TAIL AND BECKER COUNTIES, MINNESOTA
GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS AND CAPITAL NOTES
SERIES 2026A

We have acted as bond counsel to Independent School District No. 820 (Sebeka Public School), Wadena, Cass, Otter Tail and Becker Counties, Minnesota (the “Issuer”), in connection with the issuance by the Issuer of its General Obligation Facilities Maintenance Bonds and Capital Notes, Series 2026A (the “Bonds”), originally dated _____, 2026, and issued in the original aggregate principal amount of \$ _____. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings, and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

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

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

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

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

5. The resolution adopted by the School Board of the Issuer on March 9, 2026 , obligates the Issuer to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of that law against the State of Minnesota (the "State") in the absence of appropriated and available funds to pay the obligations of the State thereunder.

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

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

Dated _____, 2026, at Minneapolis, Minnesota.

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

\$[1,050,000]
INDEPENDENT SCHOOL DISTRICT NO. 820
(SEBEKA PUBLIC SCHOOL)
WADENA, CASS, OTTER TAIL AND BECKER COUNTIES, MINNESOTA
GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS AND CAPITAL NOTES
SERIES 2026A

CONTINUING DISCLOSURE CERTIFICATE

_____, 2026

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Independent School District No. 820 (Sebeka Public School), Wadena, Cass, Otter Tail and Becker Counties, Minnesota (the “District”), in connection with the issuance of its General Obligation Facilities Maintenance Bonds and Capital Notes, Series 2026A (the “Bonds”), in the original aggregate principal amount of \$[1,050,000]. 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 the District’s Audited Financial Statements.

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

“Bonds” means the General Obligation Facilities Maintenance Bonds and Capital Notes, Series 2026A, issued by the District in the original aggregate principal amount of \$[1,050,000].

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“District” means Independent School District No. 820 (Sebeka Public School), Wadena, Cass, Otter Tail and Becker Counties, Minnesota, which is the obligated person with respect to the Bonds.

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

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

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

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

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

“GASB” means the Governmental Accounting Standards Board.

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

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

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

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

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

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

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

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

Section 3. Provision of Annual Report.

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

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

Section 4. Reporting of Material Events.

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

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

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

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

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

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

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

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

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

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 820
(SEBEKA PUBLIC SCHOOL), WADENA, CASS,
OTTER TAIL AND BECKER COUNTIES,
MINNESOTA**

Board Chair

Clerk

Continuing Disclosure Certificate
Independent School District No. 820 (Sebeka Public School)
Wadena, Cass, Otter Tail and Becker Counties, Minnesota
General Obligation Facilities Maintenance Bonds and Capital Notes, Series 2026A

TERMS OF PROPOSAL

**\$1,050,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS AND CAPITAL NOTES,
SERIES 2026A
INDEPENDENT SCHOOL DISTRICT NO. 820 (SEBEKA PUBLIC SCHOOL), MINNESOTA**

Proposals for the purchase of \$1,050,000* General Obligation Facilities Maintenance Bonds and Capital Notes, Series 2026A (the "Bonds") of Independent School District No. 820 (Sebeka 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 9:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 9:30 A.M., Central Time, on June 8, 2026, at which time they will be opened, read and tabulated. The proposals will be presented to the School Board for consideration for award by resolution at a meeting to be held at 6:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and Minnesota Statutes, Sections 123B.595 and 123B.61, by the District, to provide funds for roofing projects included in the District's ten-year facility plan approved by the Commissioner of Education and to purchase capital equipment for 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 July 2, 2026, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2027	\$30,000	2031	\$100,000	2035	\$115,000
2028	60,000	2032	100,000	2036	125,000
2029	85,000	2033	105,000	2037	125,000
2030	90,000	2034	115,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2027, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

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

DELIVERY

On or about July 2, 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 \$1,050,000 plus accrued interest on the principal sum of \$1,050,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 9:30 A.M., Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

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

A good faith deposit ("Deposit") in the amount of \$21,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. The Deposit will be deducted from the purchase price at the closing for the Bonds

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

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

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

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

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

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Underwriter (Syndicate Manager) will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

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

By Order of the School Board

Independent School District No. 820
(Sebeka Public School), Minnesota

PROPOSAL FORM

The School Board
Independent School District No. 820 (Sebeka Public School), Minnesota (the "District")

June 8, 2026

RE: \$1,050,000* General Obligation Facilities Maintenance Bonds and Capital Notes, Series 2026A (the "Bonds")
DATED: July 2, 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 \$1,050,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2027	_____ % due	2031	_____ % due	2035
_____ % due	2028	_____ % due	2032	_____ % due	2036
_____ % due	2029	_____ % due	2033	_____ % due	2037
_____ % due	2030	_____ % due	2034		

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

All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$21,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. 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 July 2, 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 July 2, 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. 820 (Sebeka Public School), Minnesota, on June 8, 2026.

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