

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 1, 2026

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

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

New Issue

Rating Application Made: S&P Global Ratings

INDEPENDENT SCHOOL DISTRICT NO. 84 (SLEEPY EYE), MINNESOTA (Brown County)

(Minnesota School District Credit Enhancement Program)

\$1,290,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2026A

PROPOSAL OPENING: June 10, 2026, 10:30 A.M., C.T.

CONSIDERATION: June 10, 2026, 5:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$1,290,000* General Obligation Facilities Maintenance Bonds, Series 2026A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and Minnesota Statutes, Section 123B.595, as amended, by Independent School District No. 084 (Sleepy Eye), Minnesota (the "District"), to provide funds for roofing projects included in the District's ten-year facility plan approved by the Commissioner of Education. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: 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	\$180,000	2030	\$155,000	2033	\$180,000
2028	115,000	2031	165,000	2034	190,000
2029	135,000	2032	170,000		

***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: \$1,290,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$25,800 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL: Kennedy & Graven, Chartered.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

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



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REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

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SLEEPY EYE SCHOOL BOARD

		<u>Term Expires</u>
Darla Remus	Board Chair	January 2029
Casey Coulson	Vice Chair	January 2027
Sheila Wurtzberger	Clerk	January 2027
Joleen Dittbenner	Treasurer	January 2029
Adam Barka	Member	January 2027
Dan Marti	Member	January 2029
Brian Nelson	Member	January 2027

ADMINISTRATION

John Cselovszki, Superintendent of Schools

Todd Netzke, 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. 084 (Sleepy Eye), Minnesota (the "District") and the issuance of its \$1,290,000* General Obligation Facilities Maintenance Bonds, Series 2026A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the School Board on June 10, 2026.

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

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of 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, Section 123B.595, as amended, by the District, to provide funds for roofing projects included in the District's ten-year facility plan approved by the Commissioner of Education.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	\$1,290,000	
Reoffering Premium	<u>66,367</u>	
Total Sources		\$1,356,367
Uses		
Total Underwriter's Discount (1.800%)	\$23,220	
Costs of Issuance	50,000	
Deposit to Construction Fund	<u>1,283,147</u>	
Total Uses		\$1,356,367

*Preliminary, subject to change.

SECURITY

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

RATING

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

The District currently has a "AA-"/Stable 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 August 13, 2025 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, as amended, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

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

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

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

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

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

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

CONTINUING DISCLOSURE

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

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

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

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 Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2025 have been audited by Abdo, Mankato, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

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

Taxes: The Bonds are general obligations of the District, the ultimate payment of which rests in the District's ability to levy and collect sufficient taxes to pay debt service (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	<u><u>\$2,110,204,074¹</u></u>
2025/26 Assessor's Estimated Market Value	
Real Estate	\$1,806,015,500
Personal Property	<u>8,376,800</u>
Total Valuation	<u><u>\$1,814,392,300</u></u>
2025/26 Net Tax Capacity	
Real Estate	\$13,939,979
Personal Property	<u>134,489</u>
Net Tax Capacity	<u><u>\$14,074,468</u></u>

2025/26 NET TAX CAPACITY BY CLASSIFICATION

	2025/26 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$2,509,259	17.83%
Agricultural	9,866,694	70.10%
Commercial/industrial	971,745	6.90%
Public utility	7,417	0.05%
Railroad operating property	89,380	0.64%
Non-homestead residential	469,889	3.34%
Commercial & residential seasonal/rec.	25,595	0.18%
Personal property	<u>134,489</u>	<u>0.96%</u>
Total	<u><u>\$14,074,468</u></u>	<u><u>100.00%</u></u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District was about 91.21% 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 \$2,110,204,074.

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity ¹	Taxable Net Tax Capacity ²	Percent Increase/Decrease in Estimated Market Value
2021/22	\$1,110,705,900	\$1,063,752,900	\$8,579,396	\$8,544,190	0.72%
2022/23	1,277,118,400	1,231,296,334	10,186,110	10,143,828	14.98%
2023/24	1,718,204,800	1,674,710,348	14,024,500	14,024,500	34.54%
2024/25	1,789,793,900	1,733,539,555	13,827,674	13,827,674	4.17%
2025/26	1,814,392,300	1,758,969,999	14,074,468	14,074,468	1.37%

LARGEST TAXPAYERS

Taxpayer	Type of Property	2025/26 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Haala Properties, LLLP	Agricultural	\$206,413	1.47%
Central Region Cooperative	Agricultural	168,659	1.20%
Christensen Farms & Feedlots	Agricultural	113,787	0.81%
J & J Farmland, LLLP	Agricultural	90,119	0.64%
Individual	Agricultural	89,877	0.64%
Dakota MN & Eastern Railroad	Railroad	89,380	0.64%
J & R Land, LLLP	Agricultural	70,014	0.50%
Individual	Agricultural	67,778	0.48%
Individual	Residential	65,819	0.47%
Northern Natural Gas	Transportation	63,636	0.45%
Total		\$1,025,482	7.29%

District's Total 2025/26 Net Tax Capacity \$14,074,468

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

¹ Net Tax Capacity includes tax increment values.

² Taxable Net Tax Capacity includes tax increment values.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids ² (includes the Bonds)*	<u>\$1,290,000</u>
--	--------------------

Other Obligations - Cooperative District/Joint Governmental Obligations

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

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

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

STATE AID FOR DEBT SERVICE

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

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

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

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

Some school districts will also receive aid for debt service payments through the State School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minnesota Statutes, Section 273.1387). The reimbursement percentage for each qualifying property is 70% of the property's eligible net tax capacity multiplied by the school debt tax rate determined under Minnesota Statutes, Section 275.08, subdivision 1b. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, and to rural vacant land and managed forest land. The amount of agricultural credit received in the debt service fund for taxes payable 2025 is approximately 46.58% 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	\$2,110,204,074
Multiply by 15%	0.15
Statutory Debt Limit	\$316,530,611
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(1,290,000)
Unused Debt Limit*	\$315,240,611

*Preliminary, subject to change.

Independent School District No. 084 (Sleepy Eye), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 07/02/2026)

Facilities Maintenance Bonds
Series 2026A

Dated	07/02/2026							
Amount	\$1,290,000*							
Maturity	02/01							
Fiscal Year	Estimated					Principal	Fiscal Year	
Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Outstanding	% Paid	Ending
2027	180,000	36,343	180,000	36,343	216,343	1,110,000	13.95%	2027
2028	115,000	53,600	115,000	53,600	168,600	995,000	22.87%	2028
2029	135,000	47,850	135,000	47,850	182,850	860,000	33.33%	2029
2030	155,000	41,100	155,000	41,100	196,100	705,000	45.35%	2030
2031	165,000	33,350	165,000	33,350	198,350	540,000	58.14%	2031
2032	170,000	25,100	170,000	25,100	195,100	370,000	71.32%	2032
2033	180,000	16,600	180,000	16,600	196,600	190,000	85.27%	2033
2034	190,000	7,600	190,000	7,600	197,600	0	100.00%	2034
	1,290,000	261,543	1,290,000	261,543	1,551,543			

* Preliminary, subject to change.

OVERLAPPING DEBT¹

Taxing District	2025/26 Taxable Net Tax Capacity	% In District	Total G.O. Debt²	District's Proportionate Share
Cities of:				
Evan	\$64,664	100.00%	\$259,000	\$259,000
Sleepy Eye	2,669,986	100.00%	9,274,000	9,274,000
Township of:				
Milford	2,627,954	3.58%	354,979	<u>\$12,715</u>
District's Share of Total Overlapping Debt				<u><u>\$9,545,715</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 \$2,110,204,074	Debt/ Per Capita 5,121 ¹
Total G.O. Debt Paid from Taxes and State Aids*	\$1,290,000		
Less: Agricultural Credit ²	(600,882)		
Tax Supported General Obligation Debt*	\$689,118	0.03%	\$134.57
District's Share of Total Overlapping Debt	\$9,545,715	0.45%	\$1,864.03
Total*	\$10,234,833	0.49%	\$1,998.60

*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	\$997,411	\$989,786	\$997,083	99.97%
2022/23	976,837	971,126	975,639	99.88%
2023/24	990,983	983,275	986,794	99.58%
2024/25	1,008,694	997,532	997,532	98.89%
2025/26	1,182,637	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 46.58% 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 \$600,882.

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 15th of each year.

TAX CAPACITY RATES¹

	2021/22	2022/23	2023/24	2024/25	2025/26
I.S.D. No. 084 (Sleepy Eye)	7.494%	5.404%	3.625%	3.926%	5.685%
Brown County	43.217%	38.902%	31.500%	34.282%	36.910%
City of Evan	80.542%	76.405%	57.553%	61.861%	57.878%
City of Sleepy Eye	92.938%	88.399%	76.023%	76.352%	77.531%
Town of Mulligan ²	11.621%	9.466%	7.347%	6.720%	6.698%
Region 9	0.178%	0.154%	0.122%	0.136%	0.134%
<i>Referendum Market Value Rates:</i>					
I.S.D. No. 084 (Sleepy Eye)	0.13456%	0.13396%	0.12171%	0.10832%	0.10783%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Brown County.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 91, including 36 non-licensed employees and 55 licensed employees (52 of whom are teachers). The District provides education for 494 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

Public Employees' Retirement Association (PERA)

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

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

² Representative town rate.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
SEEA (Teachers)	June 30, 2027
MSEA (Para, Kitchen, Clerical)	June 30, 2027
Confidential	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/Annual Comprehensive Financial Report (Audit) shows a total OPEB liability of \$328,977 as of June 30, 2024. 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	32	248	251	531
2022/23	40	246	257	543
2023/24	36	254	247	537
2024/25	44	237	244	525
2025/26	29	240	225	494

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2026/27	25	238	231	494
2027/28	25	230	233	488
2028/29	25	212	233	470

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Sleepy Eye Elementary/Secondary	1952	1966, 1980, 1996

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 April 30, 2026)

Fund	Total Cash and Investments
General	\$4,948,630
Food Service	53,651
Community Service	181,465
Debt Service	<u>22,307</u>
Total Funds on Hand	<u><u>\$5,206,053</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	\$4,742,941	\$8,766,130	(\$9,132,061)	(\$365,931)	\$4,377,010
Food Service	145,783	638,325	(623,759)	14,566	160,349
Community Service	118,525	335,229	(282,410)	52,819	171,344
Debt Service	<u>22,207</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,207</u>
Total All Funds	<u>\$5,029,456</u>	<u>\$9,739,684</u>	<u>(\$10,038,230)</u>	<u>(\$298,546)</u>	<u>\$4,730,910</u>

SUMMARY GENERAL FUND INFORMATION

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

FISCAL YEAR ENDING JUNE 30					
COMBINED STATEMENT	2021	2022	2023	2024	2025
	Audited	Audited	Audited	Audited	Audited
Revenues					
Local property taxes	\$881,090	\$863,081	\$850,171	\$882,009	\$922,685
Other local and county revenues	350,433	472,846	468,248	618,376	441,220
Revenue from state sources	5,875,508	5,912,894	6,090,455	6,972,905	6,969,391
Revenue from federal sources	642,654	1,039,527	1,128,102	424,988	537,240
Local sales and insurance recovery	859	0	0	0	0
Sales and other conversion of assets	0	14,406	10,442	32,533	29,769
Earnings and investments	0	11,544	110,359	202,819	195,537
Total Revenues	<u>\$7,750,544</u>	<u>\$8,314,298</u>	<u>\$8,657,777</u>	<u>\$9,133,630</u>	<u>\$9,095,842</u>
Expenditures					
Current:					
Administration	\$478,901	\$514,488	\$547,334	\$586,550	\$606,670
District support services	255,186	231,941	288,618	282,702	333,868
Elementary and secondary regular instruction	3,518,773	3,849,979	3,887,074	4,013,501	4,191,748
Vocational education instruction	231,948	228,187	234,968	270,419	331,915
Special education instruction	1,038,512	1,036,687	1,121,627	1,223,262	1,369,382
Instructional support services	333,440	306,420	298,165	364,249	382,540
Pupil support services	756,109	684,198	787,901	843,278	851,052
Sites and buildings	761,439	733,829	720,592	880,426	762,994
Fiscal and other fixed cost programs	51,425	48,057	59,588	68,253	78,536
Debt service	0	0	255,740	0	5,667
Capital outlay	0	188,225	0	333,732	378,661
Total Expenditures	<u>\$7,425,733</u>	<u>\$7,822,011</u>	<u>\$8,201,607</u>	<u>\$8,866,372</u>	<u>\$9,293,033</u>
Excess of revenues over (under) expenditures	\$324,811	\$492,287	\$456,170	\$267,258	(\$197,191)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	\$0	\$175	\$700	\$0	\$0
Proceeds from capital leases	0	0	0	89	0
Insurance recovery	0	0	0	3,012	100,000
Transfers (out)	0	0	0	0	(12,210)
Total Other Financing Sources (Uses)	\$ -	\$ 175.00	\$ 700.00	\$ 3,101.00	\$ 87,790.00
Net changes in Fund Balances	\$324,811	\$492,462	\$456,870	\$270,359	(\$109,401)
General Fund Balance July 1	\$3,316,466	\$3,641,277	\$4,133,739	\$4,590,609	\$4,860,968
Prior Period Adjustment	0	0	0	0	0
General Fund Balance June 30	<u>\$3,641,277</u>	<u>\$4,133,739</u>	<u>\$4,590,609</u>	<u>\$4,860,968</u>	<u>\$4,751,567</u>
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	\$20,528	\$37,715	\$21,119	\$8,695	\$27,721
Restricted	884,236	949,935	1,011,343	1,174,450	1,148,147
Assigned	75,480	85,896	93,144	118,867	120,198
Unassigned	2,661,033	3,060,193	3,465,003	3,558,956	3,455,501
Total	<u>\$3,641,277</u>	<u>\$4,133,739</u>	<u>\$4,590,609</u>	<u>\$4,860,968</u>	<u>\$4,751,567</u>

GENERAL INFORMATION

LOCATION

The District, with a 2020 U.S. Census population of 5,137, and a 2024 population estimate of 5,121, and comprising an area of 206.75 square miles, is located approximately 108 miles southwest of St. Paul, Minnesota.

LARGER EMPLOYERS¹

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Schwartz Farms, Inc.	Hog farming and pork products	505
Koozie Group	Promotional products supplier	400
Mathiowetz Construction Company	Excavation contractor	180
Sleepy Eye Care Center	Senior living and care facility	135
Divine Providence Nursing Home	Nursing and convalescent homes	100
Christensen Farms	Farms	100
I.S.D. No. 84 (Sleepy Eye)	Elementary and secondary education	91
Sleepy Eye Medical Center	Hospitals	90
Volunteers of America	Continuum of care for older adults	75
St. Marys Catholic Church and School	Religious school and church	70

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	5,491
2020 U.S. Census population	5,137
Percent of Change 2010 - 2020	-6.45%
2024 State Demographer Estimate	5,121

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	Brown County	State of Minnesota	United States
2024 per capita income	\$40,345	\$37,653	\$48,237	\$44,673
2024 median household income	\$72,384	\$69,378	\$89,062	\$80,734
2024 median family income	\$94,943	\$90,525	\$113,993	\$99,999
2024 median gross rent	\$782	\$890	\$1,280	\$1,413
2024 median value owner occupied units	\$166,400	\$191,200	\$329,300	\$332,700
2024 median age	43.1 yrs.	42.0 yrs.	38.8 yrs.	38.9 yrs.

	State of Minnesota	United States
District % of 2024 per capita income	83.64%	90.31%
District % of 2024 median family income	83.29%	94.94%

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	Average Employment		Average Unemployment	
	Brown County	Brown County	State of Minnesota	State of Minnesota
2022	13,299	2.5%	2.5%	
2023	13,475	2.9%	2.8%	
2024	13,593	3.3%	3.1%	
2025	13,659	3.9%	3.9%	
2026, April	13,629	3.7%	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.

ANNUAL FINANCIAL REPORT

INDEPENDENT SCHOOL DISTRICT NO. 84
SLEEPY EYE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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 Sleepy Eye, Minnesota
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Sleepy Eye, Minnesota
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INTRODUCTORY SECTION
INDEPENDENT SCHOOL DISTRICT NO. 84
SLEEPY EYE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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Independent School District No. 84
Sleepy Eye, Minnesota
School District Officials
For the Year Ended June 30, 2025

BOARD OF EDUCATION

<u>Name</u>	<u>Term on Board Expires</u>	<u>Position</u>
Darla Remus	01/01/29	Chairperson
Casey Coulson	01/01/27	Vice Chairperson
Sheila Wurtzburger	01/01/27	Clerk
Joleen Dittbenner	01/01/29	Treasurer
Dan Marti	01/01/29	Member
Brian Nelson	01/01/27	Member
Adam Barka	01/01/27	Member

ADMINISTRATION

John Cselovszki	Superintendent
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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 84
SLEEPY EYE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 84
Sleepy Eye, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Independent School District No. 84, Sleepy Eye, Minnesota, (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the District as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, the Schedules of Funding Progress and the Schedule of Changes in the District's Net OPEB Liability (Asset) and Related Ratios starting on page 70 be presented to supplement the basic financial statements. Such information, 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 accompanying combining and individual fund financial statements and schedules and table 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and 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 in the report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement 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 December 22, 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.



Abdo
Mankato, Minnesota
December 22, 2025



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Management's Discussion and Analysis

As management of the Independent School District No. 84 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025.

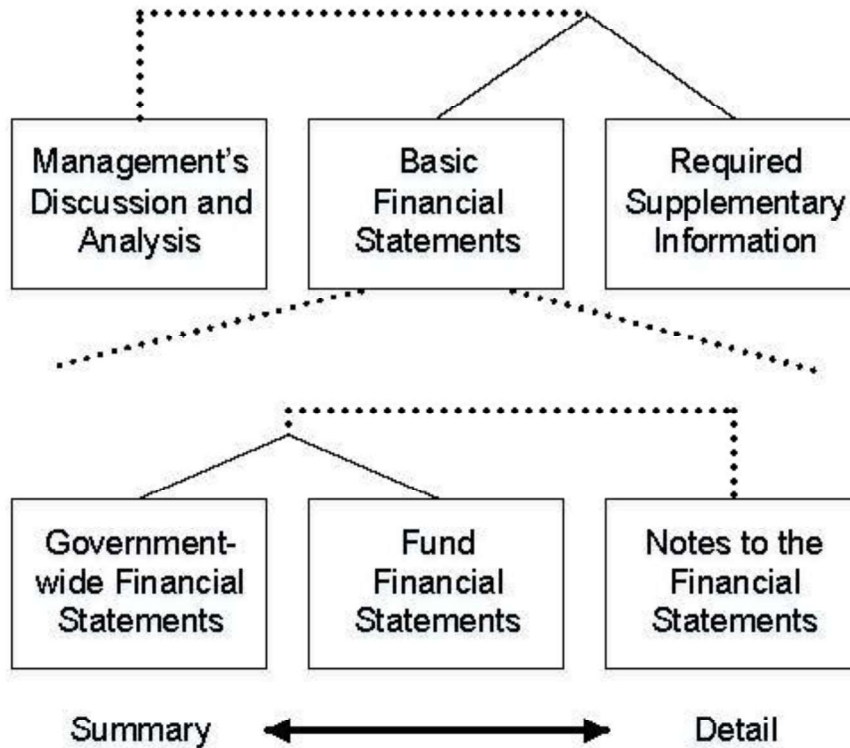
Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages.
- The District's total net position increased as shown in the summary of changes in net position on the following pages. This was primarily related to an increase in operating grants and contributions.
- As of close of the current fiscal year, the District's governmental fund balances are shown in the Financial Analysis of the District's funds section of the MD&A. The total fund balance decreased in comparison with the prior year.
- At the end of the current fiscal year, assigned, and restricted fund balance for the General Fund, as shown in the financial analysis of the District's funds section, decreased from prior year. Unassigned fund balance decreased from the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of Independent School District No. 84 Annual Financial Report



The following chart summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements:

Major Features of the District-wide and Fund Financial Statements

	Fund Financial Statements		
	District-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as police, fire and parks	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

District-wide Financial Statements. The *District-wide financial statements* are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District’s assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District’s overall health, you need to consider additional non-financial indicators such as changes in the District’s property tax base and condition of school buildings and other facilities.

The *statement of activities* presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

In the district-wide financial statements, the District activities are shown in one category titled “governmental activities”:

- *Governmental Activities:* The District’s basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

The District-wide financial statements can be found starting on page 30 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one category: governmental funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact by the District’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *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 which is considered to be major fund. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 34 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found starting on page 39 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District’s share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 70 of this report.

Supplementary information. Combining and individual fund financial statements and schedules and table can be found starting on page 80 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by as shown in the summary of net position below at the close of the most recent fiscal year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Another portion of the District's net position reflects amounts restricted for food service and educational purposes. These funds are to be used for the District's funded programs and activities.

Independent School District No. 84's Net Position

	2025	2024	Increase (Decrease)
Assets			
Current and other assets	\$ 6,856,043	\$ 7,143,359	\$ (287,316)
Capital assets	4,734,020	4,567,084	166,936
Total Assets	<u>11,590,063</u>	<u>11,710,443</u>	<u>(120,380)</u>
Deferred Outflows of Resources	<u>946,795</u>	<u>1,144,097</u>	<u>(197,302)</u>
Liabilities			
Long-term liabilities outstanding	4,129,043	5,270,760	(1,141,717)
Other liabilities	912,823	1,073,221	(160,398)
Total Liabilities	<u>5,041,866</u>	<u>6,343,981</u>	<u>(1,302,115)</u>
Deferred Inflows of Resources	<u>1,968,876</u>	<u>1,125,509</u>	<u>843,367</u>
Net Position			
Net investment in capital assets	4,582,456	4,547,084	35,372
Restricted	1,537,306	1,525,108	12,198
Unrestricted	<u>(593,646)</u>	<u>(687,142)</u>	<u>93,496</u>
Total Net Position	<u>\$ 5,526,116</u>	<u>\$ 5,385,050</u>	<u>\$ 141,066</u>
Net Position as a Percent of Total			
Net investment in capital assets	82.9 %	84.4 %	
Restricted	27.8	28.3	
Unrestricted	<u>(10.7)</u>	<u>(12.7)</u>	
	<u>100.0 %</u>	<u>100.0 %</u>	

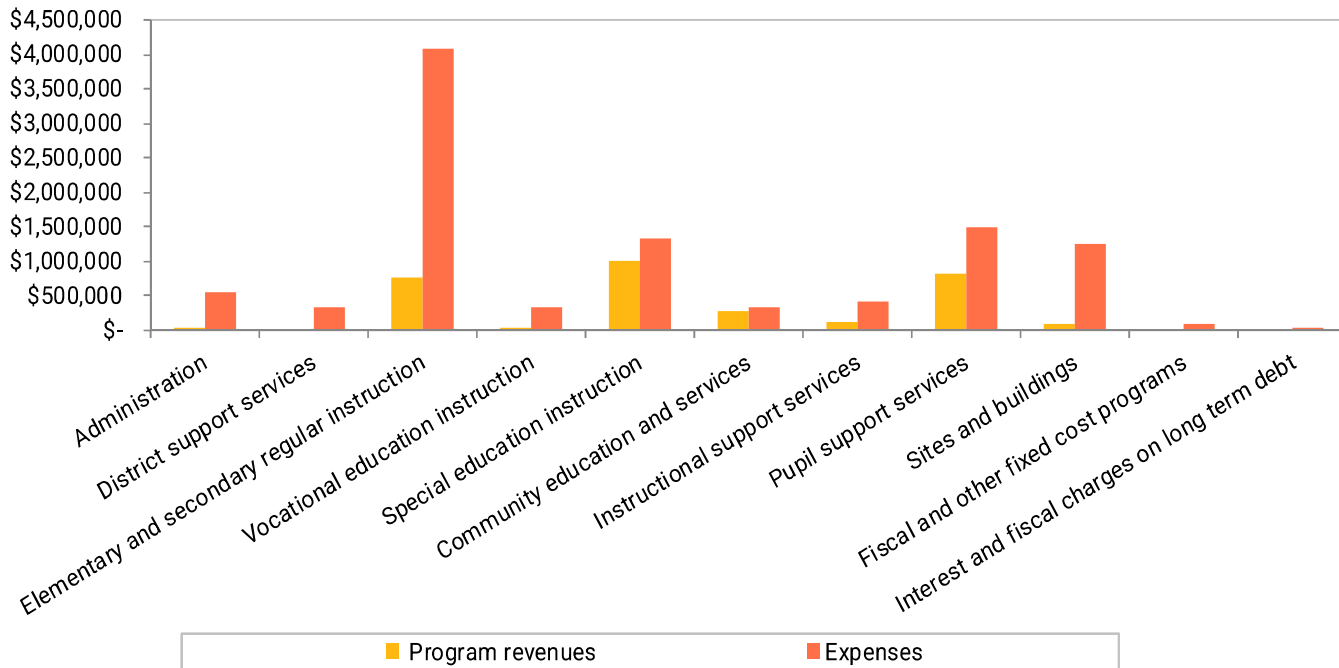
At the end of the current fiscal year, the District reports a positive balance in net investment in capital assets and restricted categories and a negative balance in unrestricted.

Governmental Activities. Governmental activities increased the District’s net position as shown in the summary of changes in net position. Key elements of this increase are shown in the table below.

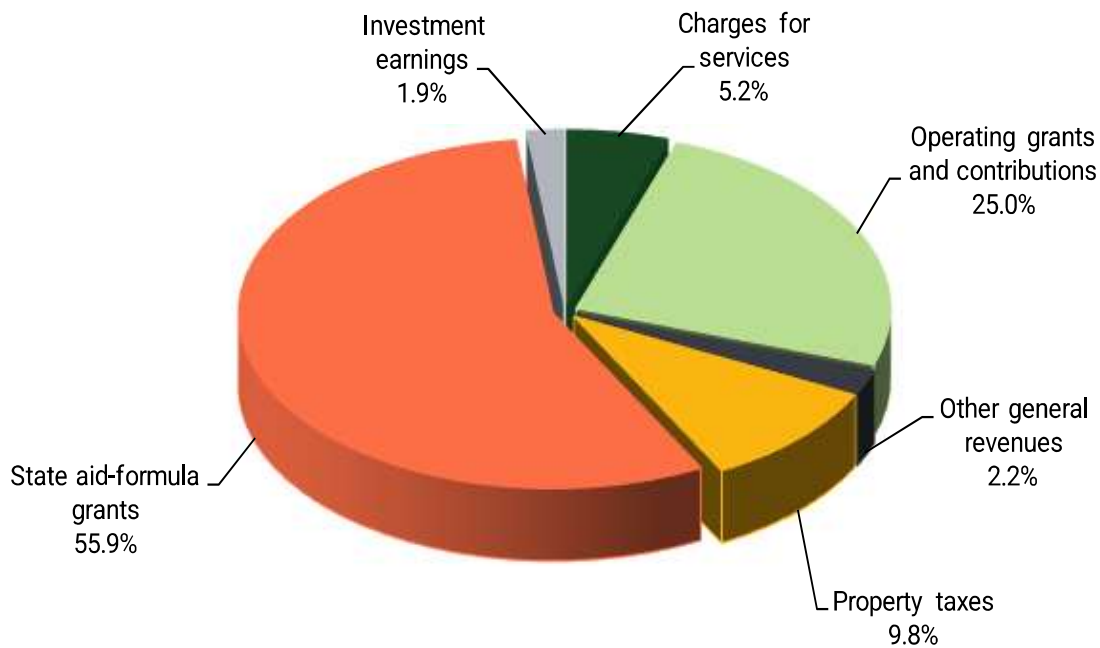
Independent School District No. 84’s Changes in Net Position

	<u>2025</u>	<u>2024</u>	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	\$ 525,517	\$ 661,441	\$ (135,924)
Operating grants and contributions	2,560,147	2,011,291	548,856
General revenues			
Property taxes	994,325	985,597	8,728
State aid-formula grants	5,675,970	6,145,281	(469,311)
Other general revenues	228,828	201,996	26,832
Gain on sale of capital assets	-	89	(89)
Investment earnings	195,537	202,819	(7,282)
Total Revenues	<u>10,180,324</u>	<u>10,208,514</u>	<u>(28,190)</u>
Expenses			
Administration	559,188	540,680	18,508
District support services	333,740	277,918	55,822
Elementary and secondary regular instruction	4,090,027	3,703,574	386,453
Vocational education instruction	323,433	241,272	82,161
Special education instruction	1,330,488	1,147,115	183,373
Community education and services	321,517	312,157	9,360
Instructional support services	403,152	364,004	39,148
Pupil support services	1,480,185	1,471,685	8,500
Sites and buildings	1,242,054	1,299,642	(57,588)
Fiscal and other fixed cost programs	78,536	68,253	10,283
Interest and fiscal charges on long-term debt	453	4,105	(3,652)
Total Expenses	<u>10,162,773</u>	<u>9,430,405</u>	<u>732,368</u>
Change in Net Position	<u>17,551</u>	<u>778,109</u>	<u>(760,558)</u>
Net Position, July 1, as Previously Reported	5,385,050	4,606,941	778,109
Error Correction (Note 8)	<u>123,515</u>	-	<u>123,515</u>
Net Position, July 1 As Restated	<u>5,508,565</u>	<u>4,606,941</u>	<u>901,624</u>
Net Position, June 30	<u>\$ 5,526,116</u>	<u>\$ 5,385,050</u>	<u>\$ 141,066</u>

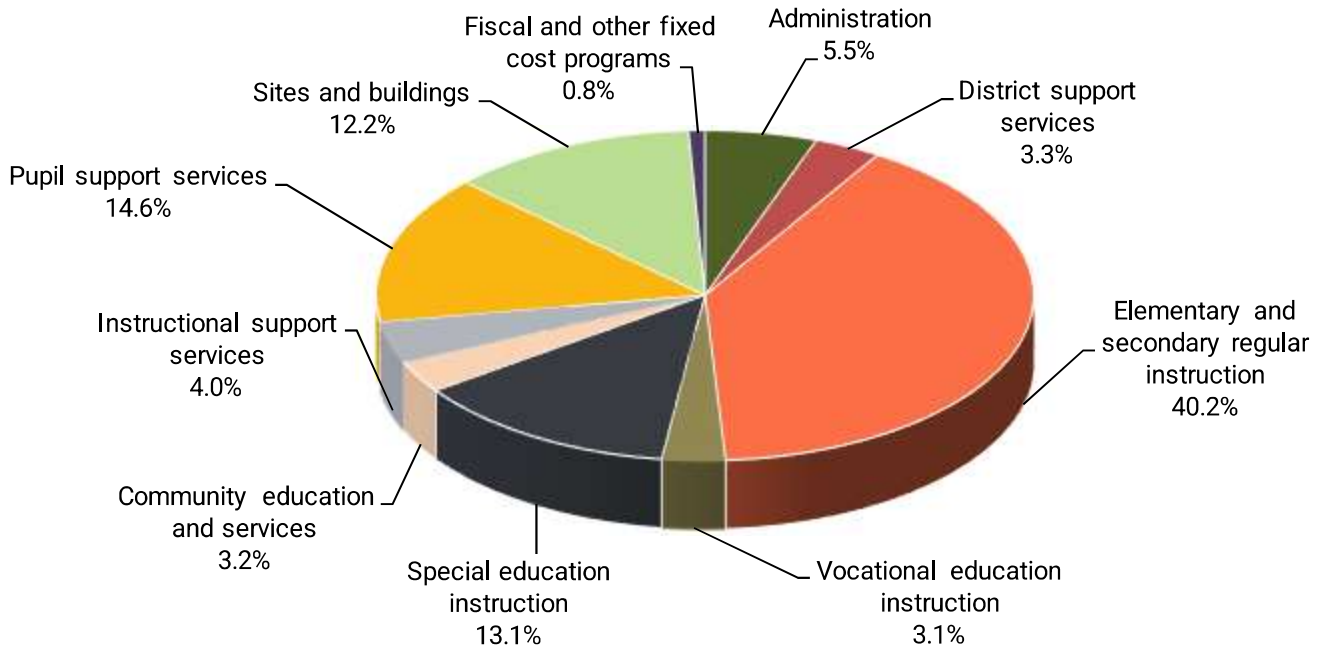
Expenses by Program - Governmental Activities



Revenues by Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities



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.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

	General Fund	Other Governmental Funds	Total	Prior Year Total	Increase (Decrease)
Fund Balances					
Nonspendable	\$ 27,721	\$ 2,614	\$ 30,335	\$ 17,771	\$ 12,564
Restricted	1,148,147	385,606	1,533,753	1,515,508	18,245
Assigned	120,198	-	120,198	118,867	1,331
Unassigned	3,455,501	(101,606)	3,353,895	3,538,064	(184,169)
Total	\$ 4,751,567	\$ 286,614	\$ 5,038,181	\$ 5,190,210	\$ (152,029)

As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances shown above. Additional information on the City's fund balances can be found in Note 1 starting on page 39 of this report.

The General fund is the chief operating fund of the District. At the end of the current year, the fund balance of the general fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	<u>Current Year Ending Balance</u>	<u>Prior Year Ending Balance</u>	<u>Increase (Decrease)</u>
General Fund Fund Balances			
Nonspendable	\$ 27,721	\$ 8,695	\$ 19,026
Restricted	1,148,147	1,174,450	(26,303)
Assigned	120,198	118,867	1,331
Unassigned	<u>3,455,501</u>	<u>3,558,956</u>	<u>(103,455)</u>
Total	<u>\$ 4,751,567</u>	<u>\$ 4,860,968</u>	<u>\$ (109,401)</u>
General Fund Expenditures	\$ 9,293,033	\$ 8,866,372	
Unassigned as a Percent of Expenditures	37.2%	40.1%	
Total Fund Balance as a Percent of Expenditures	51.1%	54.8%	

The fund balance of the District's General fund decreased during the current fiscal year as shown in the table above. The decrease in fund balance was due higher than anticipated salary and repair and maintenance expenses.

General Fund Budgetary Highlights

	<u>Original Budgeted Amounts</u>	<u>Budget Amendments</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues	\$ 8,498,721	\$ -	\$ 8,498,721	\$ 9,095,842	\$ 597,121
Expenditures	<u>8,920,030</u>	<u>47,270</u>	<u>8,967,300</u>	<u>9,293,033</u>	<u>(325,733)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(421,309)</u>	<u>(47,270)</u>	<u>(468,579)</u>	<u>(197,191)</u>	<u>271,388</u>
Other Financing Sources (Uses)					
Transfers out	(15,000)	-	(15,000)	(12,210)	2,790
Insurance recovery	-	-	-	100,000	100,000
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>	<u>87,790</u>	<u>102,790</u>
Net Change in Fund Balances	(436,309)	(47,270)	(483,579)	(109,401)	374,178
Fund Balances, January 1	<u>4,860,968</u>	<u>-</u>	<u>4,860,968</u>	<u>4,860,968</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 4,424,659</u>	<u>\$ (47,270)</u>	<u>\$ 4,377,389</u>	<u>\$ 4,751,567</u>	<u>\$ 374,178</u>

The District's General fund budget was amended during the year. Actual revenues and expenditures were over final budgeted amounts as shown above.

Capital Asset and Debt Administration

Capital Assets. The District’s investment in capital assets for its governmental activities as of June 30, 2025, is shown below in capital asset table (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements, equipment, and leasehold improvements.

Independent School District No. 84’s Capital Assets
(Net of Depreciation)

	Governmental Activities		
	2025	2024	Increase (Decrease)
Land	\$ 29,445	\$ 29,445	\$ -
Land Improvements	311,639	338,796	(27,157)
Buildings	3,707,606	3,920,886	(213,280)
Equipment	685,330	558,652	126,678
Total	\$ 4,734,020	\$ 4,847,779	\$ (113,759)
Percent Increase (Decrease)			-2.3

Additional information on the District’s capital assets can be found in Note 3C on page 49 of this report.

Long-term Debt. At the end of the current fiscal year, the District had long-term debt outstanding of \$20,000.

Independent School District No. 84’s Outstanding Debt

	Governmental Activities		
	2025	2024	Increase (Decrease)
General Obligation Bonds Payable	\$ -	\$ 20,000	\$ (20,000)
Finance Purchase Arrangements	151,564	157,180	(5,616)
Total	\$ 151,564	\$ 177,180	\$ (25,616)
Percent Increase (Decrease)			-14.5

The District’s total debt decreased as shown above during the current fiscal year due to regularly scheduled debt payments.

Additional information on the District’s long-term debt can be found in Note 3E starting on page 50 of this report.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstance that could significantly affect its financial health in the future.

- Enrollment continues to be an area of concern weighing on the District's financial future. Since Minnesota school districts are paid on pupil units served, any decline in enrollment results in less revenue. The District's student enrollment, which determines the pupil units for the purpose of funding, has been on a slight, but manageable decline. Enrollment has decreased in Fiscal Year 2024 and Fiscal Year 2025 by 19 and 5 pupils, respectively.
- Labor costs account for over 80% of the District expenses. As cost of salaries and benefits continue to skyrocket, it becomes more important during the negotiations of labor contracts that the District be cognizant to this potential unknown long-term liability. The District must continue to follow enrollment trends and maintain a responsible balance between staffing and student enrollment.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be in written form and addressed to the District Office, Independent School District No. 84, 400 4th Avenue SW, Sleepy Eye, MN 56085.

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DISTRICT-WIDE FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 84
SLEEPY EYE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 84
 Sleepy Eye, Minnesota
 Statement of Net Position
 June 30, 2025

	<u>Governmental Activities</u>
Assets	
Cash and temporary investments	\$ 5,228,840
Receivables	
Taxes	484,898
Accounts and interest	602
Due from other school districts	201,956
Intergovernmental	909,412
Inventories	1,490
Prepays	28,845
Capital assets not being depreciated	29,445
Capital assets being depreciated (net of accumulated depreciation)	<u>4,704,575</u>
Total Assets	<u>11,590,063</u>
Deferred Outflows of Resources	
Deferred pension resources	931,441
Deferred other postemployment benefit resources	<u>15,354</u>
Total Deferred Outflows of Resources	<u>946,795</u>
Liabilities	
Accounts and other payables	160,208
Salaries and wages payable	338,510
Due to other school districts	34,931
Due to other governments	34,260
Accrued expenses	333,260
Unearned revenue	734
Noncurrent liabilities	
Due within one year	
Long-term liabilities	36,676
Other postemployment benefits	10,920
Due in more than one year	
Long-term liabilities	144,126
Net pension liability	3,635,876
Other postemployment benefits	<u>312,365</u>
Total Liabilities	<u>5,041,866</u>
Deferred Inflows of Resources	
Deferred pension resources	1,064,240
Property taxes levied for subsequent year	<u>904,636</u>
Total Deferred Inflows of Resources	<u>1,968,876</u>
Net Position	
Net investment in capital assets	4,582,456
Restricted	
Educational purposes	1,369,216
Debt service	22,307
Food service	145,783
Unrestricted	<u>(593,646)</u>
Total Net Position	<u>\$ 5,526,116</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 84

Sleepy Eye, Minnesota

Statement of Activities

For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities					Governmental Activities
Administration	\$ 559,188	\$ 13,148	\$ -	\$ -	\$ (546,040)
District support services	333,740	-	-	-	(333,740)
Elementary and secondary regular instruction	4,090,027	288,425	469,358	-	(3,332,244)
Vocational education instruction	323,433	-	12,481	-	(310,952)
Special education instruction	1,330,488	35,170	962,933	-	(332,385)
Community education and services	321,517	58,953	217,376	-	(45,188)
Instructional support services	403,152	420	115,465	-	(287,267)
Pupil support services	1,480,185	129,401	682,534	-	(668,250)
Sites and buildings	1,242,054	-	100,000	-	(1,142,054)
Fiscal and other fixed cost programs	78,536	-	-	-	(78,536)
Interest and fiscal charges on long term debt	453	-	-	-	(453)
Total Governmental Activities	\$ 10,162,773	\$ 525,517	\$ 2,560,147	\$ -	(7,077,109)
General Revenues					
Taxes					
					933,257
					60,997
					71
					5,675,970
					228,828
					195,537
					<u>7,094,660</u>
Change in Net Position					<u>17,551</u>
Net Position, July 1, as Previously Reported					5,385,050
Error Correction (Note 8)					<u>123,515</u>
Net Position, July 1 As Restated					<u>5,508,565</u>
Net Position, June 30					<u>\$ 5,526,116</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 84
SLEEPY EYE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 84

Sleepy Eye, Minnesota

Balance Sheet

Governmental Funds

June 30, 2025

	General	Other Governmental Funds	Total
Assets			
Cash and temporary investments	\$ 4,972,735	\$ 256,105	\$ 5,228,840
Receivables			
Taxes	447,411	37,487	484,898
Accounts and interest	463	139	602
Due from other school districts	201,956	-	201,956
Intergovernmental	801,316	108,096	909,412
Inventories	-	1,490	1,490
Prepays	27,721	1,124	28,845
	<u>6,451,602</u>	<u>404,441</u>	<u>6,856,043</u>
Total Assets			
Liabilities			
Accounts and other payables	\$ 138,871	\$ 21,337	\$ 160,208
Salaries and wages payable	322,158	16,352	338,510
Due to other school districts	34,931	-	34,931
Due to other governments	34,260	-	34,260
Accrued expenses	333,260	-	333,260
Unearned revenue	-	734	734
Total Liabilities	<u>863,480</u>	<u>38,423</u>	<u>901,903</u>
Deferred Inflows of Resources			
Unavailable revenue			
Delinquent property taxes	10,384	939	11,323
Property taxes levied for subsequent year	826,171	78,465	904,636
Total Deferred Inflows of Resources	<u>836,555</u>	<u>79,404</u>	<u>915,959</u>
Fund Balances			
Nonspendable	27,721	2,614	30,335
Restricted	1,148,147	385,606	1,533,753
Assigned	120,198	-	120,198
Unassigned	3,455,501	(101,606)	3,353,895
Total Fund Balances	<u>4,751,567</u>	<u>286,614</u>	<u>5,038,181</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,451,602</u>	<u>\$ 404,441</u>	<u>\$ 6,856,043</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 84
 Sleepy Eye, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 June 30, 2025

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

Total Fund Balances - Governmental Funds	\$ 5,038,181
Net capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	4,734,020
Long-term liabilities, including bonds payable and pensions, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Other postemployment benefits payable	(323,285)
Financed purchase agreements	(151,564)
Termination benefits payable	(29,238)
Net pension liability	(3,635,876)
Government funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflow of resources - pension resources	931,441
Deferred inflows of resources - pension resources	(1,064,240)
Deferred outflow of resources - OPEB resources	15,354
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	<u>11,323</u>
Total Net Position - Governmental Activities	<u><u>\$ 5,526,116</u></u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 84
Sleepy Eye, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	General	Other Governmental Funds	Total
Revenues			
Local property tax levies	\$ 922,685	\$ 60,991	\$ 983,676
Other local revenue	441,220	98,285	539,505
Interest earned on investments	195,537	-	195,537
Revenue from state sources	6,969,391	410,767	7,380,158
Revenue from federal sources	537,240	276,791	814,031
Sales and other conversion of assets	29,769	121,911	151,680
Total Revenues	<u>9,095,842</u>	<u>968,745</u>	<u>10,064,587</u>
Expenditures			
Current			
Administration	606,670	-	606,670
District support services	333,868	-	333,868
Elementary and secondary regular instruction	4,191,748	-	4,191,748
Vocational education and instruction	331,915	-	331,915
Special education instruction	1,369,382	-	1,369,382
Community education and services	-	330,819	330,819
Instructional support services	382,540	-	382,540
Pupil support services	851,052	626,969	1,478,021
Sites, buildings and equipment	762,994	-	762,994
Fiscal and other fixed cost programs	78,536	-	78,536
Capital outlay	378,661	45,055	423,716
Debt service			
Principal	5,616	20,000	25,616
Interest	51	740	791
Total Expenditures	<u>9,293,033</u>	<u>1,023,583</u>	<u>10,316,616</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(197,191)</u>	<u>(54,838)</u>	<u>(252,029)</u>
Other Financing Sources (Uses)			
Insurance recovery	100,000	-	100,000
Transfers in	-	12,210	12,210
Transfers out	(12,210)	-	(12,210)
Total Other Financing Sources (Uses)	<u>87,790</u>	<u>12,210</u>	<u>100,000</u>
Net Change in Fund Balances	(109,401)	(42,628)	(152,029)
Fund Balances, July 1	<u>4,860,968</u>	<u>329,242</u>	<u>5,190,210</u>
Fund Balances, June 30	<u>\$ 4,751,567</u>	<u>\$ 286,614</u>	<u>\$ 5,038,181</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 84
 Sleepy Eye, Minnesota
 Reconciliation of the Statement of
 Revenues, Expenditures and Changes in Fund Balances
 to Statement of Activities
 Governmental Funds
 For the Year Ended June 30, 2025

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

Total Net Change in Fund Balances - Governmental Funds	\$ (152,029)
<p>Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlays	381,249
Depreciation expense	(462,007)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>	
Sale of capital assets	(33,001)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.</p>	
Principal repayments	25,616
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund 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.</p>	
	338
<p>Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.</p>	
	3,625
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	255,094
Direct aid contributions	12,112
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	1,240
Other postemployment benefits	(14,686)
	(14,686)
Change in Net Position - Governmental Activities	\$ 17,551

The notes to the financial statements are an integral part of this statement.

Independent School District No. 84
 Sleepy Eye, Minnesota
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Local property tax levies	\$ 929,726	\$ 929,726	\$ 922,685	\$ (7,041)
Other local revenue	337,649	337,649	441,220	103,571
Interest earned on investments	91,000	91,000	195,537	104,537
Revenue from state sources	6,874,084	6,874,084	6,969,391	95,307
Revenue from federal sources	266,262	266,262	537,240	270,978
Sales and other conversions of assets	-	-	29,769	29,769
Total Revenues	<u>8,498,721</u>	<u>8,498,721</u>	<u>9,095,842</u>	<u>597,121</u>
Expenditures				
Current				
Administration	643,382	643,382	606,670	36,712
District support services	385,622	385,622	333,868	51,754
Elementary and secondary regular instruction	4,179,115	4,187,065	4,191,748	(4,683)
Vocational education and instruction	277,123	277,123	331,915	(54,792)
Special education instruction	1,395,116	1,395,116	1,369,382	25,734
Instructional support services	293,103	354,423	382,540	(28,117)
Pupil support services	782,494	782,494	851,052	(68,558)
Sites and buildings	784,236	784,236	762,994	21,242
Fiscal and other fixed cost programs	80,339	80,339	78,536	1,803
Capital outlay				
District support services	2,500	2,500	-	2,500
Elementary and secondary regular instruction	22,000	22,000	149,522	(127,522)
Vocational education instruction	-	-	1,297	(1,297)
Instructional support services	43,000	21,000	21,767	(767)
Site and buildings	10,000	10,000	206,075	(196,075)
Debt service				
Principal	17,000	17,000	5,616	11,384
Interest	5,000	5,000	51	4,949
Total Expenditures	<u>8,920,030</u>	<u>8,967,300</u>	<u>9,293,033</u>	<u>(325,733)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	<u>(421,309)</u>	<u>(468,579)</u>	<u>(197,191)</u>	<u>271,388</u>
Other Financing Sources (Uses)				
Insurance recovery	-	-	100,000	100,000
Transfers out	(15,000)	(15,000)	(12,210)	2,790
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>87,790</u>	<u>102,790</u>
Net Change in Fund Balances				
	(436,309)	(483,579)	(109,401)	374,178
Fund Balances, July 1				
	<u>4,860,968</u>	<u>4,860,968</u>	<u>4,860,968</u>	<u>-</u>
Fund Balances, June 30				
	<u>\$ 4,424,659</u>	<u>\$ 4,377,389</u>	<u>\$ 4,751,567</u>	<u>\$ 374,178</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 84
Sleepy Eye, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 84 (the District) was incorporated under the laws of the State of Minnesota, (the State). The District operates under a School Board form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected School Board of seven members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 was made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

Independent School District No. 84
Sleepy Eye, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Description of Funds

The various District funds have been established by the State of Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

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

Non-major Governmental Funds

The *Food Service special revenue fund* is used to account for food service revenue and expenditures. The major sources of revenues are food service sales and federal and state grants, which are restricted for this purpose.

The *Community Service special revenue fund* is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenues for the fund are generated primarily from user fees, local property taxes and state credits.

The *Debt Service fund* accounts for the accumulation of resources and the payment of general long-term obligation bond principal, interest, and related costs.

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

Independent School District No. 84
Sleepy Eye, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and all highly liquid investments or equity investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Minnesota School District Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate Minnesota laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule §2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760.

Independent School District No. 84
Sleepy Eye, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The School Board annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the District three or four times throughout the year.

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided 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 a "tax shift". The remaining portion of taxes collectible in 2025 is recorded as unavailable revenue (property taxes levied for subsequent year).

Taxes payable on qualifying property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credit is paid to the District by the State in lieu of taxes levied against homestead property.

Current property taxes receivable is recorded for taxes levied in 2024 and collectible in 2025. The remaining portion of the current tax levy is reported as a deferred inflow of resources, property taxes levied for subsequent year. Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

Represents the amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivable not expected to be collected within one year are current property taxes receivable.

Due from the Department of Education and Federal Government

Due from the Department of Education and Federal Government includes amounts billed for services provided before year end as well as amounts for expenditures that have been incurred before year end that will be reimbursed with state and federal funding. No substantial losses are anticipated from present receivable balances, therefore no allowance for uncollectible has been recorded.

Inventories

Inventories are recorded using the consumption method of accounting and consist of food and other supplies on hand at June 30, 2025 and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

Prepaid Items

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

Independent School District No. 84
 Sleepy Eye, Minnesota
 Notes to the Financial Statements
 June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets include property, plant and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Plumbing and Electrical	30
Building Improvements (Interior), Portable Classrooms and Fire System	25
Heating and Ventilation System, Long-term Admin Software, Furniture and Fixtures, Outdoor Equipment, Roofing and Site Improvements	20
Custodial Equipment, Grounds Equipment, Kitchen Equipment and Machinery and Tools	15
All Other Equipment, Short-term Admin Software and Long-term Instructional Software	10
Vehicles and Buses	8
Carpet Replacement	7
Computer Hardware, Copiers, Short-term Instructional Software and Library Books	5

Deferred Outflows 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other post-employment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension and OPEB contributions made subsequent to the measurement date.

Accrued Employee Benefits

Compensated Absences Payable

It is the District’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave is accrued as a liability and recorded as an expense on the government-wide statements as the benefits are earned by the employees. Sick pay was evaluated under GASB 101 and determined to be insignificant.

Independent School District No. 84
 Sleepy Eye, Minnesota
 Notes to the Financial Statements
 June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefits (OPEB) Obligation

For purposes of measuring the net other postemployment benefit (OPEB) asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. See the investment note for fair value measurements.

Pensions

Teachers Retirement Association (TRA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. Additional information can be found in Note 4.

Public Employees Retirement Association (PERA)

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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the General Employee Plan (GERP) and TRA is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Total
	GERP	TRA	
District's Proportionate Share	\$ 40,171	\$ 198,081	\$ 238,252
Proportionate Share of State's Contribution	270	13,822	14,092
 Total	 \$ 40,441	 \$ 211,903	 \$ 252,344

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bond issuance costs are reported as an expense in the period incurred.

Independent School District No. 84
Sleepy Eye, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the items, unavailable revenue and property taxes levied for subsequent years, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one sources: delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Furthermore, the District has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statement of net position and results from actuarial calculations.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the District School Board (the board), which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority. The Board has delegated the authority to assign fund balances and their intended uses to the Business Manager or Superintendent.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District will first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made. The District strives to maintain as a minimum unassigned general fund balance of 10% of the annual budget. The District has not implemented a formal fund balance policy.

Independent School District No. 84
 Sleepy Eye, Minnesota
 Notes to the Financial Statements
 June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets presented in this report for comparison to the actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service and Debt Service funds. The approved budget is published in summary form in the District's legal newspaper by October 30 of each year. Reported budgeted amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels. The District amended the originally adopted budget in the current year to account for various changes made during the year.

B. Excess of Actual Expenditures Over Appropriations

For the year ended June 30, 2025, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess
General	\$ 8,967,300	\$ 9,293,033	\$ 325,733
Food Service	609,403	672,024	62,621

The excess expenditures were funded by revenues in excess of budget and available fund balances.

Independent School District No. 84
Sleepy Eye, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits and investments may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board of Education, the District maintains deposits at those depository banks, 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 fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any Federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the government entity.

At year end, the District's carrying amount of deposits was \$1,915 and the bank balance was \$192,875. All of the bank balance was covered by federal depository insurance.

Independent School District No. 84
Sleepy Eye, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Investments

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount
Pooled Investments at Amortized Costs			
Minnesota School District Liquid Asset Fund (MSDLAF)	AAAm	less than 1 year	<u>\$ 5,226,725</u>

- (1) Ratings are provided by various credit ratings agencies where applicable to indicate association's credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.

The Minnesota School District Liquid Asset Fund (MSDLAF) is a trust organized and existing under the laws of the State of Minnesota and the Minnesota Joint Powers Act, as amended. The trust was established for the purpose of allowing Minnesota school districts to pool their investment funds to obtain a competitive investment yield, while maintaining liquidity and preserving capital. The credit rating for the MSDLAF is AAAM. The weighted average days to maturity are less than six months. The District's investment in the MSDLAF is equal to the value of pool shares.

A reconciliation of cash and temporary investments as shown on the statement of net position for the District follows:

Petty Cash	\$ 200
Deposits	1,915
Investments	<u>5,226,725</u>
 Total Cash and Temporary Investments	 <u>\$ 5,228,840</u>

B. Property Taxes

Current property taxes receivable is recorded for taxes levied in 2024 and payable in 2025. A portion of the current property taxes receivable is recognized as revenue in the fiscal year ended June 30, 2025 in accordance with Minnesota statutes and the remaining balance is deferred for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies.

Taxes receivable by fund type is comprised of the following components:

	General	Nonmajor Governmental	Total
Current Taxes	\$ 437,027	\$ 36,548	\$ 473,575
Delinquent Taxes	<u>10,384</u>	<u>939</u>	<u>11,323</u>
 Total Taxes Receivable	 <u>\$ 447,411</u>	 <u>\$ 37,487</u>	 <u>\$ 484,898</u>
 Property Taxes Levied for Subsequent Year	 <u>\$ 826,171</u>	 <u>\$ 78,465</u>	 <u>\$ 904,636</u>

Independent School District No. 84
Sleepy Eye, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

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

	Restated Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 29,445	\$ -	\$ -	\$ 29,445
Capital Assets Being Depreciated				
Land improvements	931,792	-	-	931,792
Buildings and improvements	12,396,314	143,269	-	12,539,583
Equipment	2,290,583	237,980	(38,079)	2,490,484
Total Capital Assets Being Depreciated	<u>15,618,689</u>	<u>381,249</u>	<u>(38,079)</u>	<u>15,961,859</u>
Less Accumulated Depreciation				
Land improvements	(592,996)	(27,157)	-	(620,153)
Buildings and improvements	(8,475,428)	(356,549)	-	(8,831,977)
Equipment	(1,731,931)	(78,301)	5,078	(1,805,154)
Total Accumulated Depreciation	<u>(10,800,355)</u>	<u>(462,007)</u>	<u>5,078</u>	<u>(11,257,284)</u>
Total Capital Assets Being Depreciated, Net	<u>4,818,334</u>	<u>(80,758)</u>	<u>(33,001)</u>	<u>4,704,575</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,847,779</u>	<u>\$ (80,758)</u>	<u>\$ (33,001)</u>	<u>\$ 4,734,020</u>

Depreciation expense was charged to governmental activities as follows:

Administration	\$ 3,574
District Support Services	96
Elementary and Secondary Regular Instruction	19,219
Vocational Education Instruction	2,049
Special Education Instruction	2,197
Instructional Support Services	3,490
Pupil Support Services	9,280
Sites and Buildings	<u>422,102</u>
Total Depreciation Expense	<u>\$ 462,007</u>

D. Interfund Transfers

During fiscal year 2025, the District transferred \$12,210 from the General Fund to the Food Service Fund for milk costs.

Independent School District No. 84
Sleepy Eye, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

E. Long-term Debt

Financed Purchase Arrangements

The District entered into financed purchase arrangements with Ideal Energies for the purchase of Solar Arrays. The details are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	at Year End	Within One Year
Solar Array - Elementary	\$ 80,810	- %	12/01/23	11/01/43	\$ 75,782	\$ 3,719
Solar Array - High School	80,810	-	12/01/23	11/01/43	75,782	3,719
					<u>\$ 151,564</u>	<u>\$ 7,438</u>

The annual requirements to amortize all financed purchase arrangements at July 01, 2024 are as follows:

Year Ending December 31,	Financed Purchase Arrangements		
	Business-type Activities		
	Principal	Interest	Total
2026	\$ 7,438	\$ -	\$ 7,438
2027	7,008	-	7,008
2028	7,148	-	7,148
2029	7,290	-	7,290
2030	7,434	-	7,434
2031 - 2035	39,446	-	39,446
2036 - 2040	43,524	-	43,524
2041 - 2044	32,276	-	32,276
Total	<u>\$ 151,564</u>	<u>\$ -</u>	<u>\$ 151,564</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2025 was as follows:

	Restated Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 20,000	\$ -	\$ (20,000)	\$ -	\$ -
Financed Purchase Arrangements	157,180	-	(5,616)	151,564	7,438
Termination Benefits Payable*	30,478	-	(1,240)	29,238	29,238
Governmental Activities Total Long-term Liabilities	<u>\$ 207,658</u>	<u>\$ -</u>	<u>\$ (26,856)</u>	<u>\$ 180,802</u>	<u>\$ 36,676</u>

*Termination Benefits Payable is presented as a net change.

Independent School District No. 84
 Sleepy Eye, Minnesota
 Notes to the Financial Statements
 June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At June 30, 2025, portions of the District's fund balance are not available for appropriation due to legal restrictions (Restricted) and policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Nonmajor Governmental	Total	Reconciling Items	UFARS Balance
Nonspendable					
Inventories	\$ -	\$ 1,490	\$ 1,490	\$ -	\$ 1,490
Prepays	27,721	1,124	28,845	-	28,845
Total	<u>\$ 27,721</u>	<u>\$ 2,614</u>	<u>\$ 30,335</u>	<u>\$ -</u>	<u>\$ 30,335</u>
Restricted					
Student activities	\$ 37,206	\$ -	\$ 37,206	\$ -	\$ 37,206
Scholarships	70,408	-	70,408	-	70,408
Operating capital	43,468	-	43,468	-	43,468
Gifted and talented	31,051	-	31,051	-	31,051
English learner	25,951	-	25,951	-	25,951
Basic skills	880,293	-	880,293	-	880,293
Safe schools - crime levy	37,340	-	37,340	-	37,340
Literacy aid	2,736	-	2,736	-	2,736
Long-term facilities maintenance	-	-	-	(339,921)	(339,921)
Medical assistance	19,694	-	19,694	-	19,694
Food service	-	143,169	143,169	-	143,169
Community education	-	-	-	(101,606)	(101,606)
Early childhood family education	-	65,219	65,219	-	65,219
School readiness	-	89,391	89,391	-	89,391
Community service	-	65,520	65,520	-	65,520
Debt service	-	22,307	22,307	-	22,307
Total	<u>\$ 1,148,147</u>	<u>\$ 385,606</u>	<u>\$ 1,533,753</u>	<u>\$ (441,527)</u>	<u>\$ 1,092,226</u>
Assigned					
Activities	<u>\$ 120,198</u>	<u>\$ -</u>	<u>\$ 120,198</u>	<u>\$ -</u>	<u>\$ 120,198</u>
Unassigned	<u>\$ 3,455,501</u>	<u>\$ (101,606)</u>	<u>\$ 3,353,895</u>	<u>\$ 441,527</u>	<u>\$ 3,795,422</u>

Restricted for Student Activities - This amount represents student activities resources.

Restricted for Scholarships - This amount represents available resources for scholarships. Revenues are derived from donations and investment earnings and expenditures are for scholarships.

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

Independent School District No. 84
Sleepy Eye, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Gifted and Talented - This amount represents resources dedicated to providing challenging educational programs to gifted and talented students.

Restricted for English Learner – This amount represents resources available for English Learner students per Minnesota Statutes 2024, section 124D.59, subd. 2.

Restricted for Basic Skills - This amount represents resources dedicated to meeting the educational needs of pupils who enroll under-prepared to learn and have performance below the level appropriate for their age.

Restricted for Safe Schools - Crime Levy - This amount represents resources restricted for crime prevention and making schools safe for students and staff.

Restricted for Literacy Aid – This amount represents resources available for literacy aid for evidence-based literacy supports for children in prekindergarten through grade 12 based on structured literacy.

Restricted for Long-term Facility Maintenance - This amount represents available resources for larger maintenance projects. Revenues are derived from State aids and expenditures are for maintenance.

Restricted for Medical Assistance - This amount represents available resources for medical assistance expenditures. Revenues are derived from State or Federal aids.

Restricted for Food Service - This amount represents available resources available for Food Services. Revenues are derived from State, Federal, local and county sources along with sales and other conversion of assets and expenditures are primarily for salaries, benefits, supplies and materials.

Restricted for Community Education - This amount represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, non-credit summer programs, adult basic education programs, youth development and youth service programming, early childhood family education, and extended day programs.

Restricted for Early Childhood Family Education (ECFE) - This amount represents available resources to provide for ECFE programming.

Restricted for School Readiness - This amount represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

Restricted for Community Service - This amount represents available resources available for community service.

Restricted for Debt Service - This amount represents available resources dedicated exclusively for debt service payments. Revenues are derived from tax levies and expenditures are for principal, interest and paying agent fees.

Assigned for Activities - This amount represents resources internally assigned to be expended for activities.

Unassigned amounts represent resources available to meet current and future years' expenditures.

Independent School District No. 84
 Sleepy Eye, Minnesota
 Notes to the Financial Statements
 June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide

A. Teacher Retirement Association (TRA)

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

2. Benefits Provided

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

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

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

With these provisions:

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

or

Independent School District No. 84
Sleepy Eye, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

Tier II:

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

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

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

3. Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025, 2024, and 2023 were \$333,004, \$296,021, and \$283,630. The District's contributions were equal to the required contributions for each year as set by state statute.

4. Actuarial Assumptions

The total pension liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Independent School District No. 84
 Sleepy Eye, Minnesota
 Notes to the Financial Statements
 June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Experience Studies	August 2, 2023 (demographic and economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85 to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of Living Adjustment	1% 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 GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	<u>100.0 %</u>	

Independent School District No. 84
 Sleepy Eye, Minnesota
 Notes to the Financial Statements
 June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Changes in the actuarial assumptions since the 2022 valuation:

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

5. Discount Rate

The discount rate used to measure the total pension liability was 7%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2024 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

6. Net Pension Liability

On June 30, 2025, The District reported a liability of \$3,247,058 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. The District's proportionate share was 0.0511% at the end of the measurement period and 0.0522% for the beginning of the year.

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

District's Proportionate Share of Net Pension Liability	\$ 3,247,058
State's Proportionate Share of Net Pension Liability Associated with the District	<u>198,834</u>
 Total	 <u><u>\$ 3,445,892</u></u>

For the year ended June 30, 2025, the District recognized pension expense of \$198,081. It also recognized \$13,822 as an decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$90,021 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.

Independent School District No. 84
 Sleepy Eye, Minnesota
 Notes to the Financial Statements
 June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 156,591	\$ 44,279
Changes in Actuarial Assumptions	333,880	554,279
Net Difference Between Projected and Actual Investment Earnings	-	132,168
Changes in Proportion	-	75,682
Contributions Paid to PERA Subsequent to the Measurement Date	333,004	-
Total	\$ 823,475	\$ 806,408

The \$333,004 reported as deferred outflows of resources related to pensions resulting from District Contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2026	\$ (238,310)
2027	268,314
2028	107,373
2029	(202,976)
2030	(167,178)
Thereafter	(83,160)

7. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate (preparer instructions: multiply the allocation % by TRA's sensitivity footnote info).

	District's Proportionate Share of NPL		
	1 Percent Decrease (6%)	Current (7%)	1 Percent Increase (8%)
Teachers Retirement Association	\$ 5,718,259	\$ 3,247,058	\$ 2,210,816

8. 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 <https://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.

Independent School District No. 84
Sleepy Eye, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

B. Public Employees Retirement Association (PERA)

1. 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.

2. Benefits Provided

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

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of 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 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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

Independent School District No. 84
 Sleepy Eye, Minnesota
 Notes to the Financial Statements
 June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

3. 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 Employees Fund Contributions

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 Coordinated Plan members. The District's contributions to the General Employees Fund for the years ending June 30, 2025, 2024 and 2023, were \$64,543, \$66,760 and \$62,111, respectively. The District's contributions were equal to the required contributions for each year as set by state statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2025, the District reported a liability of \$388,818 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 \$10,054.

District's Proportionate Share of Net Pension Liability	\$ 388,818
State's Proportionate Share of Net Pension Liability Associated with the District	10,054
	\$ 398,872
Total	\$ 398,872

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's 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, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0105 percent at the end of the measurement period and 0.0104 percent for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$40,171 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$270 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2025, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$17,889 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

Independent School District No. 84
 Sleepy Eye, Minnesota
 Notes to the Financial Statements
 June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 36,534	\$ -
Changes in Actuarial Assumptions	1,968	225,468
Net Difference Between Projected and Actual Investment Earnings	-	32,364
Changes in Proportion	4,921	-
Contributions Paid to PERA Subsequent to the Measurement Date	64,543	-
Total	\$ 107,966	\$ 257,832

The \$64,543 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2026	\$ (129,297)
2027	(22,707)
2028	(52,482)
2029	(9,923)

5. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

Independent School District No. 84
Sleepy Eye, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

6. Actuarial 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.

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 2023. The assumption changes were adopted by the board and became effective with the July 1, 2024 actuarial valuation.

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

7. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Independent School District No. 84
 Sleepy Eye, Minnesota
 Notes to the Financial Statements
 June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

8. 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:

	District's Proportionate Share of NPL		
	1 Percent Decrease (6%)	Current (7%)	1 Percent Increase (8%)
General Employees Fund	\$ 849,241	\$ 388,818	\$ 10,078

9. 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.

Independent School District No. 84

Sleepy Eye, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

The District administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District’s health insurance plan after retirement. This plan covers active and retired employees. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. The retiree health plan does not issue a publicly available financial report.

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	89
	<hr/>
Total Plan Members	91
	<hr/> <hr/>

B. Funding Policy

The contract groups have access to other post-retirement benefits of single coverage of \$781 for CMM, \$651 for CDHP 873, and \$486 for Minimum Value Plan. The contract groups also have access to family coverage of \$2,044 for CMM, \$1,676 for CDHP 873, and \$1,270. The implicit rate subsidy is only until Medicare eligibility. There are no subsidized post-employment medical, dental, or life insurance benefits. The District does contribute an implicit rate subsidy for retired plan members. This is due to the actual cost for retirees being higher than the average per-person premium for the entire group.

For the year ended June 30, 2025, the District’s average contribution rate was 7.38 percent of covered-employee payroll. For the fiscal year 2025, the District did not directly contribute to the plan, while implicit contributions totaled \$15,354. The General fund is typically used to liquidate the governmental portion of the net OPEB obligation.

C. Actuarial Methods and Assumptions

The District’s total OPEB liability of \$323,285 was measured as of July 1, 2024, and the OPEB liability was determined by an actuarial valuation as of July 1, 2023. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

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, unless otherwise specified:

Discount Rate	3.97%
20-Year Municipal Bond Yield	3.97%
Inflation Rate	2.50%
Salary Increases	See sample rates in actuarial valuation report
Medical Trend Rate	7.60% in 2024 gradually decreasing over several decades to an ultimate rate of 3.90% in 2076 and later years.
Discount Trend Rate	N/A

Independent School District No. 84
 Sleepy Eye, Minnesota
 Notes to the Financial Statements
 June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions (Continued)

Teachers: From the July 1, 2023 Teachers Retirement Association of Minnesota (TRA) actuarial valuation, RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments.

Non-Teachers: From the July, 1 2023 PERA of Minnesota General Employees Retirement Plan actuarial valuation, Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.

D. Changes in the Total OPEB Liability

	Net OPEB Liability
Balances at June 30, 2024	\$ 328,977
Changes for the Year	
Service Costs	20,319
Interest Costs	12,793
Assumption Changes	(3,072)
Benefit Payment	(35,732)
Net Changes	(5,692)
 Balances at June 30, 2025	 \$ 323,285

Since the prior measurement date, the following assumptions changed:

- The discount rate was changed from 3.69% to 3.86% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Mortality rates were updated from the rates used in the 7/1/2020 PERA General Employees Plan valuation to the rates used in the 7/1/2023 valuation.
- The percent of future retirees currently electing coverage at retirement changed from 2.25% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

Since the prior measurement date, the following benefit terms changed:

- None

Since the prior measurement date, the following plan provisions changed:

- None

Independent School District No. 84

Sleepy Eye, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions (Continued)

E. Sensitivity of the Net OPEB Liability

The following presents the net OPEB liability of the District, as well as what the District's net OPEB 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:

<u>1 Percent Decrease 2.97%</u>	<u>Discount Rate Current 3.97%</u>	<u>1 Percent Increase 4.97%</u>
\$ 352,103	\$ 323,285	\$ 296,482

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

<u>1 Percent Decrease 6.60% Decreasing to 2.90%</u>	<u>Healthcare Cost Trend Rates 7.60% Decreasing to 3.90%</u>	<u>1 Percent Increase 8.60% Decreasing to 4.90%</u>
\$ 280,865	\$ 323,285	\$ 375,202

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

For the year ended June 30, 2025, the District Recognized OPEB expense of \$14,686. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions Paid to OPEB Subsequent to the Measurement Date	<u>\$ 15,354</u>	<u>\$ -</u>

Independent School District No. 84
Sleepy Eye, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 6: Flexible Benefit Plan

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

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

Payments of health insurance premiums are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General, Food Service and Community Service funds.

Payments for amounts withheld for medical reimbursement and dependent care are made to participating employees upon submitted a request for reimbursement of eligible expenses.

Note 7: Other Information

A. 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; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The District’s management is not aware of any incurred but not reported claims.

The South Central Service Cooperative Health Insurance Pool was formed under a joint powers agreement. The pool is not intended to function as an insurance company for the participating groups. Rather, it is a cooperative program whose purpose is rate stabilization through reduced carrier retention charges, negotiating other cost items with the carrier and softening of larger needed rate increases. Although premiums billed to participating groups are determined on an actuarial basis and on each group’s claims experience, the liability for claims is limited to the amount of premiums paid. The pool is protected by an aggregate stop loss.

B. Jointly Governed Organization

The Riverbend Education District was established for the primary objective to provide specialized services for special education students as defined by state law, and to provide other programs and services as approved by the Joint Powers Governing Board. The Cooperative was established by 10 separate member districts. Each member district shares in the cost of the programming, which is paid to the education district in the form of membership fees, reimbursements and other charges for services. The education district is able to recover the cost of its programs through the previously mentioned revenue sources.

Independent School District No. 84
 Sleepy Eye, Minnesota
 Notes to the Financial Statements
 June 30, 2025

Note 8: Restatements of Beginning Balances

During fiscal year 2025, an error correction resulted in a restatement of beginning net position as follows:

	Reporting Units Affected by Restatement of Beginning Balances
	Government-Wide Activities
July 1, 2025, as Previously Reported	\$ 5,385,050
Error correction	123,515
July 1, 2025, as Restated	\$ 5,508,565

During the fiscal year, it was determined that the District had financed purchase arrangements and related assets in the prior year that were not reported. Therefore, capital assets, net of depreciation, were understated by \$280,695 and long-term liabilities were understated by \$157,180 for the year ended June 30, 2024. The effects to or within the financial reporting entity are shown in the table above.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 84
SLEEPY EYE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 84

Sleepy Eye, Minnesota
 Required Supplementary Information
 For the Year Ended June 30, 2025

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0511 %	\$ 3,247,058	\$ 198,834	\$ 3,445,892	\$ 3,383,097	96.0 %	82.1 %
6/30/2023	0.0522	4,309,749	301,743	4,611,492	3,317,310	129.9	76.4
6/30/2022	0.0530	4,243,960	314,911	4,558,871	3,269,089	129.8	76.2
6/30/2021	0.0521	2,280,052	192,317	2,472,369	3,242,915	70.3	86.6
6/30/2020	0.0527	3,893,547	326,197	4,219,744	3,060,240	127.2	75.5
6/30/2019	0.0531	3,384,605	299,532	3,684,137	3,102,490	109.1	78.2
6/30/2018	0.0525	3,229,359	310,172	3,539,531	3,037,093	106.3	78.1
6/30/2017	0.0512	10,220,449	987,110	11,207,559	2,881,573	354.7	51.6
6/30/2016	0.0518	12,355,536	1,240,187	13,595,723	2,693,707	458.7	44.9
6/30/2015	0.0518	3,204,342	393,356	3,597,698	2,627,267	122.0	76.8

Schedule of Employer's TRA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2025	\$ 333,004	\$ 333,004	\$ -	\$ 3,805,760	8.75 %
6/30/2024	296,021	296,021	-	3,383,097	8.75
6/30/2023	283,630	283,630	-	3,317,310	8.55
6/30/2022	272,642	272,642	-	3,269,089	8.34
6/30/2021	263,649	263,649	-	3,242,915	8.13
6/30/2020	242,371	242,371	-	3,060,240	7.92
6/30/2019	239,202	239,202	-	3,102,490	7.71
6/30/2018	227,782	227,782	-	3,037,093	7.50
6/30/2017	216,118	216,118	-	2,881,573	7.50
6/30/2016	202,028	202,028	-	2,693,707	7.50

Independent School District No. 84
Sleepy Eye, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2024
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.

2023
The 2023 Tax Finance and Policy Bill, effective July 1, 2025 and The 2024 Omnibus Pensions and Retirement Bill contained a number of changes. The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025. The employee contribution rate will increase from 7.75% to 8% on July 1, 2025. The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024. TRA's amortization date will remain the same at 2048. The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75% employer contribution rate increase.

2022
No changes noted.

2021
The investment return assumption was changed from 7.50 percent to 7.00 percent.

2020
Assumed termination rates were changed to more closely reflect actual experience. The pre-retirement mortality assumption was changed to RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019
No changes noted.

2018
The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017
The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016
The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015
The cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

Independent School District No. 84
Sleepy Eye, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2024
No changes noted.

2023
No changes noted.

2022
No changes noted.

2021
No changes noted.

2020
No changes noted.

2019
No changes noted.

2018
The 2018 Omnibus Pension Bill contained a number of changes: The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028. Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt. The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated. Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt. Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018. The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017
No changes noted.

2016
No changes noted.

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

Independent School District No. 84
 Sleepy Eye, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended June 30, 2025

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the 0.0525 (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0105 %	\$ 388,818	\$ 10,054	\$ 398,872	\$ 890,133	43.7 %	86.7 %
6/30/2023	0.0104	581,556	16,051	597,607	828,147	70.2	83.1
6/30/2022	0.0109	863,284	25,265	888,549	814,573	106.0	76.7
6/30/2021	0.0110	469,749	14,426	484,175	790,413	59.4	87.0
6/30/2020	0.0116	695,473	21,522	716,995	828,387	84.0	79.0
6/30/2019	0.0113	624,752	-	624,752	800,933	78.0	80.2
6/30/2018	0.0114	633,425	-	633,425	769,400	82.3	79.5
6/30/2017	0.0110	702,233	-	702,233	708,773	99.1	75.9
6/30/2016	0.0103	836,309	-	836,309	637,107	131.3	68.9
6/30/2015	0.0103	533,799	-	533,799	594,667	89.8	78.2

Schedule of Employer's PERA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2025	\$ 64,543	\$ 64,543	\$ -	\$ 860,578	7.50 %
6/30/2024	66,760	66,760	-	890,133	7.50
6/30/2023	62,111	62,111	-	828,147	7.50
6/30/2022	61,093	61,093	-	814,573	7.50
6/30/2021	59,281	59,281	-	790,413	7.50
6/30/2020	62,129	62,129	-	828,387	7.50
6/30/2019	60,070	60,070	-	800,933	7.50
6/30/2018	57,705	57,705	-	769,400	7.50
6/30/2017	53,158	53,158	-	708,773	7.50
6/30/2016	47,783	47,783	-	637,107	7.50

Independent School District No. 84
Sleepy Eye, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2024

The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): 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.

2023

The investment return and single discount rates were changed from 6.5 percent to 7.0 percent.

2022

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

2021

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

2020

The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019

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

2018

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

2017

The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016

The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015

The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Independent School District No. 84
Sleepy Eye, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

- 2024
The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.
- 2023
An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024 was eliminated. A one-time non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- 2022
There were no changes in plan provisions since the previous valuation.
- 2021
There were no changes in plan provisions since the previous valuation.
- 2020
Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.
- 2019
The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.
- 2018
The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.
- 2017
The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.
- 2016
There were no changes in plan provisions since the previous valuation.
- 2015
On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Independent School District No. 84
 Sleepy Eye, Minnesota
 Required Supplementary Information
 For the Year Ended June 30, 2025

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

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service Costs	\$ 20,319	\$ 21,590	\$ 28,905	\$ 39,650	\$ 35,255	\$ 36,212	\$ 32,234	\$ 33,600
Interest Costs	12,793	13,247	7,900	13,805	15,828	17,813	15,700	12,735
Assumption Changes	(3,072)	(53,963)	(49,567)	(110,773)	14,099	15,234	30,006	(17,324)
Differences between expected and actual experience	-	23,674	-	(56,158)	-	(35,885)	-	-
Benefit Payment	(35,732)	(25,969)	(38,761)	(16,871)	(6,681)	(30,925)	(30,821)	(14,703)
Net Change in Total OPEB Liability	(5,692)	(21,421)	(51,523)	(130,347)	58,501	2,449	47,119	14,308
Total OPEB Liability - Beginning	328,977	350,398	401,921	532,268	473,767	471,318	424,199	409,891
Total OPEB Liability - Ending	<u>\$ 323,285</u>	<u>\$ 328,977</u>	<u>\$ 350,398</u>	<u>\$ 401,921</u>	<u>\$ 532,268</u>	<u>\$ 473,767</u>	<u>\$ 471,318</u>	<u>\$ 424,199</u>
Covered - Employee Payroll	\$ 4,378,450	\$ 4,225,636	\$ 4,170,309	\$ 4,030,194	\$ 3,938,428	\$ 3,944,454	\$ 3,693,130	\$ 3,554,343
City's total OPEB liability as a percentage of covered employee payroll	7.38 %	7.79 %	8.40 %	9.97 %	13.51 %	12.01 %	12.76 %	11.93 %

Note: This schedule intended to show 10-year trends. Additional years will be reported as they become available.

Independent School District No. 84
Sleepy Eye, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Schedule of Changes in the District's OPEB Liability and Related Ratios (Continued)

Changes in assumptions:

2025 - The discount rate was changed from 3.86% to 3.97%.

2024 - The discount rate was changed from 3.69% to 3.86% based on updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations. Medical per capita claims costs were updated to reflect recent experience and new plan offerings. Mortality rates were updated from the rates used in the 7/1/2020 PERA General Employees Plan valuation to the rates used in the 7/1/2023 valuation. The percent of future retirees currently electing coverage at retirement changed from 60% to 50% to reflect recent plan experience. The inflation assumption was changed from 2.25% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2023 - The discount rate was changed from 2.45% to 1.92% based on updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations. Medical per capita claims costs were updated to reflect recent experience. Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 Teachers Retirement Association valuations to the rates used in the 7/1/2020 valuations. The percent of future retirees currently electing coverage assumed to elect coverage at retirement change from 80 percent to 60 percent to reflect recent plan experience. The inflation assumption was changed from 2.5 percent to 2.25 percent based on an updated historical analysis of inflation rates and forward-looking market expectations.

2022 - The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates.

2021 - The discount rate was changed from 3.62% to 3.13% based on updated 20-year municipal bond rates.

2020 - The discount rate was changed from 3.56% to 3.62% based on updated 20-year municipal bond rates.

2019 - No changes noted.

2018 - No changes noted.

Changes in benefits:

2025 - No changes noted.

2024 - Retiree programs were updated to current levels.

2023 - No changes noted.

2022 - No changes noted.

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

2018 - No changes noted.

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COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 84
SLEEPY EYE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 84
Sleepy Eye, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2025

	Special Revenue		Debt Service	Total
	Food Service	Community Service		
Assets				
Cash and temporary investments	\$ 74,016	\$ 159,782	\$ 22,307	\$ 256,105
Receivables				
Taxes	-	37,487	-	37,487
Accounts and interest	-	139	-	139
Intergovernmental	90,151	17,945	-	108,096
Inventories	1,490	-	-	1,490
Prepays	1,124	-	-	1,124
	<u>166,781</u>	<u>215,353</u>	<u>22,307</u>	<u>404,441</u>
Total Assets	\$ 166,781	\$ 215,353	\$ 22,307	\$ 404,441
Liabilities				
Accounts and other payables	\$ 20,264	\$ 1,073	\$ -	\$ 21,337
Salaries and wages payable	-	16,352	-	16,352
Unearned revenue	734	-	-	734
Total Liabilities	20,998	17,425	-	38,423
Deferred Inflows of Resources				
Unavailable revenue				
Delinquent property taxes	-	939	-	939
Property taxes levied for subsequent year	-	78,465	-	78,465
Total Deferred Inflows of Resources	-	79,404	-	79,404
Fund Balances				
Nonspendable				
Inventories	1,490	-	-	1,490
Prepays	1,124	-	-	1,124
Restricted				
Food service	143,169	-	-	143,169
Early childhood family education	-	65,219	-	65,219
School readiness	-	89,391	-	89,391
Community service	-	65,520	-	65,520
Debt service	-	-	22,307	22,307
Unassigned	-	(101,606)	-	(101,606)
Total Fund Balances	145,783	118,524	22,307	286,614
	<u>166,781</u>	<u>215,353</u>	<u>22,307</u>	<u>404,441</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 166,781	\$ 215,353	\$ 22,307	\$ 404,441

Independent School District No. 84
Sleepy Eye, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025

	Special Revenue			Total
	Food Service	Community Service	Debt Service	
Revenues				
Local property tax levies	\$ -	\$ 60,920	\$ 71	\$ 60,991
Other local revenue	-	98,285	-	98,285
Revenue from state sources	231,016	179,751	-	410,767
Revenue from federal sources	275,654	1,137	-	276,791
Sales and other conversion of assets	121,911	-	-	121,911
Total Revenues	<u>628,581</u>	<u>340,093</u>	<u>71</u>	<u>968,745</u>
Expenditures				
Current				
Community education and services	-	330,819	-	330,819
Pupil support services	626,969	-	-	626,969
Capital outlay	45,055	-	-	45,055
Debt service				
Principal	-	-	20,000	20,000
Interest	-	-	740	740
Total Expenditures	<u>672,024</u>	<u>330,819</u>	<u>20,740</u>	<u>1,023,583</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(43,443)	9,274	(20,669)	(54,838)
Other Financing Sources (Uses)				
Transfers in	<u>12,210</u>	<u>-</u>	<u>-</u>	<u>12,210</u>
Net Change in Fund Balances	(31,233)	9,274	(20,669)	(42,628)
Fund Balances, July 1	<u>177,016</u>	<u>109,250</u>	<u>42,976</u>	<u>329,242</u>
Fund Balances, June 30	<u>\$ 145,783</u>	<u>\$ 118,524</u>	<u>\$ 22,307</u>	<u>\$ 286,614</u>

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Independent School District No. 84
Sleepy Eye, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued on the Following Page)
For the Year Ended June 30, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024

	2025			Variance With Final Budget	2024
	Budgeted Amounts		Actual		Actual
	Original	Final			
Revenues					
Local property tax levies	\$ 929,726	\$ 929,726	\$ 922,685	\$ (7,041)	\$ 882,009
Other local revenue	337,649	337,649	441,220	103,571	618,376
Interest earned on investments	91,000	91,000	195,537	104,537	202,819
Revenue from state sources	6,874,084	6,874,084	6,969,391	95,307	6,972,905
Revenue from federal sources	266,262	266,262	537,240	270,978	424,988
Sales and other conversion of assets	-	-	29,769	29,769	32,533
Total Revenues	<u>8,498,721</u>	<u>8,498,721</u>	<u>9,095,842</u>	<u>597,121</u>	<u>9,133,630</u>
Expenditures					
Current					
Administration					
Salaries	455,220	455,220	437,408	17,812	431,651
Employee benefits	130,412	130,412	138,170	(7,758)	128,815
Purchased services	25,750	25,750	12,657	13,093	1,348
Supplies and materials	19,000	19,000	5,781	13,219	12,422
Other expenditures	13,000	13,000	12,654	346	12,314
Total administration	<u>643,382</u>	<u>643,382</u>	<u>606,670</u>	<u>36,712</u>	<u>586,550</u>
District support services					
Salaries	122,999	122,999	101,653	21,346	127,853
Employee benefits	58,093	58,093	37,063	21,030	54,984
Purchased services	143,000	143,000	182,246	(39,246)	92,091
Supplies and materials	5,930	5,930	2,773	3,157	735
Other expenditures	55,600	55,600	10,133	45,467	7,039
Total district support services	<u>385,622</u>	<u>385,622</u>	<u>333,868</u>	<u>51,754</u>	<u>282,702</u>
Elementary and secondary regular instruction					
Salaries	2,565,881	2,565,881	2,650,893	(85,012)	2,444,803
Employee benefits	735,019	735,019	835,112	(100,093)	686,393
Purchased services	374,153	374,153	312,451	61,702	376,056
Supplies and materials	443,712	451,662	311,183	140,479	455,117
Other expenditures	60,350	60,350	82,109	(21,759)	51,132
Total elementary and secondary regular instruction	<u>4,179,115</u>	<u>4,187,065</u>	<u>4,191,748</u>	<u>(4,683)</u>	<u>4,013,501</u>
Vocational education instruction					
Salaries	204,111	204,111	212,522	(8,411)	200,753
Employee benefits	60,025	60,025	66,268	(6,243)	57,499
Purchased services	2,200	2,200	30,938	(28,738)	4,012
Supplies and materials	10,787	10,787	22,187	(11,400)	8,155
Total vocational education instruction	<u>277,123</u>	<u>277,123</u>	<u>331,915</u>	<u>(54,792)</u>	<u>270,419</u>
Special education instruction					
Salaries	853,714	853,714	843,108	10,606	764,757
Employee benefits	205,142	205,142	219,853	(14,711)	188,028
Purchased services	318,160	318,160	297,211	20,949	251,916
Supplies and materials	18,100	18,100	8,911	9,189	18,123
Other expenditures	-	-	299	(299)	438
Total special education instruction	<u>1,395,116</u>	<u>1,395,116</u>	<u>1,369,382</u>	<u>25,734</u>	<u>1,223,262</u>

Independent School District No. 84
Sleepy Eye, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended June 30, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024

	2025			Variance With Final Budget	2024
	Budgeted Amounts		Actual		Actual
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Instructional support services					
Salaries	\$ 72,032	\$ 77,400	\$ 111,814	\$ (34,414)	\$ 67,064
Employee benefits	10,043	11,585	15,869	(4,284)	10,959
Purchased services	161,800	191,210	172,440	18,770	234,102
Supplies and materials	49,143	74,143	82,320	(8,177)	51,942
Other expenditures	85	85	97	(12)	182
Total instructional support services	<u>293,103</u>	<u>354,423</u>	<u>382,540</u>	<u>(28,117)</u>	<u>364,249</u>
Pupil support services					
Salaries	159,312	159,312	151,002	8,310	155,029
Employee benefits	43,210	43,210	53,845	(10,635)	39,200
Purchased services	540,410	540,410	623,206	(82,796)	604,484
Supplies and materials	39,312	39,312	22,988	16,324	44,057
Other expenditures	250	250	11	239	508
Total pupil support services	<u>782,494</u>	<u>782,494</u>	<u>851,052</u>	<u>(68,558)</u>	<u>843,278</u>
Sites and buildings					
Salaries	5,000	5,000	-	5,000	-
Purchased services	548,736	548,736	500,343	48,393	633,838
Supplies and materials	229,500	229,500	259,064	(29,564)	246,588
Other expenditures	1,000	1,000	3,587	(2,587)	-
Total sites and buildings	<u>784,236</u>	<u>784,236</u>	<u>762,994</u>	<u>21,242</u>	<u>880,426</u>
Fiscal and other fixed cost programs					
Purchased services	80,339	80,339	78,536	1,803	68,253
Total current	<u>8,820,530</u>	<u>8,889,800</u>	<u>8,908,705</u>	<u>(18,905)</u>	<u>8,532,640</u>
Capital outlay					
District support services	2,500	2,500	-	2,500	300
Elementary and secondary regular instruction	22,000	22,000	149,522	(127,522)	22,201
Vocational education instruction	-	-	1,297	(1,297)	-
Instructional support services	43,000	21,000	21,767	(767)	603
Pupil support services	-	-	-	-	37,876
Site and buildings	10,000	10,000	206,075	(196,075)	272,752
Total capital outlay	<u>77,500</u>	<u>55,500</u>	<u>378,661</u>	<u>(323,161)</u>	<u>333,732</u>
Debt service					
Principal	17,000	17,000	5,616	11,384	-
Interest	5,000	5,000	51	4,949	-
Total debt service	<u>22,000</u>	<u>22,000</u>	<u>5,667</u>	<u>16,333</u>	<u>-</u>
Total Expenditures	<u>8,920,030</u>	<u>8,967,300</u>	<u>9,293,033</u>	<u>(325,733)</u>	<u>8,866,372</u>

Independent School District No. 84

Sleepy Eye, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual (Continued)

For the Year Ended June 30, 2025

With Comparative Actual Amounts for the Year Ended June 30, 2024

	2025			Variance With Final Budget	2024
	Budgeted Amounts		Actual		Actual
	Original	Final			
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (421,309)	\$ (468,579)	\$ (197,191)	\$ 271,388	\$ 267,258
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	-	89
Insurance recovery	-	-	100,000	100,000	3,012
Transfers out	(15,000)	(15,000)	(12,210)	2,790	-
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>87,790</u>	<u>102,790</u>	<u>3,101</u>
Net Change in Fund Balances	(436,309)	(483,579)	(109,401)	374,178	270,359
Fund Balances, July 1	<u>4,860,968</u>	<u>4,860,968</u>	<u>4,860,968</u>	-	<u>4,590,609</u>
Fund Balances, June 30	<u>\$ 4,424,659</u>	<u>\$ 4,377,389</u>	<u>\$ 4,751,567</u>	<u>\$ 374,178</u>	<u>\$ 4,860,968</u>

Independent School District No. 84
 Sleepy Eye, Minnesota
 Food Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended June 30, 2025
 With Comparative Actual Amounts for the Year Ended June 30, 2024

	2025			Variance With Final Budget	2024
	Budgeted Amounts		Actual		Actual
	Original	Final			
Revenues					
Other local revenue	\$ 105,750	\$ 105,750	\$ -	\$ (105,750)	\$ 50,561
Revenue from state sources	203,435	203,435	231,016	27,581	213,002
Revenue from federal sources	301,512	301,512	275,654	(25,858)	318,136
Sales and other conversion of assets	16,146	16,146	121,911	105,765	80,660
Total Revenues	<u>626,843</u>	<u>626,843</u>	<u>628,581</u>	<u>1,738</u>	<u>662,359</u>
Expenditures					
Current					
Pupil support services					
Salaries	8,549	8,549	-	8,549	-
Purchased services	282,219	282,219	341,914	(59,695)	300,418
Supplies and materials	318,635	318,635	285,055	33,580	334,610
Total current	<u>609,403</u>	<u>609,403</u>	<u>626,969</u>	<u>(17,566)</u>	<u>635,028</u>
Capital outlay					
Pupil support services	-	-	45,055	(45,055)	-
Total Expenditures	<u>609,403</u>	<u>609,403</u>	<u>672,024</u>	<u>(62,621)</u>	<u>635,028</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,440	17,440	(43,443)	(60,883)	27,331
Other Financing Sources (Uses)					
Transfers in	-	-	12,210	12,210	-
Net Change in Fund Balances	17,440	17,440	(31,233)	(48,673)	27,331
Fund Balances, July 1	<u>177,016</u>	<u>177,016</u>	<u>177,016</u>	<u>-</u>	<u>149,685</u>
Fund Balances, June 30	<u>\$ 194,456</u>	<u>\$ 194,456</u>	<u>\$ 145,783</u>	<u>\$ (48,673)</u>	<u>\$ 177,016</u>

Independent School District No. 84
 Sleepy Eye, Minnesota
 Community Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended June 30, 2025
 With Comparative Actual Amounts for the Year Ended June 30, 2024

	2025			Variance With Final Budget	2024
	Budgeted Amounts		Actual		Actual
	Original	Final			
Revenues					
Local property tax levies	\$ 66,658	\$ 66,658	\$ 60,920	\$ (5,738)	\$ 62,323
Other local revenue	83,800	82,800	98,285	15,485	72,827
Revenue from state sources	157,077	157,077	179,751	22,674	159,595
Revenue from federal sources	-	-	1,137	1,137	1,543
Total Revenues	<u>307,535</u>	<u>306,535</u>	<u>340,093</u>	<u>33,558</u>	<u>296,288</u>
Expenditures					
Current					
Community education and services					
Salaries	184,586	185,896	184,285	1,611	186,544
Employee benefits	37,602	37,813	33,522	4,291	33,458
Purchased services	58,645	60,340	68,447	(8,107)	71,402
Supplies and materials	45,419	46,624	44,565	2,059	37,882
Other expenditures	1,175	1,175	-	1,175	4,203
Total current	<u>327,427</u>	<u>331,848</u>	<u>330,819</u>	<u>1,029</u>	<u>333,489</u>
Net Change in Fund Balances	(19,892)	(25,313)	9,274	34,587	(37,201)
Fund Balances, July 1	<u>109,250</u>	<u>109,250</u>	<u>109,250</u>	<u>-</u>	<u>146,451</u>
Fund Balances, June 30	<u>\$ 89,358</u>	<u>\$ 83,937</u>	<u>\$ 118,524</u>	<u>\$ 34,587</u>	<u>\$ 109,250</u>

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Independent School District No. 84
 Sleepy Eye, Minnesota
 Debt Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended June 30, 2025
 With Comparative Actual Amounts for the Year Ended June 30, 2024

	2025				2024
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenue					
Local property tax levies	\$ (2,676)	\$ (2,676)	\$ 71	\$ 2,747	\$ 28,688
Revenue from state sources	15,059	15,059	-	(15,059)	40,678
Total Revenues	<u>12,383</u>	<u>12,383</u>	<u>71</u>	<u>(12,312)</u>	<u>69,366</u>
Expenditures					
Debt service					
Principal	20,000	20,000	20,000	-	165,000
Interest and other	1,315	1,315	740	575	6,445
Total Expenditures	<u>21,315</u>	<u>21,315</u>	<u>20,740</u>	<u>575</u>	<u>171,445</u>
Net Change in Fund Balances	(8,932)	(8,932)	(20,669)	(11,737)	(102,079)
Fund Balances, July 1	<u>42,976</u>	<u>42,976</u>	<u>42,976</u>	<u>-</u>	<u>145,055</u>
Fund Balances, June 30	<u>\$ 34,044</u>	<u>\$ 34,044</u>	<u>\$ 22,307</u>	<u>\$ (11,737)</u>	<u>\$ 42,976</u>



Fiscal Compliance Report - 6/30/2025
District: SLEEPY EYE (84-1)

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	\$9,095,842	<u>\$9,095,840</u>	<u>\$2</u>
Total Expenditures	\$9,293,033	<u>\$9,293,030</u>	<u>\$3</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$27,721	<u>\$27,721</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$37,206	<u>\$37,206</u>	<u>\$0</u>
4.02 Scholarships	\$70,408	<u>\$70,407</u>	<u>\$1</u>
4.03 Staff Development	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.12 Literacy Incentive Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>
4.20 American Indian Education Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.24 Operating Capital	\$43,468	<u>\$43,468</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>
4.37 Q Comp	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$31,051	<u>\$31,051</u>	<u>\$0</u>
4.39 English Learner	\$25,951	<u>\$25,951</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$880,293	<u>\$880,294</u>	<u>(\$1)</u>
4.43 School Library Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.49 Safe Schools Levy	\$37,340	<u>\$37,338</u>	<u>\$2</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.56 READ Act - Literacy Aid	\$2,736	<u>\$2,737</u>	<u>(\$1)</u>
4.57 READ Act - Tchr Training Compensation	\$0	<u>\$0</u>	<u>\$0</u>
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	(\$339,921)	<u>(\$339,921)</u>	<u>\$0</u>
4.71 Student Support Personnel Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$19,694	<u>\$19,694</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>			
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>			
4.62 Assigned Fund Balance	\$120,198	<u>\$120,199</u>	<u>(\$1)</u>
<i>Unassigned:</i>			
4.22 Unassigned Fund Balance	\$3,795,422	<u>\$3,795,422</u>	<u>\$0</u>

02 FOOD SERVICES

06 BUILDING CONSTRUCTION

	Audit	UFARS	Audit - UFARS
Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.13 Funded by COP/FP	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

07 DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	\$71	<u>\$71</u>	<u>\$0</u>
Total Expenditures	\$20,740	<u>\$20,740</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$22,307	<u>\$22,307</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

08 TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

18 CUSTODIAL

	Audit	UFARS	Audit - UFARS
Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

20 INTERNAL SERVICE

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

25 OPEB REVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>

Minnesota Department of Education

Total Revenue	\$628,581	<u>\$628,580</u>	<u>\$1</u>
Total Expenditures	\$672,024	<u>\$672,023</u>	<u>\$1</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$2,614	<u>\$2,614</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$143,169	<u>\$143,169</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

04 COMMUNITY SERVICE

Total Revenue	\$340,093	<u>\$340,092</u>	<u>\$1</u>
Total Expenditures	\$330,819	<u>\$330,818</u>	<u>\$1</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	(\$101,606)	<u>(\$101,606)</u>	<u>\$0</u>
4.32 E.C.F.E	\$65,219	<u>\$65,219</u>	<u>\$0</u>
4.37 Q Comp	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$89,391	<u>\$89,389</u>	<u>\$2</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.56 READ Act - Literacy Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.57 READ Act - Tchr Training Compensation	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$65,520	<u>\$65,522</u>	<u>(\$2)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
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45 OPEB IRREVOCABLE TRUST

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

47 OPEB DEBT SERVICE

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

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 84
SLEEPY EYE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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**INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE**

Members of the School Board
Independent School District No. 84
Sleepy Eye, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Independent School District No. 84, Sleepy Eye, Minnesota, (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements and have issued our report thereon dated December 22, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts sections of the Legal Compliance Audit Guide for Districts, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in Schedule of Findings and Responses as items 2025-004 and 2025-005. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the District's responses and, accordingly, we express no opinion on them.

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.



Abdo
Mankato, Minnesota
December 22, 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***

Members of the School Board
Independent School District No. 84
Sleepy Eye, 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, the major fund and the aggregate remaining fund information of the Independent School District No. 84, Sleepy Eye, Minnesota (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements and have issued our report thereon dated December 22, 2025.

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. We consider the deficiency described in the Schedule of Findings and Responses as finding 2025-003 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the Schedule of Findings and Responses as findings 2025-001 and 2025-002 to be significant deficiencies.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The District's responses were not subjected to the 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 results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Abdo
Mankato, Minnesota
December 22, 2025



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Independent School District No. 84
Sleepy Eye, Minnesota
Schedule of Findings and Responses
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2025-001	Financial Report Preparation
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the District is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the District should agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	There is no disagreement with the audit finding.
<i>Updated Progress Since Prior Year:</i>	No progress has been made in addressing this finding in the current year.

Independent School District No. 84
Sleepy Eye, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2025-002	Segregation of Duties
<i>Condition:</i>	During our audit, we found that the District has a limited segregation of duties related to many aspects of its accounting systems.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Cause:</i>	There is a limited amount of office employees.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in segregation of duties and internal controls can result in undetected errors or misappropriation of assets of the District.
<i>Recommendation:</i>	Under these circumstances the most effective controls lie in 1) managements knowledge of the District's financial operations and 2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transaction. We recommend the District evaluate its controls and make any changes considered necessary. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.
<i>Management Response:</i>	There is no disagreement with the audit finding.
<i>Updated Progress Since Prior Year:</i>	
	No progress has been made in addressing this finding in the current year.

Independent School District No. 84
Sleepy Eye, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2025-003	Material Audit Adjustments
<i>Condition:</i>	During our audit, adjustments were needed to adjust capital asset and long-term liability balances.
<i>Criteria:</i>	The financial statements are the responsibility of the District's management.
<i>Cause:</i>	The District does not have an internal control system designed to identify all necessary adjustments.
<i>Effect:</i>	It is likely that if a misstatement were to occur, it would not be detected by the District's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.
<i>Management Response:</i>	There is no disagreement with the audit finding.
<i>Updated Progress Since Prior Year:</i>	
	No progress has been made in addressing this finding in the current year.
2025-004	Student Activity Accounts with Deficit Balances
<i>Condition:</i>	We noted a certain student activity account that had a deficit year-end balance, which is not appropriate as defined in the uniform financial accounting and reporting standards for school districts (UFARS) chapter 14.
<i>Criteria:</i>	UFARS chapter 14 states that no individual student activity will operate with a negative cash balance at the end of the fiscal year.
<i>Cause:</i>	The District had multiple student activity accounts with deficit fund balances at yearend.
<i>Effect:</i>	The District is out of compliance with Minnesota statute.
<i>Recommendation:</i>	It is our recommendation that the District assure all student activity accounts do not spend in excess of available funds, and eliminate the existing student activity account balance deficit.
<i>Management Response:</i>	There is no disagreement with this finding. The District will take action to avoid a similar occurrence in the following year.

Independent School District No. 84
Sleepy Eye, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2025-005	Contracting and Bidding
<i>Condition:</i>	During our audit, we noted the District entered into a contract for HVAC improvements.
<i>Criteria:</i>	Minnesota statute §16C.285 sets certain requirements for contracts that exceed certain thresholds. In the District's case, the contracts were above \$50,000, which requires the successful contractor to submit a verification of compliance, and that this documentation should be kept on file for at least one year.
<i>Cause:</i>	The District did not have on file sufficient support relating to the responsible contractor documentation.
<i>Effect:</i>	The District is out of compliance with Minnesota statute.
<i>Recommendation:</i>	We recommend that the District review the statute and develop a set of procedures that will allow the District to be in compliance for all major contracts. We also recommend that the District create a separate file for all such contracts and keep all documents related to the process.
<i>Management Response:</i>	There is no disagreement with this finding. The District will take action to avoid a similar occurrence in the following year.
<i>Updated Progress Since Prior Year:</i>	No progress has been made in addressing this finding in the current year.



Sleepy Eye Public Schools

Independent School District #84
400 4th Avenue SW
Sleepy Eye, MN 56085
(507) 794-7907 or High School (507) 794-7904
Fax (507) 794-5404
Web Site www.sleepyeyeschools.com

John Cselovszki, Superintendent
Shane Laffen, High School Principal
John Cselovszki, Elementary Principal
Amanda Boomgarden, Business Manager
Sarah Eckstein, School Counselor
Cory Haala, Athletic Director

INDEPENDENT SCHOOL DISTRICT 84 MISSION STATEMENT: "Provide engaging and individualized educational opportunities to diverse learners for their growth and success."

2025-001 Financial Report Preparation

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

For now, the District's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

Official Responsible for Ensuring CAP:

John Cselovszki, Superintendent, is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:

Continuous.

Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

John Cselovszki
Superintendent



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2025-002 Segregation of Duties

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The District reviews and makes improvements to its internal control structure on an ongoing basis and attempts to maximize the segregation of duties in all areas with the limited staff available.

Official Responsible for Ensuring CAP:

John Cselovszki, Superintendent, is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:

Continuous.

Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

John Cselovszki
Superintendent



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2025-003 Material Audit Adjustments

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The District continues training dealing with UFARS financial/accounting practices.

Official Responsible for Ensuring CAP:

John Cselovszki, Superintendent, is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:

June 30, 2026

Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

John Cselovszki
Superintendent



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INDEPENDENT SCHOOL DISTRICT 84 MISSION STATEMENT: "Provide engaging and individualized educational opportunities to diverse learners for their growth and success."

2025-004 Student Activity Accounts with Deficit Balances

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The District will review student activity accounts to ensure that all deficits are eliminated.

Official Responsible for Ensuring CAP:

John Cselovszki, Superintendent, is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:

June 30, 2026

Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

John Cselovszki
Superintendent



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INDEPENDENT SCHOOL DISTRICT 84 MISSION STATEMENT: "Provide engaging and individualized educational opportunities to diverse learners for their growth and success."

2025-005 Contracting and Bidding

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The District will review and make changes to make sure the District obtains the proper documentation in future projects.

Official Responsible for Ensuring CAP:

John Cselovszki, Superintendent, is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:

June 30, 2026

Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

John Cselovszki
Superintendent

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. 84
(SLEEPY EYE)
BROWN COUNTY, MINNESOTA
GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS
SERIES 2026A

We have acted as bond counsel to Independent School District No. 84 (Sleepy Eye), Brown County, Minnesota (the “Issuer”), in connection with the issuance by the Issuer of its General Obligation Facilities Maintenance Bonds, Series 2026A (the “Bonds”), originally dated _____, 2026, and issued in the original aggregate principal amount of \$ _____. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings, and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

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

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

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

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

5. The resolution adopted by the School Board of the Issuer on August 13, 2025, obligates the Issuer to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of that law against the State of Minnesota (the "State") in the absence of appropriated and available funds to pay the obligations of the State thereunder.

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

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

Dated _____, 2026, at Minneapolis, Minnesota.

BOOK-ENTRY-ONLY SYSTEM

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

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

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

\$[1,290,000]
INDEPENDENT SCHOOL DISTRICT NO. 84
(SLEEPY EYE)
BROWN COUNTY, MINNESOTA
GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS
SERIES 2026A

CONTINUING DISCLOSURE CERTIFICATE

_____, 2026

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Independent School District No. 84 (Sleepy Eye), Brown County, Minnesota (the “District”), in connection with the issuance of its General Obligation Facilities Maintenance Bonds, Series 2026A (the “Bonds”), in the original aggregate principal amount of \$[1,290,000]. 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, Series 2026A, issued by the District in the original aggregate principal amount of \$[1,290,000].

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“District” means Independent School District No. 84 (Sleepy Eye), Brown County, 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. 84
(SLEEPY EYE), BROWN COUNTY, MINNESOTA**

Board Chair

Clerk

Continuing Disclosure Certificate
Independent School District No. 84 (Sleepy Eye)
Brown County, Minnesota
General Obligation Facilities Maintenance Bonds, Series 2026A

TERMS OF PROPOSAL

**\$1,290,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2026A
INDEPENDENT SCHOOL DISTRICT NO. 084 (SLEEPY EYE), MINNESOTA**

Proposals for the purchase of \$1,290,000* General Obligation Facilities Maintenance Bonds, Series 2026A (the "Bonds") of Independent School District No. 84 (Sleepy Eye), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, municipal advisors to the District, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M., Central Time, on June 10, 2026, at which time they will be opened, read and tabulated. The proposals will be presented to the School Board for consideration for award by resolution at a meeting to be held at 5:30 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and Minnesota Statutes, Section 123B.595, as amended, by the District, to provide funds for roofing projects included in the District's ten-year facility plan approved by the Commissioner of Education. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated 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	\$180,000	2030	\$155,000	2033	\$180,000
2028	115,000	2031	165,000	2034	190,000
2029	135,000	2032	170,000		

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 \$1,290,000 plus accrued interest on the principal sum of \$1,290,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

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

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

A good faith deposit ("Deposit") in the amount of \$25,800 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. 084
(Sleepy Eye), Minnesota

PROPOSAL FORM

The School Board
Independent School District No. 084 (Sleepy Eye), Minnesota (the "District")

June 10, 2026

RE: \$1,290,000* General Obligation Facilities Maintenance Bonds, 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 \$1,290,000) 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	2030	_____ % due	2033
_____ % due	2028	_____ % due	2031	_____ % due	2034
_____ % due	2029	_____ % due	2032		

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 \$25,800 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. 84 (Sleepy Eye), Minnesota, on June 10, 2026.

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