

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 5, 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 NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 (b)(3) of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

New Issue

Rating Application Made: Moody's Investors Service, Inc.

INDEPENDENT SCHOOL DISTRICT NO. 834 (STILLWATER AREA PUBLIC SCHOOLS), MINNESOTA (Washington County)

(Minnesota School District Credit Enhancement Program) **\$90,335,000* GENERAL OBLIGATION SCHOOL BUILDING AND FACILITIES MAINTENANCE BONDS, SERIES 2026A**

PROPOSAL OPENING: February 17, 2026, 10:30 A.M., C.T.

CONSIDERATION: February 17, 2026, 5:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$90,335,000* General Obligation School Building and Facilities Maintenance Bonds, Series 2026A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, Minnesota Statutes, Section 123B.595, as amended, and a special election held November 7, 2023, by Independent School District No. 834 (Stillwater Area Public Schools), Minnesota (the "District"), for the purposes of financing the acquisition and betterment of school sites and facilities in the District and to provide funds for deferred maintenance projects included in the District's ten-year facility plan as 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:

March 12, 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 | \$435,000 | 2034 | \$2,330,000 | 2041 | \$5,315,000 |
| 2028 | 3,050,000 | 2035 | 2,195,000 | 2042 | 5,525,000 |
| 2029 | 1,030,000 | 2036 | 2,975,000 | 2043 | 5,745,000 |
| 2030 | 1,635,000 | 2037 | 3,325,000 | 2044 | 9,735,000 |
| 2031 | 1,115,000 | 2038 | 5,975,000 | 2045 | 11,860,000 |
| 2032 | 2,430,000 | 2039 | 6,630,000 | 2046 | 12,235,000 |
| 2033 | 1,705,000 | 2040 | 5,090,000 | | |

***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:

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

MINIMUM PROPOSAL:

\$90,335,000.

GOOD FAITH DEPOSIT:

A good faith deposit in the amount of \$1,806,700 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT:

Bond Trust Services Corporation.

BOND COUNSEL:

Kennedy & Graven, Chartered.

MUNICIPAL ADVISOR:

Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY:

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

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

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

TABLE OF CONTENTS

| | |
|--|---|
| <p>INTRODUCTORY STATEMENT 1</p> <p>THE BONDS 1</p> <p style="padding-left: 20px;">GENERAL 1</p> <p style="padding-left: 20px;">OPTIONAL REDEMPTION 2</p> <p style="padding-left: 20px;">AUTHORITY; PURPOSE 2</p> <p style="padding-left: 20px;">ESTIMATED SOURCES AND USES 3</p> <p style="padding-left: 20px;">SECURITY 4</p> <p style="padding-left: 20px;">RATING 4</p> <p style="padding-left: 20px;">STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS 4</p> <p style="padding-left: 20px;">CONTINUING DISCLOSURE 5</p> <p style="padding-left: 20px;">LEGAL OPINION 6</p> <p style="padding-left: 20px;">TAX EXEMPTION 6</p> <p style="padding-left: 20px;">NON-QUALIFIED TAX-EXEMPT OBLIGATIONS 7</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR 7</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR AFFILIATED COMPANIES 8</p> <p style="padding-left: 20px;">INDEPENDENT AUDITORS 8</p> <p style="padding-left: 20px;">RISK FACTORS 8</p> <p>VALUATIONS 11</p> <p style="padding-left: 20px;">OVERVIEW 11</p> <p style="padding-left: 20px;">CURRENT PROPERTY VALUATIONS 12</p> <p style="padding-left: 20px;">2024/25 NET TAX CAPACITY BY CLASSIFICATION 13</p> <p style="padding-left: 20px;">TREND OF VALUATIONS 13</p> <p style="padding-left: 20px;">LARGEST TAXPAYERS 14</p> <p>DEBT 14</p> <p style="padding-left: 20px;">DIRECT DEBT 14</p> <p style="padding-left: 20px;">DEBT PAYMENT HISTORY 15</p> <p style="padding-left: 20px;">FUTURE FINANCING 15</p> <p style="padding-left: 20px;">STATE AID FOR DEBT SERVICE 15</p> <p style="padding-left: 20px;">BONDED DEBT LIMIT 16</p> <p style="padding-left: 20px;">SCHEDULE OF BONDED INDEBTEDNESS 17</p> <p style="padding-left: 20px;">OVERLAPPING DEBT 19</p> <p style="padding-left: 20px;">DEBT RATIOS 20</p> | <p>TAX LEVIES, COLLECTION AND RATES 20</p> <p style="padding-left: 20px;">TAX LEVIES AND COLLECTIONS 20</p> <p style="padding-left: 20px;">TAX CAPACITY RATES 21</p> <p>THE ISSUER 22</p> <p style="padding-left: 20px;">EMPLOYEES 22</p> <p style="padding-left: 20px;">PENSIONS; UNIONS 22</p> <p style="padding-left: 20px;">POST EMPLOYMENT BENEFITS 23</p> <p style="padding-left: 20px;">STUDENT BODY 23</p> <p style="padding-left: 20px;">SCHOOL BUILDINGS 24</p> <p style="padding-left: 20px;">LITIGATION 24</p> <p style="padding-left: 20px;">MUNICIPAL BANKRUPTCY 24</p> <p style="padding-left: 20px;">FUNDS ON HAND 25</p> <p style="padding-left: 20px;">BUDGET SUMMARY 25</p> <p style="padding-left: 20px;">SUMMARY GENERAL FUND INFORMATION 26</p> <p>GENERAL INFORMATION 27</p> <p style="padding-left: 20px;">LOCATION 27</p> <p style="padding-left: 20px;">LARGER EMPLOYERS 27</p> <p style="padding-left: 20px;">U.S. CENSUS DATA 28</p> <p style="padding-left: 20px;">EMPLOYMENT/UNEMPLOYMENT DATA 28</p> <p>FINANCIAL STATEMENTS A-1</p> <p>FORM OF LEGAL OPINION B-1</p> <p>BOOK-ENTRY-ONLY SYSTEM C-1</p> <p>FORM OF CONTINUING DISCLOSURE CERTIFICATE D-1</p> <p>TERMS OF PROPOSAL E-1</p> <p>PROPOSAL FORM</p> |
|--|---|

STILLWATER AREA PUBLIC SCHOOLS SCHOOL BOARD

| | | <u>Term Expires</u> |
|------------------|-------------|---------------------|
| Alison Sherman | Board Chair | January 2027 |
| Andrew Thelander | Vice Chair | January 2027 |
| Sarah Grcevich | Clerk | January 2029 |
| Chris Lauer | Treasurer | January 2027 |
| Katie Hockert | Member | January 2029 |
| Pete Kelzenberg | Member | January 2027 |
| Robert Parker | Member | January 2029 |

ADMINISTRATION

Dr. Michael Funk, Superintendent of Schools

Marie Schrul, Chief Financial Officer

Mark Drommerhausen, Executive Director of Operations

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. 834 (Stillwater Area Public Schools), Minnesota (the "District") and the issuance of its \$90,335,000* General Obligation School Building and 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 February 17, 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 March 12, 2026. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing 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"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

*Preliminary, subject to change.

OPTIONAL REDEMPTION

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

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

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

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, Minnesota Statutes, Section 123B.595, as amended, and a special election held November 7, 2023, by the District, at which voters approved a building program by a vote of 8,360 - 6,373.

Proceeds of the Bonds will be used to finance: (i) the acquisition and betterment of school sites and facilities, including, but not limited to, replacing Lake Elmo Elementary School with a new building, replacing Andersen Elementary School with a new building, construction of additional classroom space and a new gymnasium at Oak-Land Middle School and safety and security improvements throughout the District, including a secured front entrance addition and remodel at Stillwater Area High School (the "School Building Portion"); and (ii) certain deferred maintenance projects included in the District's ten-year facilities plan approved by the Commissioner of Education (the "Facilities Maintenance Portion").

The referendum approved by the voters authorized the issuance of general obligation bonds in an amount not to exceed \$174,845,000. On February 1, 2024, the District issued General Obligation School Building Bonds, Series 2024A, totaling \$100,000,000, leaving a remaining unused authority of \$74,845,000. The District plans to issue the remainder of the bonds authorized with this issue.

ESTIMATED SOURCES AND USES*

| Sources | School Building Portion | Facilities Maintenance Portion | Total Bond Issue |
|---------------------------------------|--|---|---------------------------------|
| Par Amount of Bonds | \$74,845,000 | \$15,490,000 | \$90,335,000 |
| Reoffering Premium | <u>588,861</u> | <u>1,060,942</u> | <u>1,649,803</u> |
| Total Sources | \$75,433,861 | \$16,550,942 | \$91,984,803 |
| | | | |
| Uses | | | |
| Total Underwriter's Discount (0.800%) | \$598,760 | \$123,920 | \$722,680 |
| Costs of Issuance | 265,709 | 54,991 | 320,700 |
| Deposit to Construction Fund | <u>74,569,392</u> | <u>16,372,030</u> | <u>90,941,423</u> |
| Total Uses | \$75,433,861 | \$16,550,942 | \$91,984,803 |

Breakdown of Principal Payments*:

| Payment Date | School Building Portion | Facilities Maintenance Portion | Total Bond Issue |
|-------------------------|--|---|---------------------------------|
| 2/01/2027 | \$395,000 | \$40,000 | \$435,000 |
| 2/01/2028 | - | 3,050,000 | 3,050,000 |
| 2/01/2029 | - | 1,030,000 | 1,030,000 |
| 2/01/2030 | - | 1,635,000 | 1,635,000 |
| 2/01/2031 | - | 1,115,000 | 1,115,000 |
| 2/01/2032 | - | 2,430,000 | 2,430,000 |
| 2/01/2033 | 1,165,000 | 540,000 | 1,705,000 |
| 2/01/2034 | 1,595,000 | 735,000 | 2,330,000 |
| 2/01/2035 | 1,500,000 | 695,000 | 2,195,000 |
| 2/01/2036 | 2,035,000 | 940,000 | 2,975,000 |
| 2/01/2037 | 2,275,000 | 1,050,000 | 3,325,000 |
| 2/01/2038 | 4,880,000 | 1,095,000 | 5,975,000 |
| 2/01/2039 | 5,495,000 | 1,135,000 | 6,630,000 |
| 2/01/2040 | 5,090,000 | - | 5,090,000 |
| 2/01/2041 | 5,315,000 | - | 5,315,000 |
| 2/01/2042 | 5,525,000 | - | 5,525,000 |
| 2/01/2043 | 5,745,000 | - | 5,745,000 |
| 2/01/2044 | 9,735,000 | - | 9,735,000 |
| 2/01/2045 | 11,860,000 | - | 11,860,000 |
| 2/01/2046 | <u>12,235,000</u> | <u>-</u> | <u>12,235,000</u> |
| Total | \$74,845,000 | \$15,490,000 | \$90,335,000 |

*Preliminary, subject to change.

SECURITY

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

RATING

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

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

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the District nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on July 15, 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.

Prior continuing disclosure undertakings entered into by the District included language stating that an Annual Report including the District's audited financial statements and operating data would be filed "as soon as available." Although the District did not provide financial statements "as soon as available", the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. The District did not timely file notice of the incurrence of a financial obligation that was incurred in July 2022. Except to the extent the foregoing deficiencies are deemed to be material, the District believes it has complied in all material respects with its prior disclosure undertakings under the Rule in the last five years. The District has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the District.

LEGAL OPINION

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

TAX EXEMPTION

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

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

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

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

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

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

Legislative proposals

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

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code, relating to the ability of certain financial institutions (within the meaning of Section 265(6)(5) of the Code) to deduct from income for federal income tax purposes, 80% of the interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

| Type of Property | 2022/23 | 2023/24 | 2024/25 |
|--|--|--|--|
| 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 \$1,890,000 - 0.50% ² Over \$1,890,000 - 1.00% ² | 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 |
| 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: First \$100,000 - 0.75% Over \$100,000 - 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% |
| 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

| | |
|--|-------------------------------------|
| 2024/25 Economic Market Value | <u>\$17,119,069,339¹</u> |
| 2024/25 Assessor's Estimated Market Value | |
| Real Estate | \$16,139,335,000 |
| Personal Property | <u>74,516,200</u> |
| Total Valuation | <u><u>\$16,213,851,200</u></u> |
| 2024/25 Net Tax Capacity | |
| Real Estate | \$181,970,793 |
| Personal Property | <u>1,421,365</u> |
| Net Tax Capacity | \$183,392,158 |
| Less: | |
| Captured Tax Increment Tax Capacity ² | (3,408,666) |
| Fiscal Disparities Contribution ³ | (13,215,262) |
| Power Line Adjustment ⁴ | <u>(362)</u> |
| Taxable Net Tax Capacity | \$166,767,868 |
| Plus: Fiscal Disparities Distribution ³ | <u>9,936,678</u> |
| Adjusted Taxable Net Tax Capacity | <u><u>\$176,704,546</u></u> |

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District was about 95.02% of the actual selling prices of property sold in the District. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the District of \$17,119,069,339.

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

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

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

2024/25 NET TAX CAPACITY BY CLASSIFICATION

| | 2024/25 Net Tax Capacity | Percent of Total Net Tax Capacity |
|--|-------------------------------------|--|
| Residential homestead | \$111,959,876 | 61.05% |
| Agricultural | 4,131,662 | 2.25% |
| Commercial/industrial | 29,637,493 | 16.16% |
| Public utility | 4,564,048 | 2.49% |
| Railroad operating property | 752,976 | 0.41% |
| Non-homestead residential | 30,062,104 | 16.39% |
| Commercial & residential seasonal/rec. | 862,634 | 0.47% |
| Personal property | <u>1,421,365</u> | <u>0.78%</u> |
| Total | <u><u>\$183,392,158</u></u> | <u><u>100.00%</u></u> |

TREND OF VALUATIONS

| Levy Year | Assessor's Estimated Market Value | Assessor's Taxable Market Value | Net Tax Capacity¹ | Adjusted Taxable Net Tax Capacity² | Percent Increase/Decrease in Estimated Market Value |
|----------------------|--|--|---|--|--|
| 2020/21 | \$11,391,377,800 | \$11,060,741,800 | \$126,335,223 | \$122,730,975 | 3.60% |
| 2021/22 | 12,042,212,900 | 11,723,826,800 | 134,051,999 | 130,227,481 | 5.71% |
| 2022/23 | 14,555,735,200 | 14,248,895,900 | 162,658,786 | 157,945,216 | 20.87% |
| 2023/24 | 16,289,385,200 | 16,023,666,200 | 185,121,498 | 179,620,659 | 11.91% |
| 2024/25 | 16,213,851,200 | 15,873,188,000 | 183,392,158 | 176,704,546 | -0.46% |

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

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

LARGEST TAXPAYERS

| Taxpayer | Type of Property | 2024/25 Net Tax Capacity | Percent of District's Total Net Tax Capacity |
|---|------------------|-----------------------------|--|
| Xcel Energy | Utility | \$5,691,730 | 3.10% |
| City Walk TIC I LLC et al | Apartment | 1,260,426 | 0.69% |
| VSSA Boutwells Landing LLC | Apartment | 1,170,360 | 0.64% |
| Continental 483 Fund LLC | Apartment | 892,543 | 0.49% |
| Ryan Woodbury LLC | Commercial | 764,136 | 0.42% |
| Beyond Acquisitions LLC & Beyond MDR LLC | Apartment | 738,019 | 0.40% |
| Wal-Mart | Commercial | 668,470 | 0.36% |
| Woodbury Logistics Center Owner LLC | Commercial | 622,240 | 0.34% |
| Andersen Corporation | Commercial | 539,117 | 0.29% |
| Stillwater Health System | Commercial | <u>531,120</u> | <u>0.29%</u> |
| Total | | \$12,878,161 | 7.02% |

District's Total 2024/25 Net Tax Capacity \$183,392,158

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

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids² (includes the Bonds)* \$239,425,000

*Preliminary, subject to change.

Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations³ \$7,645,000

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

² Based upon the the agricultural land valuation and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

³ Non-general obligation debt has not been included in the debt ratios.

Other Obligations - Cooperative District/Joint Governmental Obligations

The District is a member of Northeast Metropolitan Intermediate School District No. 916 ("Northeast Metro 916"), an intermediate school district authorized by Minnesota law to provide participating school districts with vocational, technical and special education services. Northeast Metro 916 has issued Certificates of Participation dated May 21, 2013, October 28, 2015, and December 3, 2015, with original par amounts of \$15,655,000, \$21,415,000, and \$45,385,000, respectively, to finance the construction of facilities. Each member school district is eligible to include their share of the payments in their annual property tax levy. 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 Northeast Metro 916.

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

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

STATE AID FOR DEBT SERVICE

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

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

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

Some school districts will also receive aid for debt service payments through the State School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minnesota Statutes, Section 273.1387). The reimbursement percentage for each qualifying property is 70% of the property's eligible net tax capacity multiplied by the school debt tax rate determined under Minnesota Statutes, Section 275.08, subdivision 1b. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, and to rural vacant land and managed forest land. Although the District expects to receive a small amount of Agricultural Credit in its debt service fund, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by State aid.

The District's \$5,630,000 Refunding Certificates of Participation, Series 2019A and \$6,670,000 Certificates of Participation, Series 2021A, do **not** qualify for the agricultural credit pursuant to Minnesota Statutes.

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:

| | |
|--|-------------------------------|
| 2024/25 Economic Market Value | \$17,119,069,339 |
| Multiply by 15% | <u>0.15</u> |
| Statutory Debt Limit | \$2,567,860,401 |
| Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)* | (239,425,000) |
| Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations | <u>(7,645,000)</u> |
| Unused Debt Limit* | <u><u>\$2,320,790,401</u></u> |

*Preliminary, subject to change.

Independent School District No. 834 (Stillwater Area Public Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 03/12/2026)

| Dated Amount | Facilities Maintenance Bonds Series 2022A | | School Bldg, Fac. Maint. and Ref Bonds Series 2024A | | School Bldg and Fac. Maint. Bonds Series 2026A | | | | | | | |
|--------------------|---|-----------|---|------------|--|--------------------|-----------------|----------------|-------------|-----------------------|---------|--------------------|
| | 06/02/2022 \$7,265,000 | | 02/01/2024 \$160,430,000 | | 03/12/2026 \$90,335,000* | | | | | | | |
| Maturity | 02/01 | | 02/01 | | 02/01 | | | | | | | |
| Fiscal Year Ending | Principal | Interest | Principal | Interest | Principal | Estimated Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Fiscal Year Ending |
| 2027 | 0 | 240,771 | 8,555,000 | 6,863,450 | 435,000 | 3,630,705 | 8,990,000 | 10,734,926 | 19,724,926 | 230,435,000 | 3.75% | 2027 |
| 2028 | 0 | 240,771 | 9,020,000 | 6,435,700 | 3,050,000 | 4,075,598 | 12,070,000 | 10,752,069 | 22,822,069 | 218,365,000 | 8.80% | 2028 |
| 2029 | 0 | 240,771 | 9,360,000 | 5,984,700 | 1,030,000 | 3,923,098 | 10,390,000 | 10,148,569 | 20,538,569 | 207,975,000 | 13.14% | 2029 |
| 2030 | 750,000 | 240,771 | 8,120,000 | 5,516,700 | 1,635,000 | 3,871,598 | 10,505,000 | 9,629,069 | 20,134,069 | 197,470,000 | 17.52% | 2030 |
| 2031 | 710,000 | 203,271 | 8,385,000 | 5,110,700 | 1,115,000 | 3,789,848 | 10,210,000 | 9,103,819 | 19,313,819 | 187,260,000 | 21.79% | 2031 |
| 2032 | 720,000 | 181,971 | 7,710,000 | 4,691,450 | 2,430,000 | 3,734,098 | 10,860,000 | 8,607,519 | 19,467,519 | 176,400,000 | 26.32% | 2032 |
| 2033 | 740,000 | 160,371 | 8,880,000 | 4,305,950 | 1,705,000 | 3,612,598 | 11,325,000 | 8,078,919 | 19,403,919 | 165,075,000 | 31.05% | 2033 |
| 2034 | 765,000 | 137,801 | 9,170,000 | 3,861,950 | 2,330,000 | 3,527,348 | 12,265,000 | 7,527,099 | 19,792,099 | 152,810,000 | 36.18% | 2034 |
| 2035 | 790,000 | 114,086 | 9,455,000 | 3,403,450 | 2,195,000 | 3,410,848 | 12,440,000 | 6,928,384 | 19,368,384 | 140,370,000 | 41.37% | 2035 |
| 2036 | 810,000 | 89,201 | 9,275,000 | 2,930,700 | 2,975,000 | 3,301,098 | 13,060,000 | 6,320,999 | 19,380,999 | 127,310,000 | 46.83% | 2036 |
| 2037 | 855,000 | 63,281 | 9,205,000 | 2,466,950 | 3,325,000 | 3,152,348 | 13,385,000 | 5,682,579 | 19,067,579 | 113,925,000 | 52.42% | 2037 |
| 2038 | 1,125,000 | 36,563 | 7,280,000 | 2,006,700 | 5,975,000 | 3,019,348 | 14,380,000 | 5,062,610 | 19,442,610 | 99,545,000 | 58.42% | 2038 |
| 2039 | | | 8,165,000 | 1,642,700 | 6,630,000 | 2,780,348 | 14,795,000 | 4,423,048 | 19,218,048 | 84,750,000 | 64.60% | 2039 |
| 2040 | | | 6,465,000 | 1,234,450 | 5,090,000 | 2,515,148 | 11,555,000 | 3,749,598 | 15,304,598 | 73,195,000 | 69.43% | 2040 |
| 2041 | | | 6,660,000 | 911,200 | 5,315,000 | 2,311,548 | 11,975,000 | 3,222,748 | 15,197,748 | 61,220,000 | 74.43% | 2041 |
| 2042 | | | 6,960,000 | 644,800 | 5,525,000 | 2,085,660 | 12,485,000 | 2,730,460 | 15,215,460 | 48,735,000 | 79.64% | 2042 |
| 2043 | | | 7,275,000 | 366,400 | 5,745,000 | 1,850,848 | 13,020,000 | 2,217,248 | 15,237,248 | 35,715,000 | 85.08% | 2043 |
| 2044 | | | 1,885,000 | 75,400 | 9,735,000 | 1,592,323 | 11,620,000 | 1,667,723 | 13,287,723 | 24,095,000 | 89.94% | 2044 |
| 2045 | | | | | 11,860,000 | 1,144,513 | 11,860,000 | 1,144,513 | 13,004,513 | 12,235,000 | 94.89% | 2045 |
| 2046 | | | | | 12,235,000 | 581,163 | 12,235,000 | 581,163 | 12,816,163 | 0 | 100.00% | 2046 |
| | 7,265,000 | 1,949,631 | 141,825,000 | 58,453,350 | 90,335,000 | 57,910,075 | 239,425,000 | 118,313,057 | 357,738,057 | | | |

* Preliminary, subject to change.

Independent School District No. 834 (Stillwater Area Public Schools), Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 03/12/2026)

| Dated Amount | Refunding Certificates of Participation Series 2019A | | Certificates of Participation Series 2021A | | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Fiscal Year Ending |
|--------------------|--|-------------|--|-------------|-----------------|----------------|-------------|-----------------------|---------|--------------------|
| | 12/11/2019 | \$5,630,000 | 06/10/2021 | \$6,670,000 | | | | | | |
| Maturity | 02/01 | | 04/01 | | | | | | | |
| Fiscal Year Ending | Principal | Interest | Principal | Interest | | | | | | |
| 2026 | 0 | 0 | 395,000 | 70,350 | 395,000 | 70,350 | 465,350 | 7,250,000 | 5.17% | 2026 |
| 2027 | 665,000 | 54,600 | 410,000 | 124,900 | 1,075,000 | 179,500 | 1,254,500 | 6,175,000 | 19.23% | 2027 |
| 2028 | 695,000 | 28,000 | 420,000 | 112,600 | 1,115,000 | 140,600 | 1,255,600 | 5,060,000 | 33.81% | 2028 |
| 2029 | 705,000 | 14,100 | 435,000 | 95,800 | 1,140,000 | 109,900 | 1,249,900 | 3,920,000 | 48.72% | 2029 |
| 2030 | | | 455,000 | 78,400 | 455,000 | 78,400 | 533,400 | 3,465,000 | 54.68% | 2030 |
| 2031 | | | 465,000 | 69,300 | 465,000 | 69,300 | 534,300 | 3,000,000 | 60.76% | 2031 |
| 2032 | | | 475,000 | 60,000 | 475,000 | 60,000 | 535,000 | 2,525,000 | 66.97% | 2032 |
| 2033 | | | 485,000 | 50,500 | 485,000 | 50,500 | 535,500 | 2,040,000 | 73.32% | 2033 |
| 2034 | | | 495,000 | 40,800 | 495,000 | 40,800 | 535,800 | 1,545,000 | 79.79% | 2034 |
| 2035 | | | 505,000 | 30,900 | 505,000 | 30,900 | 535,900 | 1,040,000 | 86.40% | 2035 |
| 2036 | | | 515,000 | 20,800 | 515,000 | 20,800 | 535,800 | 525,000 | 93.13% | 2036 |
| 2037 | | | 525,000 | 10,500 | 525,000 | 10,500 | 535,500 | 0 | 100.00% | 2037 |
| | 2,065,000 | 96,700 | 5,580,000 | 764,850 | 7,645,000 | 861,550 | 8,506,550 | | | |

OVERLAPPING DEBT¹

| Taxing District | 2024/25 Adjusted Taxable Net Tax Capacity | % In District | Total G.O. Debt ² | District's Proportionate Share |
|--|--|------------------|---------------------------------|--------------------------------------|
| County of: | | | | |
| Washington | \$508,753,421 | 20.1846% | \$86,215,000 | \$17,402,153 |
| Cities of: | | | | |
| Afton | 10,499,521 | 93.7599% | 1,110,000 | 1,040,735 |
| Bayport | 6,091,321 | 100.0000% | 775,000 | 775,000 |
| Grant | 13,680,280 | 41.0691% | 970,000 | 398,370 |
| Hugo | 28,150,326 | 1.7397% | 13,885,000 | 241,557 |
| Lake Elmo | 37,709,658 | 76.6232% | 28,785,000 | 22,055,988 |
| Lakeland | 3,639,717 | 100.0000% | 175,000 | 175,000 |
| Marine on St. Croix | 2,313,812 | 100.0000% | 750,000 | 750,000 |
| Oak Park Heights | 13,245,764 | 100.0000% | 1,655,000 | 1,655,000 |
| Scandia | 11,180,995 | 0.3282% | 6,357,000 | 20,864 |
| Stillwater | 19,987,743 | 100.0000% | 23,870,000 | 23,870,000 |
| Woodbury | 168,654,809 | 16.3538% | 45,595,000 | 7,456,515 |
| Towns of: | | | | |
| Baytown | 4,005,367 | 100.0000% | 564,479 | 564,479 |
| Denmark | 7,129,852 | 0.2058% | 2,740,000 | 5,639 |
| West Lakeland | 11,230,045 | 100.0000% | 4,545,000 | 4,545,000 |
| Special Districts of: | | | | |
| Metropolitan Council | 6,330,160,332 | 2.7915% | 178,510,000 ³ | 4,983,107 |
| South Washington Watershed District | 233,590,073 | 9.5536% | 1,410,000 | 134,706 |
| Valley Branch Watershed District | 90,767,975 | 63.0936% | 4,785,000 | <u>3,019,029</u> |
| District's Share of Total Overlapping Debt | | | | <u><u>\$89,093,141</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.

³ The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation wastewater revenue, grant anticipation notes and certificates of participation outstanding all of which are supported entirely by revenues and have not been included in the overlapping debt or debt ratios sections.

DEBT RATIOS

| | G.O. Debt | Debt/Economic Market Value \$17,119,069,339 | Debt/ Per Capita 70,310 ¹ |
|---|----------------------|---|--|
| Direct G.O. Debt Secured By Taxes and State Aids* | \$239,425,000 | 1.40% | \$3,405.28 |
| District's Share of Total Overlapping Debt | <u>\$89,093,141</u> | <u>0.52%</u> | <u>\$1,267.15</u> |
| Total* | <u>\$328,518,141</u> | <u>1.92%</u> | <u>\$4,672.42</u> |

*Preliminary, subject to change.

TAX LEVIES, COLLECTION AND RATES

TAX LEVIES AND COLLECTIONS

| Tax Year | Net Tax Levy ² | Total Collected Following Year | Collected to Date | % Collected |
|----------|------------------------------|-----------------------------------|----------------------|-------------|
| 2020/21 | \$40,354,818 | \$40,122,204 | \$40,348,198 | 99.98% |
| 2021/22 | 47,581,815 | 47,285,373 | 47,564,331 | 99.96% |
| 2022/23 | 49,746,233 | 49,458,189 | 49,696,915 | 99.90% |
| 2023/24 | 62,201,811 | 61,839,687 | 61,839,687 | 99.42% |
| 2024/25 | 65,918,225 | In process of collection | | |

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.³ 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 This reflects the Final Levy Certification of the District after all adjustments have been made.

³ Second half tax payments on agricultural property are due on November 15th of each year.

TAX CAPACITY RATES¹

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|----------------|----------------|----------------|----------------|----------------|
| I.S.D. No. 834 (Stillwater Area Public Schools) | 17.278% | 19.502% | 17.143% | 22.033% | 23.407% |
| Washington County | 27.435% | 27.532% | 23.625% | 21.991% | 23.846% |
| City of Afton | 32.025% | 32.007% | 27.111% | 23.533% | 26.671% |
| City of Bayport | 33.792% | 33.463% | 28.965% | 27.725% | 31.541% |
| City of Grant | 13.609% | 13.426% | 11.054% | 10.330% | 11.044% |
| City of Hugo | 39.294% | 39.403% | 36.371% | 36.522% | 39.321% |
| City of Lake Elmo | 23.638% | 30.546% | 24.064% | 24.631% | 26.845% |
| City of Lake St. Croix Beach | 40.728% | 39.902% | 31.126% | 30.790% | 35.912% |
| City of Lakeland | 33.408% | 29.525% | 26.189% | 30.360% | 31.796% |
| City of Lakeland Shores | 23.382% | 23.224% | 20.742% | 19.658% | 20.384% |
| City of Marine on St. Croix | 56.172% | 59.002% | 42.747% | 47.855% | 48.734% |
| City of Oak Park Heights | 50.838% | 51.753% | 48.985% | 49.502% | 54.587% |
| City of Scandia | 30.815% | 30.945% | 26.459% | 26.704% | 27.940% |
| City of St. Mary's Point | 24.112% | 22.034% | 18.287% | 17.075% | 18.591% |
| City of Stillwater | 52.486% | 52.152% | 49.146% | 46.862% | 52.440% |
| City of Woodbury | 32.298% | 32.217% | 28.599% | 27.601% | 31.163% |
| Town of Baytown ² | 16.373% | 16.443% | 14.290% | 13.266% | 13.677% |
| Browns Creek WS | 4.835% | 4.437% | 3.867% | 3.497% | 3.700% |
| Carnelian-Marine WS | 3.841% | 4.133% | 3.502% | 3.688% | 3.749% |
| Metropolitan Council | 0.628% | 0.630% | 0.537% | 0.590% | 0.572% |
| Metropolitan Mosquito Control | 0.379% | 0.361% | 0.309% | 0.301% | 0.331% |
| Metro Transit | 1.139% | 1.056% | 0.912% | 0.809% | 0.972% |
| Regional Rail Authority | 0.157% | 0.149% | 0.122% | 0.109% | 0.112% |
| Rice Creek WS | 1.918% | 1.805% | 1.559% | 1.612% | 1.655% |
| South Washington WS | 0.742% | 0.718% | 0.654% | 0.632% | 0.702% |
| Valley Branch WS | 4.074% | 3.747% | 2.977% | 2.575% | 2.567% |
| Washington County CDA | 1.289% | 1.287% | 1.093% | 1.024% | 1.120% |
| Woodbury HRA | 0.207% | 0.195% | 0.162% | N/A | 0.160% |

Continued on next page

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.

TAX CAPACITY RATES CONTINUED¹

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|----------|----------|----------|----------|----------|
| <i>Referendum Market Value Rates:</i> | | | | | |
| I.S.D. No. 834 (Stillwater Area Public Schools) | 0.16640% | 0.18360% | 0.15164% | 0.14128% | 0.15231% |
| Washington County | 0.00325% | 0.00308% | 0.00261% | 0.00235% | 0.00236% |
| City of Woodbury | 0.00584% | 0.00551% | 0.00466% | 0.00419% | N/A |

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

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 1,214, including 595 non-licensed employees and 619 licensed employees (485 of whom are teachers). The District provides education for 8,071 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.

Recognized and Certified Bargaining Units

| Bargaining Unit | Expiration Date of Current Contract |
|--|--|
| St. Croix Education Association (SCEA) | June 30, 2025 |
| Stillwater Principals' Association | June 30, 2027 |
| Cafeteria Employees Organization | June 30, 2025 |
| International Union of Operating Engineers, Local 70 | June 30, 2027 |
| St. Croix Paraprofessional Association | June 30, 2026 |

Status of Contracts

Contracts which expired on June 30, 2025 are currently in negotiations.

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent actuarial study shows a total OPEB liability of \$17,528,326 as of June 30, 2025. In February of 2009, the District issued \$19,155,000 in OPEB Bonds to fund an irrevocable trust. As of June 30, 2025, the net position of the trust was \$4,286,050. Future OPEB costs will be paid partially from the trust and partially from operating funds.

Source: The District's most recent actuarial study.

STUDENT BODY

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

| Year | K-5 | Grades 6-8 | Grades 9-12 | Total |
|-------------|------------|-------------------|--------------------|--------------|
| 2021/22 | 3,465 | 1,946 | 2,760 | 8,171 |
| 2022/23 | 3,483 | 1,841 | 2,756 | 8,080 |
| 2023/24 | 3,462 | 1,862 | 2,822 | 8,146 |
| 2024/25 | 3,467 | 1,887 | 2,772 | 8,126 |
| 2025/26 | 3,411 | 1,891 | 2,769 | 8,071 |

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

| Year | K-5 | Grades 6-8 | Grades 9-12 | Total |
|-------------|------------|-------------------|--------------------|--------------|
| 2026/27 | 3,409 | 1,895 | 2,777 | 8,081 |
| 2027/28 | 3,443 | 1,914 | 2,805 | 8,162 |
| 2028/29 | 3,478 | 1,933 | 2,833 | 8,244 |

SCHOOL BUILDINGS

| School Building | Year Constructed | Years of Additions/ Remodelings |
|-------------------------------|------------------|--|
| Afton-Lakeland Elementary | 1951 | 1954, 1965, 1968, 1980, 2001 |
| Andersen Elementary | 1919 | 1937, 1946, 1980, 1997, 2014 |
| Brookview Elementary | 2017 | 2022 |
| Lake Elmo Elementary | 1920 | 1952, 1954, 1959, 1963, 1969, 1976, 1987, 1988, 1996, 2010 |
| Lily Lake Elementary | 1963 | 1966, 1969, 1990, 1993 |
| Rutherford Elementary | 1998 | -- |
| Stonebridge Elementary | 1971 | 1997 |
| Oak-Land Middle School | 1967 | 1969, 2016 |
| Stillwater Middle School | 1959 | 1965, 1969, 1979, 1993, 2014 |
| Stillwater Area High School | 1993 | 2001, 2017, 2025 |
| Central Services Building | 1975 | -- |
| Early Childhood Family Center | 2012 | -- |
| Transition Oak Park Building | 1956 | 2022, 2024 |

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 November 30, 2025)

| Fund | Total Cash and Investments |
|-------------------------|---------------------------------------|
| General | \$14,848,575 |
| Food Service | 3,788,307 |
| Community Service | 2,191,569 |
| Debt Service | 15,840,836 |
| Escrow Account | 138 |
| Building/Construction | 51,060,785 |
| Trust & Agency | 39,651 |
| Internal Service | 5,226,887 |
| OPEB Irrevocable Trust | <u>4,707,158</u> |
| Total Funds on Hand | <u><u>\$97,703,906</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 | \$6,288,871 | \$153,862,491 | \$153,862,491 | \$0 | \$6,288,871 |
| Food Service | 4,224,246 | 7,887,103 | 7,859,232 | 27,871 | 4,252,117 |
| Community Service | 731,225 | 9,595,953 | 9,284,092 | 311,861 | 1,043,086 |
| Building/Construction | 81,166,690 | 80,545,000 | 125,140,042 | (44,595,042) | 36,571,648 |
| Debt Service | 3,190,210 | 18,551,334 | 17,509,221 | 1,042,113 | 4,232,323 |
| Trust Fund | 52,837 | 7,000 | 7,000 | 0 | 52,837 |
| Internal Service | 462 | 23,820,000 | 23,820,000 | 0 | 462 |
| OPEB Irrevocable Trust | 4,286,050 | 0 | 0 | 0 | 4,286,050 |
| Total All Funds | <u><u>\$99,940,591</u></u> | <u><u>\$294,268,881</u></u> | <u><u>\$337,482,078</u></u> | <u><u>(\$43,213,197)</u></u> | <u><u>\$56,727,394</u></u> |

The 2025-26 budget was revised as of November 18, 2025.

SUMMARY GENERAL FUND INFORMATION

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

| COMBINED STATEMENT | FISCAL YEAR ENDING JUNE 30 | | | | |
|---|----------------------------|----------------------|-----------------------------|----------------------|----------------------|
| | 2021 Audited | 2022 Audited | 2023 Audited | 2024 Audited | 2025 Audited |
| Revenues | | | | | |
| Local property taxes | \$27,443,738 | \$30,197,880 | \$37,746,806 | \$40,783,144 | \$44,481,414 |
| Earnings on investments (loss) | 101,216 | 37,597 | 903,576 | 687,680 | 703,027 |
| Other | 2,214,076 | 3,475,530 | 3,639,066 | 4,116,046 | 4,381,163 |
| State sources | 78,859,924 | 78,699,951 | 83,027,972 | 93,579,001 | 101,478,487 |
| Federal sources | 4,594,382 | 4,576,524 | 5,567,637 | 3,388,082 | 2,732,937 |
| Total Revenues | <u>\$113,213,336</u> | <u>\$116,987,482</u> | <u>\$130,885,057</u> | <u>\$142,553,953</u> | <u>\$153,777,028</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Administration | \$4,097,721 | \$3,622,133 | \$3,775,598 | \$3,828,091 | \$4,086,910 |
| District support services | 6,536,079 | 4,149,920 | 6,104,637 | 7,110,066 | 7,603,656 |
| Elementary and secondary regular instruction | 50,717,955 | 50,609,133 | 52,405,506 | 57,235,938 | 59,379,595 |
| Vocational education instruction | 1,673,918 | 1,588,110 | 1,645,397 | 1,634,106 | 2,240,103 |
| Special education instruction | 21,209,377 | 22,697,664 | 24,402,349 | 26,336,100 | 29,456,376 |
| Community Service | 23,949 | 0 | 0 | 0 | 229,788 |
| Instructional support services | 6,881,669 | 6,947,450 | 8,656,749 | 9,310,663 | 10,314,372 |
| Pupil support services | 12,830,283 | 12,122,290 | 17,987,073 | 18,534,808 | 20,316,419 |
| Sites and buildings | 10,997,252 | 11,536,233 | 13,691,061 | 17,909,088 | 19,075,205 |
| Fiscal and other fixed cost programs | 497,990 | 484,668 | 610,378 | 820,342 | 1,037,453 |
| Capital outlay | 4,080,612 | 4,326,532 | 13,364,065 | 0 | 0 |
| Debt service | 819,589 | 870,372 | 2,092,079 | 2,143,866 | 2,137,747 |
| Total Expenditures | <u>\$120,366,394</u> | <u>\$118,954,505</u> | <u>\$144,734,892</u> | <u>\$144,863,068</u> | <u>\$155,877,624</u> |
| Excess of revenues over (under) expenditures | (\$7,153,058) ¹ | (\$1,967,023) | (\$13,849,835) ² | (\$2,309,115) | (\$2,100,596) |
| Other Financing Sources (Uses) | | | | | |
| Sale of capital assets | \$0 | \$1,776,250 | \$0 | \$5,098 | \$12,265 |
| Sale of equipment | 0 | 0 | 92 | 0 | 0 |
| Insurance recovery | 0 | 21,111 | 1,152,102 | 16,137 | 0 |
| Issuance of subscription and lease liabilities | 0 | 0 | 2,429,429 | 0 | 0 |
| Debt issued | 0 | 0 | 0 | 0 | 431,477 |
| Transfers in (out) | 0 | 0 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | <u>0</u> | <u>1,797,361</u> | <u>3,581,623</u> | <u>21,235</u> | <u>443,742</u> |
| Net changes in Fund Balances | (\$7,153,058) | (\$169,662) | (\$10,268,212) | (\$2,287,880) | (\$1,656,854) |
| General Fund Balance July 1 | \$28,717,124 | \$21,564,066 | \$21,394,404 | \$11,126,192 | \$8,838,312 |
| Prior Period Adjustment | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(892,587)</u> |
| General Fund Balance June 30 | \$21,564,066 | \$21,394,404 | \$11,126,192 | \$8,838,312 | \$6,288,871 |
| DETAILS OF JUNE 30 FUND BALANCE | | | | | |
| Nonspendable | \$59,842 | \$148,874 | \$127,118 | \$77,565 | \$60,527 |
| Restricted | 14,232,268 | 16,310,627 | 6,954,021 | 4,683,142 | 4,110,199 |
| Assigned | 2,845,311 | 2,471,741 | 2,472,209 | 2,424,582 | 1,161,299 |
| Unassigned | 4,426,645 | 2,463,162 | 1,572,844 | 1,653,023 | 956,846 ³ |
| Total | <u>\$21,564,066</u> | <u>\$21,394,404</u> | <u>\$11,126,192</u> | <u>\$8,838,312</u> | <u>\$6,288,871</u> |

¹ The deficit for Fiscal Year 2020-21 was primarily due to salary and benefit expenditures for contract settlements. The contract settlements included increases for Fiscal Year 2020-21 as well as retroactive amounts for Fiscal Year 2019-20.

² For Fiscal Year 2022-23, the excess of expenditures over revenue was primarily due to planned use of restricted fund balance in Long Term Facilities Maintenance (LTFM) and Operating Capital as well as an increase in transportation costs.

³ The unassigned fund balance of \$956,846 as of June 30, 2025 is net of a deficit fund balance of \$686,877 in the restricted for Long-Term Facilities Maintenance category. The unassigned fund balance as of June 30, 2025, prior to the reduction for that deficit fund balance, was \$1,643,723. The District received an adjustment to their Fiscal Year 2023 Long-Term Facilities Maintenance Revenue in the amount of approximately \$1.8 million as part of their property tax levy for taxes payable in 2025, which will be recognized as revenue in Fiscal Year 2025-26. The District expects to have a positive fund balance in the restricted for Long-Term Facilities Maintenance category as of June 30, 2026.

Note: In an election held on November 2, 2021, District voters approved operating referendum authority of \$1,697.66 per pupil for ten years (a renewal of the existing referendum authority of \$1,697.55 per pupil and an increase of \$390.00 per pupil), which resulted in an annual increase in general fund revenue of approximately \$3.5 million beginning with Fiscal Year 2022-23. Voters also approved an annual capital project levy for ten years, which provided additional revenue of \$4.7 million beginning with Fiscal Year 2022-23 to finance technology costs.

GENERAL INFORMATION

LOCATION

The District, with a 2020 U.S. Census population of 66,686 and a 2024 population estimate of 70,310, and comprising an area of 153 square miles, is located approximately 23 miles east of St. Paul, Minnesota metropolitan area and 8 miles west of the City of Hudson, Wisconsin.

LARGER EMPLOYERS¹

Larger employers in the District include the following:

| Firm | Type of Business/Product | Estimated No. of Employees |
|--|--|-----------------------------------|
| Andersen Corporation | Window/patio door manufacturer | 5,000 |
| Washington County | County government and services | 1,500 |
| Lakeview Hospital and HealthPartners Clinic | Hospital and clinics | 1,340 |
| I.S.D. No. 834 (Stillwater Area Public Schools) | Elementary and secondary education | 1,214 |
| Amfm Mental Health Treatment | Residential treatment center for women | 600 |
| Boutwell's Landing | Retirement community | 500 |
| Cub Foods | Grocery store | 385 ² |
| Minnesota Correctional Facility - Oak Park Heights | Adult correctional facility | 342 |
| DiaSorin, Inc. | Medical manufacturing | 340 |
| Minnesota Correctional Facility - Stillwater | Adult corrections facility | 231 |

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

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

² Includes two locations within the District boundaries.

U.S. CENSUS DATA

Population Trend: The District

| | |
|---------------------------------|--------|
| 2010 U.S. Census population | 59,454 |
| 2020 U.S. Census population | 66,686 |
| Percent of Change 2010 - 2020 | 12.16% |
| 2024 State Demographer Estimate | 70,310 |

Income and Age Statistics

| | The District | Washington County | State of Minnesota | United States |
|--|--------------|-------------------|--------------------|---------------|
| 2024 per capita income | \$65,056 | \$56,650 | \$48,237 | \$44,673 |
| 2024 median household income | \$121,603 | \$114,457 | \$89,062 | \$80,734 |
| 2024 median family income | \$143,854 | \$135,690 | \$113,993 | \$99,999 |
| 2024 median gross rent | \$1,649 | \$1,637 | \$1,280 | \$1,413 |
| 2024 median value owner occupied units | \$463,300 | \$400,900 | \$329,300 | \$332,700 |
| 2024 median age | 43.0 yrs. | 39.9 yrs. | 38.8 yrs. | 38.9 yrs. |

| | State of Minnesota | United States |
|---|--------------------|---------------|
| District % of 2024 per capita income | 134.87% | 145.63% |
| District % of 2024 median family income | 126.20% | 143.86% |

Source: 2010 and 2020 Census of Population and Housing, and 2023 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov>) and Minnesota State Demographer (<https://mn.gov/admin/demography/data-by-place/school-district-data.jsp>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

| Year | <u>Average Employment</u> | | <u>Average Unemployment</u> | |
|----------------|---------------------------|-------------------|-----------------------------|--------------------|
| | Washington County | Washington County | Washington County | State of Minnesota |
| 2021 | 138,572 | | 3.2% | 3.7% |
| 2022 | 144,040 | | 2.1% | 2.5% |
| 2023 | 146,029 | | 2.4% | 2.8% |
| 2024 | 146,241 | | 2.7% | 3.0% |
| 2025, December | 145,162 | | 3.6% | 4.3% |

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
Comprehensive
Financial Report

For the Fiscal Year Ended June 30, 2025



Stillwater Area Public Schools
Independent School District No. 834

Stillwater, Minnesota

THIS PAGE INTENTIONALLY LEFT BLANK



STILLWATER
AREA PUBLIC SCHOOLS

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2025

Independent School District No. 834
Stillwater, Minnesota

1875 South Greeley Street

Stillwater, MN 55082

www.stillwaterschools.org

651-351-8321

Prepared by the Finance Department

Marie Schrul, Chief Financial Officer

schrulm@stillwaterschools.org

Jamie Atkins, Assistant Director of Finance

Lynne Ritzer, Supervisor of Financial Services

Makenzie Christianson, District Accountant

Amanda Brunsvold, Student Support Services Accountant

Tracy Constant, Accounts Processing Technician

Lorna Wells, Accounts Processing Technician

Tracy Caples-McDonald, Payroll Administrator - Lead

Stephanie Johnson, Finance Specialist

Rebecca Roberts, Student Information Services - MARSS Lead

Julie Tonkin, Enrollment Processing Technician

THIS PAGE INTENTIONALLY LEFT BLANK

Table of Contents

| | Page |
|---|-------|
| SECTION I – INTRODUCTORY SECTION | |
| Letter of Transmittal | i–iii |
| School Board and Administration | iv |
| Organizational Chart | v |
| ASBO Certificate of Excellence in Financial Reporting | vi |
| Map of School District | vii |
| SECTION II – FINANCIAL SECTION | |
| INDEPENDENT AUDITOR’S REPORT | 1–4 |
| MANAGEMENT’S DISCUSSION AND ANALYSIS | 5–16 |
| BASIC FINANCIAL STATEMENTS | |
| Government-Wide Financial Statements | |
| Statement of Net Position | 17 |
| Statement of Activities | 18 |
| Fund Financial Statements | |
| Governmental Funds | |
| Balance Sheet | 19–20 |
| Reconciliation of the Balance Sheet to the Statement of Net Position | 21 |
| Statement of Revenue, Expenditures, and Changes in Fund Balances | 22–23 |
| Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities | 24 |
| Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund | 25 |
| Proprietary Funds | |
| Internal Service Funds | |
| Statement of Net Position | 26 |
| Statement of Revenue, Expenses, and Changes in Net Position | 27 |
| Statement of Cash Flows | 28 |
| Fiduciary Funds | |
| Statement of Fiduciary Net Position | 29 |
| Statement of Changes in Fiduciary Net Position | 29 |
| Notes to Basic Financial Statements | 30–62 |

INDEPENDENT SCHOOL DISTRICT NO. 834

Table of Contents (continued)

| | Page |
|--|-------|
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Public Employees Retirement Association Pension Benefits Plan | |
| Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability | 63 |
| Schedule of District Contributions | 63 |
| Teachers Retirement Association Pension Benefits Plan | |
| Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability | 64 |
| Schedule of District Contributions | 64 |
| Other Post-Employment Benefits Plan | |
| Schedule of Changes in the District's Net OPEB Liability and Related Ratios | 65–66 |
| Schedule of Investment Returns | 67 |
| Notes to Required Supplementary Information | 68–74 |
| SUPPLEMENTARY INFORMATION | |
| Combining and Individual Fund Financial Statements and Schedules | |
| Governmental Funds | |
| Nonmajor Governmental Funds | |
| Combining Balance Sheet | 75 |
| Combining Statement of Revenue, Expenditures, and Changes in Fund Balances | 76 |
| General Fund | |
| Comparative Balance Sheet | 77 |
| Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual | 78–80 |
| Food Service Special Revenue Fund | |
| Comparative Balance Sheet | 81 |
| Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual | 82 |
| Community Service Special Revenue Fund | |
| Comparative Balance Sheet | 83 |
| Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual | 84 |
| Capital Projects – Building Construction Fund | |
| Comparative Balance Sheet | 85 |
| Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual | 86 |
| Debt Service Fund | |
| Comparative Balance Sheet | 87 |
| Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual | 88 |
| Proprietary Funds | |
| Internal Service Funds | |
| Combining Statement of Net Position | 89 |
| Combining Statement of Revenue, Expenses, and Changes in Net Position | 90 |
| Combining Statement of Cash Flows | 91 |

Table of Contents (continued)

| | Page |
|--|---------|
| SECTION III – STATISTICAL SECTION (UNAUDITED) | |
| Net Position by Component | 92–93 |
| Changes in Net Position | 94–95 |
| Governmental Activities Tax Revenues by Source and Levy Type | 96 |
| Fund Balances of Governmental Funds | 97–98 |
| Changes in Fund Balances of Governmental Funds | 99–100 |
| General Governmental Tax Revenues by Source and Levy Type | 101 |
| Tax Capacities and Market Values | 102–103 |
| Property Tax Rates – Direct and Overlapping Governments | 104–105 |
| Principal Property Taxpayers | 106 |
| Property Tax Levies, Collections, and Receivables | 107–108 |
| Ratios of Outstanding Debt by Type | 109 |
| Ratio of Net General Obligation Bonded Debt to Market Value and Net General Obligation Bonded Debt per Capita | 110 |
| Direct and Overlapping Debt | 111 |
| Legal Debt Margin Information | 112–113 |
| Demographic and Economic Statistics | 114 |
| Principal Employers | 115 |
| Employees by Classification | 116–117 |
| Teacher Data | 118–119 |
| Operating Indicators by Function – Standardized Testing and Graduation Rates | 120–121 |
| School Facilities | 122 |
| Food Service – School Lunch Program Data | 123 |
| Student Enrollment | 124 |
| Expenditures per Student | 125–126 |

THIS PAGE INTENTIONALLY LEFT BLANK

Section I

Introduction



THIS PAGE INTENTIONALLY LEFT BLANK

December 19, 2025

To the School Board, Citizens, and Employees of Stillwater Area Public Schools:

Minnesota state law requires that every public school district publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report has been published to fulfill that requirement for the fiscal year ending June 30, 2025.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

LB Carlson, LLP, Certified Public Accountants, have issued an unmodified (“clean”) opinion on Independent School District No. 834’s (the District) financial statements for the year ended June 30, 2025. The independent auditor’s report is located at the front of the financial section of this report.

The management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE ENTITY AND ITS SERVICES

Minnesota’s first schoolhouse was built in Stillwater in 1848, a year before Minnesota became a territory. Located on Olive Street between Second and Third Streets, the schoolhouse was a one-room building with cracks in the walls. Stillwater became the state’s first school district just two years later, a full four years before the City of Stillwater was incorporated. This District, now known as Independent School District No. 834, Stillwater Area Public Schools, has a long tradition of high expectations, high standards, and outstanding achievement. It is also a system dedicated to continuous improvement.

Stretching 30 miles along the scenic St. Croix River from Marine on St. Croix south to Afton, the District covers approximately 150 square miles. The District encompasses 18 communities, including: Afton, Bayport, Baytown Township, Grant, a portion of Hugo, Lake Elmo, Lakeland, Lakeland Shores, Lake St. Croix Beach, Marine on St. Croix, May Township, Oak Park Heights, St. Mary’s Point, Stillwater, Stillwater Township, West Lakeland Township, Withrow, and a portion of Woodbury.

The District provides a full range of public education services appropriate to grade levels ranging from pre-kindergarten through Grade 12+. These include regular and enriched academic programs, special education programs, and career and technical education. Food service and transportation are provided as supporting programs. The District’s community education program provides programs and services for all ages and stages of life. Programs, such as early childhood and family education, school readiness, and Adventure Club, support families and enhance academic, social, and emotional development. Adult education programs provide opportunities to acquire and improve literacy skills necessary to become self-sufficient, productive workers and citizens. Enrichment and athletics programs for all ages reduce isolation and increase community engagement in lifelong learning.

The District served 8,223 students during the 2024–2025 school year. Enrollment is projected to slightly decrease during the 2025–2026 school year with projected increases and growth during the 2026–2027 school year and beyond. The District has gone from a one-room schoolhouse to seven operating elementary schools (K–5), two middle schools (Grades 6–8), one high school (Grades 9–12), and an alternative learning center for secondary students. An early childhood family center (ECFC) serves families with young children, from birth to age five. The District also has a central services building and a bus garage. The average long-term facilities maintenance age of the District’s buildings is approximately 35.75 years, with the original buildings first being constructed in 1919. During the 2024–2025 school year, the District began construction on the replacement of Andersen Elementary (Bayport Elementary) and Lake Elmo Elementary, in addition to improvements at Oak-Land Middle School and safety and security improvements throughout the District. Building ages include 1910s (1), 1920s (1), 1950s (3), 1960s (2), 1970s (2), 1990s (2), 2000s (1), and 2010s (2).

The District is well-known for providing a solid and rigorous curriculum that focuses on the expanded basics of reading, writing, mathematics, logic, and speaking. The District strives to develop learners who are innovative, creative, and prepared for a rapidly changing world. Expectations are high and students of all abilities are challenged, supported, and motivated at every level—from early childhood through high school. Students regularly earn top awards and recognitions in academics, performing, and visual arts programs. Student athletes also consistently appear in state competitions.

LOCAL ECONOMY

According to U.S. Census information, Washington County has continued to experience population growth. Washington County’s estimated population in 2025 was 287,907, a 7.6 percent increase since 2020. Washington County is the fifth largest county in the state of Minnesota, housing approximately 4.9 percent of the state’s population. As reported by the Metropolitan Council on the Washington County website, by the year 2050, Washington County’s population is projected to increase to 335,272. The District’s population has grown from 41,958 since 1996 to 70,310 in 2025.

The 2024 American Community Survey reported \$111,428 for the median household income in Washington County, as compared to \$87,117 for the state of Minnesota. The 2024 per capita income for Washington County was \$53,373, with poverty rates at 4.7 percent.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

With the exception of the voter-approved operating and technology levies, the District is dependent on the state of Minnesota for its revenue authority. Recent years demonstrate that legislative revenue increases are unpredictable, and many times, have restrictions or mandates that are tied to using or receiving the funds. In November 2021, the Stillwater community successfully renewed a 10-year operating levy of an additional \$390 per pupil. Beginning in the 2022–2023 school year, the operating levy provided additional revenue to help stabilize the budget, retain teachers and support staff, maintain existing programs and services, and support academic achievement for all students.

In addition, a 10-year capital project levy (technology levy) was approved by taxpayers in the amount of \$4.7 million, with funding beginning in the 2022–2023 school year. The technology levy provides technology for students and classrooms and ensures a dedicated funding source for ongoing technology needs, including up-to-date classroom devices, teacher and student computers, technology support and training, infrastructure, software, and security needs.

In November 2023, the Stillwater community authorized the issuance of up to \$174,845,000 in general obligation school building bonds in a bond referendum election. Funds are dedicated to construction projects, including the replacement of Lake Elmo Elementary and Andersen Elementary with new buildings, Oak-Land Middle School improvements, in addition to safety and security improvements throughout the District. The general obligation school building bonds will be split into two bond issues: the first \$100,000,000 sold in February 2024, and the remainder to be sold in early 2026.

Over the past two years, one of the areas of focus in the District’s operational plan has been: *Strategic Direction C: To utilize systems and align resources in an efficient manner to support learning*. During 2024–2025, the District completed its second year of Priority Based Budgeting implementation. Priority Based Budgeting focuses on strategic plan instructional priorities, along with statutory requirements for federal and state funding as its guide for resource allocations. This process also identifies the programs that offer the highest value and continues to provide funding for them, while fixing, replacing, or eliminating programs or services that have shown limited value or success. During its second year of implementation, the District aligned resources and prioritized investments in literacy; school culture, equity and inclusion; and social emotional learning and mental health. In addition, staffing reductions were made, as one-time only federal American Rescue Plan (ARP) funds were spent and no longer available for the 2024–2025 school year.

RELEVANT FINANCIAL POLICIES

The District is required to adopt an annual budget prior to the beginning of the fiscal year. Legal budgetary control is at the fund level. For fiscal year 2024–2025, the revised General Fund revenue and other financing sources budget was \$35,208 greater than the revised General Fund expenditure budget. Funding from state legislation contributed to increases in revenue such as the Read Act literacy aid, Read Act teachers’ compensation aid, and hourly worker unemployment aid. There was also an increase of 2.0 percent to the state general education formula. Actual General Fund revenue and other financing sources were \$2,176,627, or 1.4 percent, more than budgeted. State special education funding was more than budgeted, due to a more conservative budgeting approach as it is offset by increases in tuition billing. Revenue sources can fluctuate significantly and require ongoing analysis and monitoring. Actual General Fund expenditures were \$3,868,689, or 2.5 percent, more than budgeted. Overall, expenditures were higher than anticipated in transportation and special education. In addition, there was a use of restricted fund balance for planned capital projects, including a wireless network project. School Board policy states that the District will strive to maintain a minimum unassigned General Fund balance of 5.0 percent of the annual budget. The District’s unassigned fund balance was 1.1 percent of fiscal 2024–2025 actual General Fund expenditures as of June 30, 2025 (adjusting for a deficit in long-term facilities maintenance for which the District has separate levy authority).

AWARDS AND ACKNOWLEDGEMENTS

The Association of School Business Officials (ASBO) International awarded the Certificate of Excellence in Financial Reporting to the District for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. This was the 21st consecutive year that the District has achieved this prestigious award.

A Certificate of Excellence in Financial Reporting is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Excellence in Financial Reporting program requirements, therefore, we are submitting it to ASBO International to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Business and Finance Department. We thank all departments for their assistance in providing the data necessary to prepare this report. Credit is also due to the Superintendent and the School Board for their support in maintaining the highest standards of professionalism in the management of the District’s finances.

Respectfully submitted,

Marie Schrul

Chief Financial Officer

INDEPENDENT SCHOOL DISTRICT NO. 834

School Board and Administration
Year Ended June 30, 2025

SCHOOL BOARD

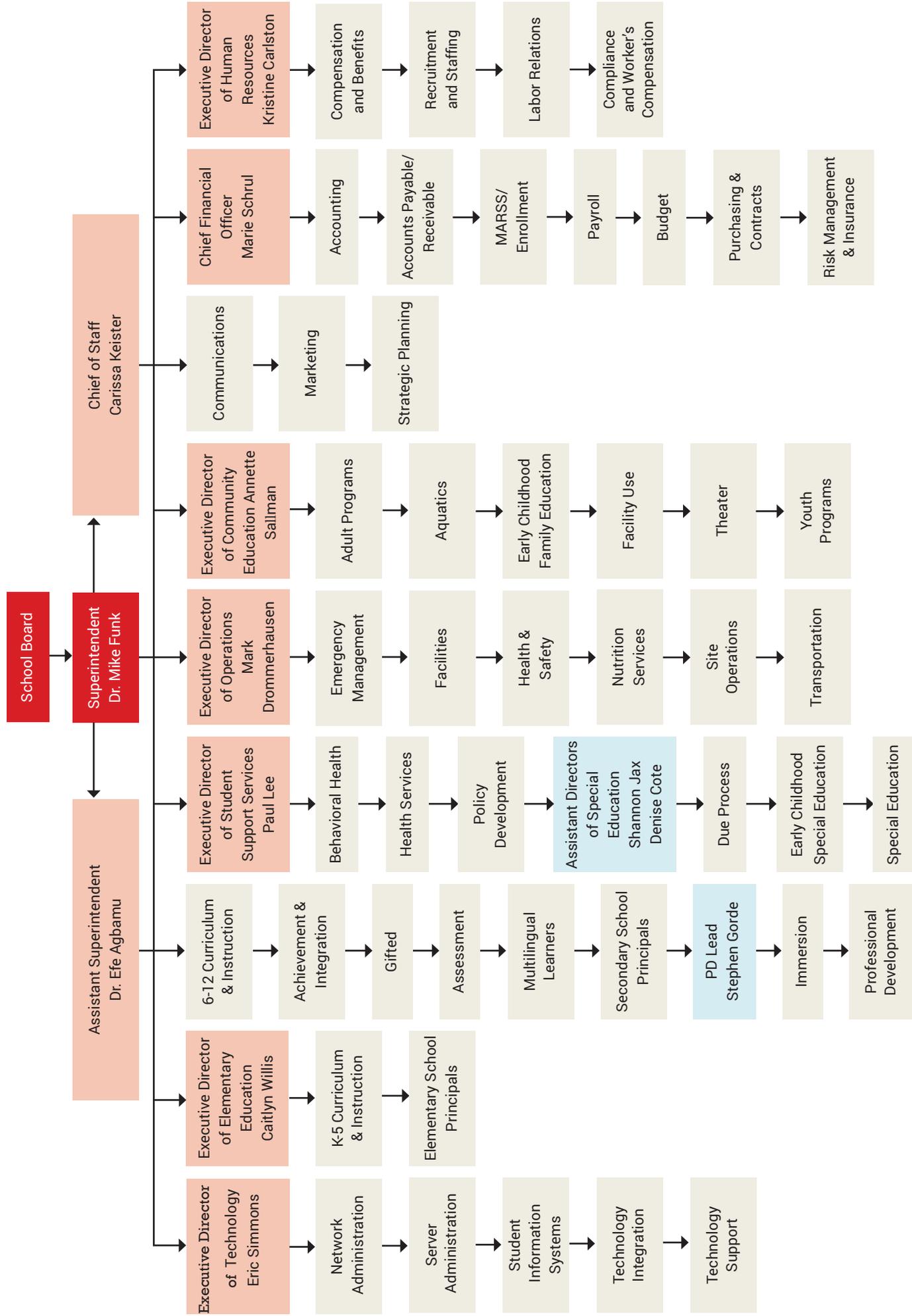
| | <u>Board Position</u> |
|------------------|-----------------------|
| Alison Sherman | Chairperson |
| Andrew Thelander | Vice Chairperson |
| Katie Hockert | Clerk |
| Pete Kelzenberg | Treasurer |
| Sarah Grcevich | Director |
| Chris Lauer | Director |
| Robert Parker | Director |

ADMINISTRATION

| | |
|--------------------|--|
| Dr. Mike Funk | Superintendent |
| Dr. Efe Agbamu | Assistant Superintendent |
| Carissa Keister | Chief of Staff |
| Eric Simmons | Executive Director of Technology |
| Caitlyn Willis | Executive Director of Elementary Education |
| Paul Lee | Executive Director of Student Support Services |
| Mark Drommerhausen | Executive Director of Operations |
| Annette Sallman | Executive Director of Community Education |
| Marie Schrul | Chief Financial Officer |
| Kristine Carlston | Executive Director of Human Resources |



Leadership Organizational Chart 2024-25





ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

**Independent School District No. 834 -
Stillwater Area Public Schools**
for its Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2024.

The district report meets the criteria established for
ASBO International's Certificate of Excellence in Financial Reporting.



A handwritten signature in black ink, reading 'Ryan S. Stechschulte'.

Ryan S. Stechschulte
President

A handwritten signature in black ink, reading 'James M. Rowan'.

James M. Rowan, CAE, SFO
CEO/Executive Director

Stillwater Area Public Schools

Stillwater, Minnesota 55082

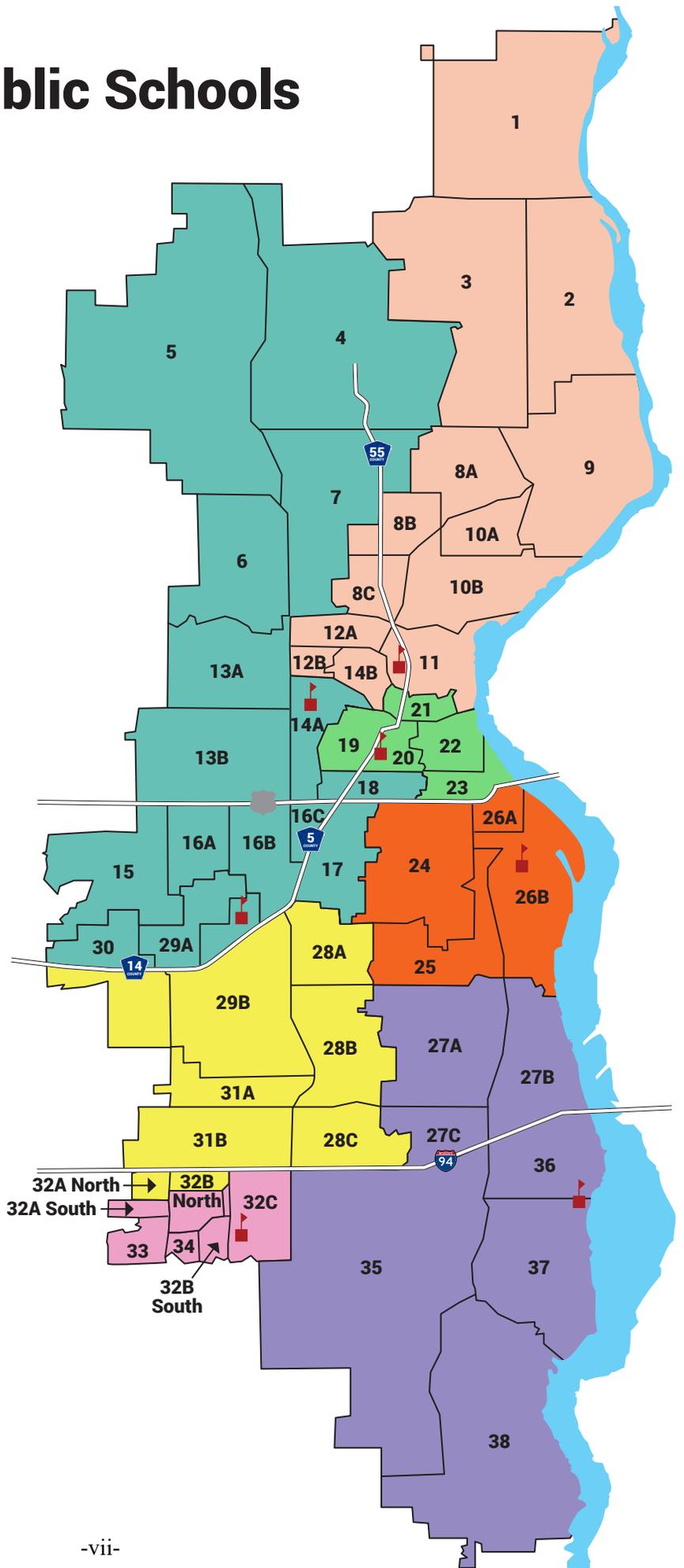
District 834 Map (2024-2025)

Elementary Attendance Areas

-  Afton-Lakeland
-  Andersen
-  Brookview
-  Lake Elmo
-  Lily Lake
-  Rutherford
-  Stonebridge

Middle School Feeder System:

- Afton-Lakeland, Andersen, Lake Elmo and Brookview to Oak-Land
- Rutherford, Lily Lake and Stonebridge to Stillwater



THIS PAGE INTENTIONALLY LEFT BLANK

Section II

Financial



THIS PAGE INTENTIONALLY LEFT BLANK



INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 834
Stillwater, Minnesota

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 834 (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof, and the 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.

EMPHASIS OF MATTER

Change in Accounting Principle

As described in Note 1 of the notes to basic financial statements, in fiscal 2025, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Error Correction

As described in Note 1 of the notes to basic financial statements, in fiscal 2025, the District reported error corrections relating to expenditure reporting by fund and for recording unearned revenue. Our opinion is not modified with respect to these matters.

(continued)

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 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.

(continued)

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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, as listed in the table of contents, are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER INFORMATION

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

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

PRIOR YEAR COMPARATIVE INFORMATION

Malloy, Montague, Karnowski, Radosevich & Co., P.A. previously audited the District's 2024 financial statements and expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in their report dated November 27, 2024. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 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, 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.

Respectfully submitted,

A handwritten signature in black ink that reads "LB Carlson, LLP". The signature is written in a cursive, flowing style.

LB CARLSON, LLP
Minneapolis, Minnesota

December 19, 2025

INDEPENDENT SCHOOL DISTRICT NO. 834

Management's Discussion and Analysis Year Ended June 30, 2025

This section of Independent School District No. 834's (the District) Annual Comprehensive Financial Report (ACFR) presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2025. Please read it in conjunction with the other components of the District's ACFR.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources on June 30, 2025 by \$28,007,911 (net position). The District's total net position increased by \$14,763,642 from operations in the current year, not including the change in accounting principle and error correction discussed below.
- Government-wide revenues totaled \$195,522,635 and were \$14,763,642 more than expenses of \$180,758,993.
- The District adopted new accounting guidance for compensated absences in the current year, which reduced beginning net position by \$18,614,370. This change is further described in Note 1 of the notes to basic financial statements.
- The District reported an error correction related to unearned revenue for insurance premiums for the following year. This change reduced beginning net position by \$484,197 and is further described in Note 1 of the notes to basic financial statements.
- The General Fund's total fund balance (under the governmental fund presentation) decreased by \$1,656,854 from the prior year from operations, compared to an increase of \$35,208 planned in the budget. The governmental funds reported an error correction for long-term facilities maintenance (LTFM) that further reduced fund balance in the General Fund by \$892,587 with a change to report prior year LTFM expenditures in the General Fund and increase the Capital Projects – Building Construction Fund by an equal amount.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the ACFR consists of the following parts:

- Independent Auditor's Report;
- Management's discussion and analysis;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Supplementary information including combining and individual fund financial statements and schedules.

The following explains the two types of statements included in the basic financial statements:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes *all* of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, except for the fiduciary funds. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

In the government-wide financial statements the District's activities are all shown in one category titled "governmental activities." These activities, including regular and special education instruction, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or major funds, rather than the District as a whole. Funds (Food Service Special Revenue and Community Service Special Revenue) that do not meet the threshold to be classified as major funds are called nonmajor funds. Detailed financial information for nonmajor funds can be found in the supplementary information section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America. Some funds are required by state law and by bond covenants. The District can establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following types of funds:

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

Proprietary Funds – The District maintains one type of proprietary fund. Internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for the self-insurance activities of the District employees' medical and dental claims. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1 is a summarized view of the District's Statement of Net Position:

| | 2025 | 2024 |
|--|----------------|----------------|
| Assets | | |
| Current and other assets | \$ 188,291,605 | \$ 211,632,397 |
| Capital assets, net of depreciation/amortization | 220,328,077 | 184,963,761 |
| Total assets | \$ 408,619,682 | \$ 396,596,158 |
| Deferred outflows of resources | | |
| Pension plan deferments | \$ 19,061,198 | \$ 20,981,989 |
| OPEB plan deferments | 1,728,525 | 1,021,561 |
| Total deferred outflows of resources | \$ 20,789,723 | \$ 22,003,550 |
| Liabilities | | |
| Current and other liabilities | \$ 30,785,473 | \$ 23,771,647 |
| Long-term liabilities, including due within one year | 281,526,669 | 291,107,770 |
| Total liabilities | \$ 312,312,142 | \$ 314,879,417 |
| Deferred inflows of resources | | |
| Lease revenue for subsequent years | \$ 642,301 | \$ 853,035 |
| Property taxes levied for subsequent year | 64,003,500 | 60,233,820 |
| Pension plan deferments | 21,046,027 | 6,546,132 |
| OPEB plan deferments | 516,888 | 618,376 |
| Deferred charge on refunding | 2,880,636 | 3,126,092 |
| Total deferred inflows of resources | \$ 89,089,352 | \$ 71,377,455 |
| Net position | | |
| Net investment in capital assets | \$ 112,363,035 | \$ 96,784,018 |
| Restricted | 10,243,825 | 9,799,260 |
| Unrestricted | (94,598,949) | (74,240,442) |
| Total net position | \$ 28,007,911 | \$ 32,342,836 |

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation/amortization amounts. A conservative versus liberal approach to depreciation and amortization estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. Another major factor in determining net position as compared to fund balances are the liabilities for long-term compensated absences, pensions, and other post-employment benefits (OPEB), which impact the unrestricted portion of net position.

The District's increase in net investment in capital assets is due mostly to the relationship between the rate at which the District's capital assets are being added, depreciated/amortized, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. The increase in net position restricted for debt service, food service, community service, and other state funding purposes was the primary reason for the change in this portion of net position. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows, long-term liabilities, deferred inflows, and unrestricted net position. The change in accounting principle for compensated absences was also a significant factor in the change in unrestricted net position.

Table 2 presents a summarized version of the District's Statement of Activities:

| | 2025 | 2024 |
|--|---------------|---------------|
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 11,232,452 | \$ 10,516,254 |
| Operating grants and contributions | 40,449,381 | 35,146,017 |
| General revenues | | |
| Property taxes | 62,885,949 | 51,411,955 |
| General grants and aids | 72,646,391 | 69,182,071 |
| Other | 8,308,462 | 6,192,866 |
| Total revenues | 195,522,635 | 172,449,163 |
| Expenses | | |
| Administration | 4,361,627 | 3,934,318 |
| District support services | 8,579,220 | 7,149,362 |
| Elementary and secondary regular instruction | 63,237,403 | 57,583,266 |
| Vocational education instruction | 2,347,228 | 1,667,003 |
| Special education instruction | 31,221,918 | 26,993,683 |
| Instructional support services | 10,438,634 | 9,548,300 |
| Pupil support services | 21,261,383 | 18,857,105 |
| Sites and buildings | 13,555,324 | 12,763,666 |
| Fiscal and other fixed cost programs | 1,238,676 | 820,342 |
| Food service | 7,780,758 | 7,388,530 |
| Community service | 9,890,095 | 9,175,416 |
| Interest and fiscal charges | 6,846,727 | 5,631,554 |
| Total expenses | 180,758,993 | 161,512,545 |
| Change in net position | 14,763,642 | 10,936,618 |
| Net position – beginning, as previously reported | 32,342,836 | 21,406,218 |
| Change in accounting principle | (18,614,370) | – |
| Error correction | (484,197) | – |
| Net position – beginning, as restated | 13,244,269 | 21,406,218 |
| Net position – ending | \$ 28,007,911 | \$ 32,342,836 |

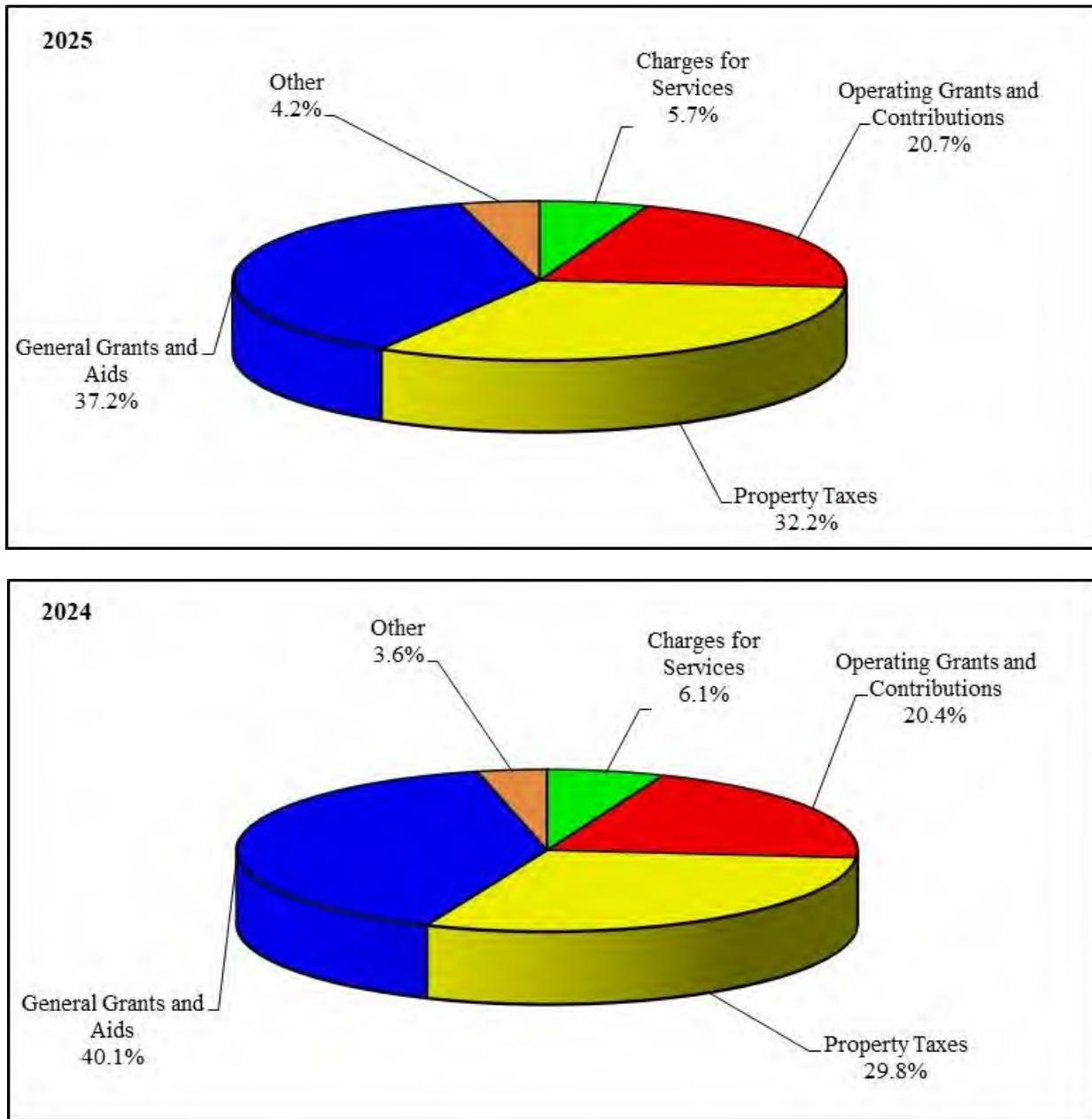
This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation and amortization expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Revenues increased by \$23,073,472, in the current year. The District recognized an increase with more special education funding contributing to the change in operating grants and contributions. The increase in the approved levy for debt service on recent bonds issued contributed to the change in property taxes. Additional funding for the basic general education formula allowance increased general grants and aids. Other revenues were up largely in investment earnings with improved returns on cash and investments held by the District.

Expenses were up, due primarily to changes in state-wide pension plans, additional spending for health and dental benefits, natural inflationary increases, and more depreciation/amortization expense. The District also made presentation changes in how expenses are reported in the government-wide Statement of Activities, which shifted costs between programs.

Figure A shows further analysis of these revenue sources:

Figure A – Sources of Revenues for Fiscal Years 2025 and 2024

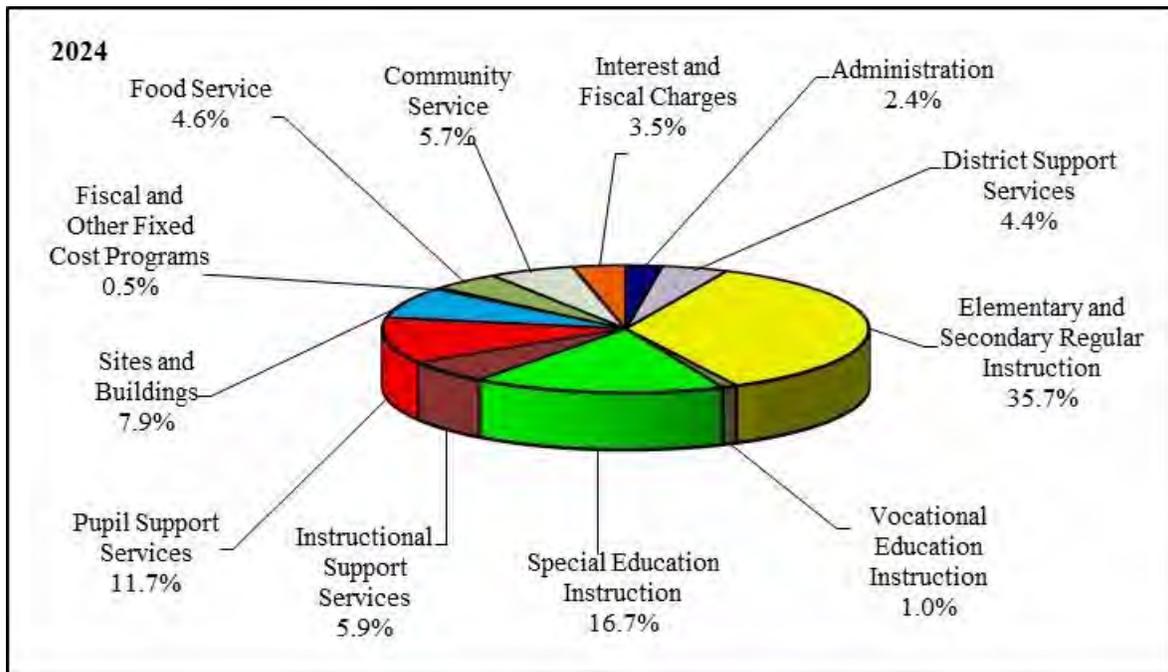
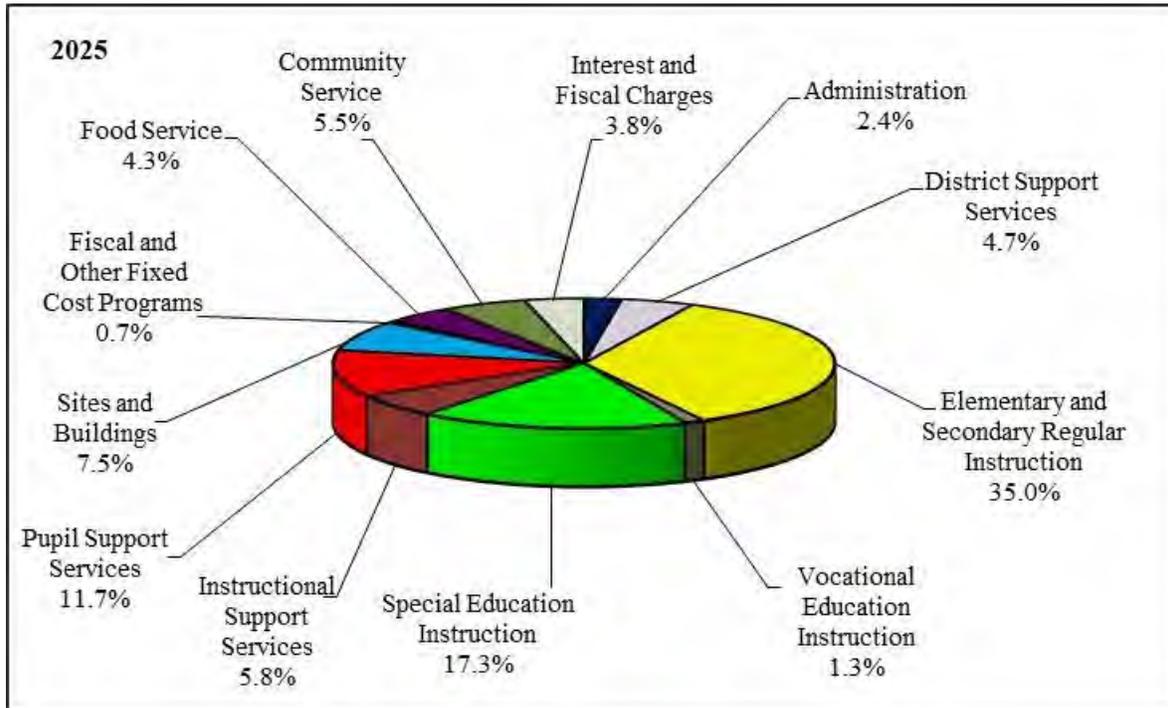


The largest share of the District’s revenue is received from the state, including the general education aid formula and most of the operating grants.

Property taxes are generally the next largest source of funding. The level of revenue property tax sources provide is not only dependent on district taxpayers by way of operating and building referenda, but also by decisions made by the Legislature in the mix of state aid and local effort in a variety of funding formulas.

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2025 and 2024



The District's expenses are predominately related to educating students. Programs (or functions), such as elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services, are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District is also reflected in its governmental funds. Table 3 shows the change in total fund balances of each of the District's governmental funds:

| | <u>2025</u> | <u>2024</u> | <u>Change</u> |
|--|--------------------------|---------------------------|----------------------------|
| Major funds | | | |
| General | \$ 6,288,871 | \$ 8,838,312 | \$ (2,549,441) |
| Capital Projects – Building Construction | 81,166,690 | 112,364,998 | (31,198,308) |
| Debt Service | 3,190,210 | 2,613,340 | 576,870 |
| Nonmajor funds | | | |
| Food Service Special Revenue | 4,224,246 | 3,774,272 | 449,974 |
| Community Service Special Revenue | <u>731,225</u> | <u>571,694</u> | <u>159,531</u> |
| Total governmental funds | <u>\$ 95,601,242</u> | <u>\$ 128,162,616</u> | <u>\$ (32,561,374)</u> |

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 discretionary use, as it represents the portion of fund balance that has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

As of June 30, 2025, the District's governmental funds reported combined fund balances of \$95,601,242, a decrease of \$32,561,374 in comparison with the prior year. The District reported a negative \$68,145 as unassigned fund balance. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is: 1) not in spendable form (\$107,121), 2) restricted for specific purposes (\$94,400,967), or 3) assigned for particular purposes (\$1,161,299).

Changes in the table above are discussed on the following pages.

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

| Table 4 General Fund Budget | | | | |
|--|------------------------|-----------------------|---------------------|-----------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Change</u> | <u>Percent Change</u> |
| Revenue and other financing sources | <u>\$ 149,339,664</u> | <u>\$ 152,044,143</u> | <u>\$ 2,704,479</u> | <u>1.8%</u> |
| Expenditures | <u>\$ 150,186,343</u> | <u>\$ 152,008,935</u> | <u>\$ 1,822,592</u> | <u>1.2%</u> |

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amended the budget for known significant changes in circumstances, such as: updated enrollment estimates, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, insurance premium changes, special education tuition changes, or for new debt issued.

Table 5 summarizes the operating results of the General Fund:

| Table 5 General Fund Operating Results | | | | | |
|---|-----------------------|--------------------------------------|----------------|------------------------------------|----------------|
| | <u>2025 Actual</u> | <u>Over (Under) Final Budget</u> | | <u>Over (Under) Prior Year</u> | |
| | | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Revenue and other financing sources | \$ 154,220,770 | \$ 2,176,627 | 1.4% | \$ 11,645,582 | 8.2% |
| Expenditures | <u>155,877,624</u> | <u>3,868,689</u> | 2.5% | <u>11,014,556</u> | 7.6% |
| Net change in fund balances | <u>\$ (1,656,854)</u> | <u>\$ (1,692,062)</u> | | <u>\$ 631,026</u> | |

The fund balance of the General Fund decreased \$1,656,854, compared to an increase of \$35,208 approved in the final budget.

Revenues and other financing sources were 1.4 percent more than the amount anticipated in the final budget. State special education funding was more than budget due to conservative budgeting for this funding source. Conservative budgeting for investment earnings also contributed to the overall favorable revenue variance. The increase in total revenue and other financing sources was spread across property taxes, investment earnings, other local, state sources, and with new debt issued as presented in the General Fund Schedule of Revenue, Expenditures, and Changes in Fund Balances. Federal funding reported a reduction in the current year, with the expiration of certain pandemic-related grant funding. Legislative improvements for general education and special education entitlements, and new categorical grant funding, contributed to the increase over the prior year.

Total General Fund expenditures for 2025 were over budget as presented in Table 5. Salaries and benefits exceeded budget largely in vocational education instruction, special education instruction, and pupil support services. Purchased services were over budget largely for special education instruction and pupil support services. Timing delays for capital improvements and facilities maintenance resulted in actual spending coming in less than anticipated, which partially offset overspending in other areas. Spending was up, largely as anticipated for inflationary increases and contractually approved salary and benefit improvements. Natural inflationary increases were also seen in purchased services. General Fund spending on capital expenditures was up in the current year, due to an increase in LTFM project activity and a wireless access point network project (funded with operating capital and the technology levy).

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund ended the year with fund balances totaling \$81,166,690, with amounts restricted for long-term facilities maintenance (\$6,325,785) and capital projects (\$74,840,905). Capital outlay expenditures of \$37,167,142 were incurred for long-term facilities maintenance projects and initial building costs. The decrease was anticipated with the District spending resources from bonds issued in the prior year.

Debt Service Fund

The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. Debt Service Fund revenues exceeded expenditures by \$576,870 in the current year. The year-end fund balance of \$3,190,210 as of June 30, 2025, is restricted for future debt service.

Other Governmental Funds

The Food Service Special Revenue Fund ended the year with revenues and other financing sources exceeding expenditures, increasing fund balance by \$449,974, compared to a planned fund balance decrease of \$99,617. Revenues were over budget with more participation than projected and conservative budgeting for meal sales and investment earnings. With the decrease in program participation and conservative budget practices, expenditures were under budget by \$474,739.

The Community Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing fund balance by \$159,531, compared to a planned fund balance decrease of \$72,200. The variance to budget was primarily due to conservative budgeting for property taxes and investment earnings, with total revenue exceeding projected amounts, and conservative budgeting of expenditures.

Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District currently maintains two internal service funds. These funds are used to account for the District's self-insured health and dental benefits provided to employees and retirees.

Operating revenues for the internal service funds for fiscal 2025 totaled \$21,687,257. This is an increase from the fiscal year 2024 operating revenue level of \$21,659,354. Nonoperating revenues for investment earnings totaled \$7,532, compared to the fiscal year 2024 investment earnings of \$8,228. Operating expenses totaled \$23,079,142, which represents a decrease from fiscal year 2024 operating expenditures of \$23,220,962, due to a decrease in health and dental claims.

The net position balance for all internal service funds as of June 30, 2025, was \$462, which represents a decrease of \$1,868,550 from the prior year. The District reported an error correction from a review of the unearned revenue calculation completed during the current year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District’s capital assets, together with changes from the previous year. The table also shows the total depreciation/amortization expense for fiscal years ended June 30, 2025 and 2024.

| | <u>2025</u> | <u>2024</u> | <u>Change</u> |
|---|------------------------------|------------------------------|-----------------------------|
| Land | \$ 14,969,222 | \$ 14,969,222 | \$ – |
| Construction in progress | 39,724,820 | 15,627,996 | 24,096,824 |
| Land improvements | 28,184,636 | 23,281,364 | 4,903,272 |
| Buildings | 248,121,533 | 234,323,630 | 13,797,903 |
| Equipment | 13,615,250 | 11,838,147 | 1,777,103 |
| Equipment – leased | 2,622,997 | 2,191,521 | 431,476 |
| Technology subscriptions | 324,525 | 324,525 | – |
| Less accumulated depreciation/amortization | <u>(127,234,906)</u> | <u>(117,592,644)</u> | <u>(9,642,262)</u> |
| Total | <u><u>\$ 220,328,077</u></u> | <u><u>\$ 184,963,761</u></u> | <u><u>\$ 35,364,316</u></u> |
| Depreciation/amortization expense | <u><u>\$ 9,788,726</u></u> | <u><u>\$ 8,722,665</u></u> | <u><u>\$ 1,066,061</u></u> |

By the end of 2025, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2025. Capital spending in the General Fund for facilities maintenance also increased capital assets in the current year.

The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year.

Additional details about capital assets can be found in the notes to basic financial statements.

Long-Term Liabilities

Table 7 illustrates the components of the District's long-term liabilities with changes from the prior year:

| | <u>2025</u> | <u>2024</u> | <u>Change</u> |
|---------------------------------------|------------------------------|------------------------------|------------------------------|
| General obligation bonds payable | \$ 158,990,000 | \$ 167,695,000 | \$ (8,705,000) |
| Certificates of participation payable | 8,285,000 | 9,275,000 | (990,000) |
| Unamortized premium/discount | 18,541,186 | 19,566,934 | (1,025,748) |
| Lease liability | 398,648 | 761,316 | (362,668) |
| Subscription liability | 36,262 | 120,399 | (84,137) |
| Compensated absences payable | 20,086,693 | 496,458 | 19,590,235 |
| Net pension liability | 61,879,974 | 80,943,084 | (19,063,110) |
| Net OPEB liability | 13,308,906 | 12,249,579 | 1,059,327 |
| Total | <u>\$ 281,526,669</u> | <u>\$ 291,107,770</u> | <u>\$ (9,581,101)</u> |

Decreases in general obligation bonds payable, certificates of participation payable, unamortized premium/discount, lease liability, and subscription liability in the table above, are due to the planned repayment schedules reflecting principal payments occurring during fiscal year 2025.

The increase in compensated absences payable is due to implementation of Governmental Accounting Standards Board Statement No. 101 guidance in fiscal year 2025.

The difference in the net pension liability reflects the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA.

The net OPEB liability increased as identified with an updated study received in the current year.

The state limits the amount of general obligation debt the District can issue to 15.0 percent of the market value of all taxable property within the District's corporate limits (see Table 8).

| | |
|-------------------------|-------------------------|
| District's market value | \$ 15,513,015,700 |
| Limit rate | <u>15.0%</u> |
| Legal debt limit | <u>\$ 2,326,952,355</u> |

Additional details of the District's long-term debt activity can be found in the notes to basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for a majority of its revenue authority.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added \$200, or 2.75 percent, per pupil to the formula for fiscal year 2026.

The amount of funding a district receives is also dependent on the number of students it serves, meaning attracting and retaining students is critical to the District's financial well-being.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This ACFR is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Business and Finance Department, Independent School District No. 834, 1875 South Greeley Street, Stillwater, Minnesota 55082.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 834

Statement of Net Position
as of June 30, 2025
(With Partial Comparative Information as of June 30, 2024)

| | Governmental Activities | |
|--|-------------------------|-----------------------|
| | 2025 | 2024 |
| Assets | | |
| Cash and temporary investments | \$ 137,471,584 | \$ 165,066,709 |
| Receivables | | |
| Current taxes | 34,234,744 | 31,432,027 |
| Delinquent taxes | 521,531 | 457,874 |
| Accounts and interest | 3,250,982 | 1,008,350 |
| Due from other governmental units | 11,656,426 | 11,901,796 |
| Due from post-employment benefit trust | 406,916 | 750,000 |
| Lease revenue | 642,301 | 853,035 |
| Inventory | 46,594 | 84,801 |
| Prepaid items | 60,527 | 77,805 |
| Capital assets | | |
| Not depreciated/amortized | 54,694,042 | 30,597,218 |
| Depreciated, net of accumulated depreciation/amortization | 165,634,035 | 154,366,543 |
| Total capital assets, net of accumulated depreciation/amortization | <u>220,328,077</u> | <u>184,963,761</u> |
| Total assets | 408,619,682 | 396,596,158 |
| Deferred outflows of resources | | |
| Pension plan deferments | 19,061,198 | 20,981,989 |
| OPEB plan deferments | 1,728,525 | 1,021,561 |
| Total deferred outflows of resources | <u>20,789,723</u> | <u>22,003,550</u> |
| Total assets and deferred outflows of resources | <u>\$ 429,409,405</u> | <u>\$ 418,599,708</u> |
| Liabilities | | |
| Salaries and compensated absences payable | \$ 9,117,975 | \$ 8,533,009 |
| Accounts and contracts payable | 11,900,756 | 5,978,422 |
| Accrued interest payable | 3,234,934 | 3,430,288 |
| Due to other governmental units | 566,100 | 652,061 |
| Claims incurred, but not reported | 2,532,000 | 2,435,000 |
| Unearned revenue | 3,433,708 | 2,742,867 |
| Long-term liabilities | | |
| Due within one year | 13,762,453 | 11,029,660 |
| Due in more than one year | 267,764,216 | 280,078,110 |
| Total long-term liabilities | <u>281,526,669</u> | <u>291,107,770</u> |
| Total liabilities | 312,312,142 | 314,879,417 |
| Deferred inflows of resources | | |
| Lease revenue for subsequent years | 642,301 | 853,035 |
| Property taxes levied for subsequent year | 64,003,500 | 60,233,820 |
| Pension plan deferments | 21,046,027 | 6,546,132 |
| OPEB plan deferments | 516,888 | 618,376 |
| Deferred charge on refunding | 2,880,636 | 3,126,092 |
| Total deferred inflows of resources | <u>89,089,352</u> | <u>71,377,455</u> |
| Net position | | |
| Net investment in capital assets | 112,363,035 | 96,784,018 |
| Restricted for | | |
| Capital asset acquisition and facilities maintenance | 2,894,509 | 4,250,005 |
| Debt service | 142,804 | — |
| Food service | 4,224,246 | 3,774,272 |
| Community service | 1,766,576 | 1,341,846 |
| Other purposes (state funding restrictions) | 1,215,690 | 433,137 |
| Unrestricted | (94,598,949) | (74,240,442) |
| Total net position | <u>28,007,911</u> | <u>32,342,836</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 429,409,405</u> | <u>\$ 418,599,708</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

Statement of Activities
 Year Ended June 30, 2025
 (With Partial Comparative Information for the Year Ended June 30, 2024)

| Functions/Programs | 2025 | | | 2024 | |
|--|-----------------------|-------------------------|--|--|--|
| | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | Net (Expense) Revenue and Changes in Net Position |
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities | Governmental Activities |
| Governmental activities | | | | | |
| Administration | \$ 4,361,627 | \$ - | \$ - | \$ (4,361,627) | \$ (3,934,318) |
| District support services | 8,579,220 | - | - | (8,579,220) | (7,149,362) |
| Elementary and secondary regular instruction | 63,237,403 | 1,368,188 | 2,337,268 | (59,531,947) | (53,656,380) |
| Vocational education instruction | 2,347,228 | - | 45,750 | (2,301,478) | (1,603,032) |
| Special education instruction | 31,221,918 | 338,741 | 27,167,142 | (3,716,035) | (4,174,490) |
| Instructional support services | 10,438,634 | 24,482 | 3,430,153 | (6,983,999) | (6,583,826) |
| Pupil support services | 21,261,383 | 231,304 | 447,612 | (20,582,467) | (18,459,279) |
| Sites and buildings | 13,555,324 | 418,047 | 42,631 | (13,094,646) | (12,506,411) |
| Fiscal and other fixed cost programs | 1,238,676 | - | - | (1,238,676) | (820,342) |
| Food service | 7,780,758 | 1,900,814 | 5,845,849 | (34,095) | 120,324 |
| Community service | 9,890,095 | 6,950,876 | 1,132,976 | (1,806,243) | (1,451,604) |
| Interest and fiscal charges | 6,846,727 | - | - | (6,846,727) | (5,631,554) |
| Total governmental activities | \$ 180,758,993 | \$ 11,232,452 | \$ 40,449,381 | (129,077,160) | (115,850,274) |
| General revenues | | | | | |
| Taxes | | | | | |
| Property taxes, levied for general purposes | | | | 44,716,136 | 40,731,963 |
| Property taxes, levied for community service | | | | 1,262,280 | 1,053,284 |
| Property taxes, levied for debt service | | | | 16,907,533 | 9,626,708 |
| General grants and aids | | | | 72,646,391 | 69,182,071 |
| Other general revenues | | | | 2,000,401 | 1,952,004 |
| Investment earnings | | | | 6,308,061 | 4,240,862 |
| Total general revenues | | | | 143,840,802 | 126,786,892 |
| Change in net position | | | | 14,763,642 | 10,936,618 |
| Net position – beginning, as previously reported | | | | 32,342,836 | 21,406,218 |
| Change in accounting principle | | | | (18,614,370) | - |
| Error correction | | | | (484,197) | - |
| Net position – beginning, as restated | | | | 13,244,269 | 21,406,218 |
| Net position – ending | | | | \$ 28,007,911 | \$ 32,342,836 |

INDEPENDENT SCHOOL DISTRICT NO. 834

Balance Sheet
 Governmental Funds
 as of June 30, 2025
 (With Partial Comparative Information as of June 30, 2024)

| | General Fund | Capital Projects – Building Construction Fund | Debt Service Fund |
|--|----------------------|---|----------------------|
| Assets | | | |
| Cash and temporary investments | \$ 27,422,975 | \$ 85,700,467 | \$ 11,756,506 |
| Receivables | | | |
| Current taxes | 24,177,549 | – | 9,356,040 |
| Delinquent taxes | 376,685 | – | 133,948 |
| Accounts and interest | 182,490 | 3,025,856 | – |
| Due from other governmental units | 11,324,763 | – | 19,346 |
| Due from other funds | 406,916 | – | – |
| Lease revenue | 642,301 | – | – |
| Inventory | – | – | – |
| Prepaid items | 60,527 | – | – |
| | <u>64,594,206</u> | <u>88,726,323</u> | <u>21,265,840</u> |
| Total assets | \$ 64,594,206 | \$ 88,726,323 | \$ 21,265,840 |
| Liabilities | | | |
| Salaries payable | \$ 8,701,686 | \$ – | \$ – |
| Accounts and contracts payable | 3,351,679 | 7,554,018 | 4,075 |
| Due to other governmental units | 553,226 | 5,615 | – |
| Unearned revenue | 151 | – | – |
| | <u>12,606,742</u> | <u>7,559,633</u> | <u>4,075</u> |
| Total liabilities | 12,606,742 | 7,559,633 | 4,075 |
| Deferred inflows of resources | | | |
| Lease revenue for subsequent years | 642,301 | – | – |
| Property taxes levied for subsequent year | 44,692,027 | – | 17,952,619 |
| Unavailable revenue – delinquent taxes | 364,265 | – | 118,936 |
| | <u>45,698,593</u> | <u>–</u> | <u>18,071,555</u> |
| Total deferred inflows of resources | 45,698,593 | – | 18,071,555 |
| Fund balances | | | |
| Nonspendable | 60,527 | – | – |
| Restricted | 4,110,199 | 81,166,690 | 3,190,210 |
| Assigned | 1,161,299 | – | – |
| Unassigned | 956,846 | – | – |
| | <u>6,288,871</u> | <u>81,166,690</u> | <u>3,190,210</u> |
| Total fund balances | 6,288,871 | 81,166,690 | 3,190,210 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 64,594,206 | \$ 88,726,323 | \$ 21,265,840 |

| Nonmajor Funds | Total Governmental Funds | |
|---------------------|--------------------------|-----------------------|
| | 2025 | 2024 |
| \$ 6,527,680 | \$ 131,407,628 | \$ 157,903,295 |
| 701,155 | 34,234,744 | 31,432,027 |
| 10,898 | 521,531 | 457,874 |
| 1,206 | 3,209,552 | 984,017 |
| 312,317 | 11,656,426 | 11,901,796 |
| – | 406,916 | 750,000 |
| – | 642,301 | 853,035 |
| 46,594 | 46,594 | 84,801 |
| – | 60,527 | 77,805 |
| <u>\$ 7,599,850</u> | <u>\$ 182,186,219</u> | <u>\$ 204,444,650</u> |
| \$ 416,289 | \$ 9,117,975 | \$ 8,533,009 |
| 318,613 | 11,228,385 | 5,259,508 |
| 7,259 | 566,100 | 643,479 |
| 533,004 | 533,155 | 586,628 |
| <u>1,275,165</u> | <u>21,445,615</u> | <u>15,022,624</u> |
| – | 642,301 | 853,035 |
| 1,358,854 | 64,003,500 | 60,233,820 |
| 10,360 | 493,561 | 172,555 |
| <u>1,369,214</u> | <u>65,139,362</u> | <u>61,259,410</u> |
| 46,594 | 107,121 | 162,606 |
| 5,933,868 | 94,400,967 | 124,688,627 |
| – | 1,161,299 | 2,424,582 |
| <u>(1,024,991)</u> | <u>(68,145)</u> | <u>886,801</u> |
| <u>4,955,471</u> | <u>95,601,242</u> | <u>128,162,616</u> |
| <u>\$ 7,599,850</u> | <u>\$ 182,186,219</u> | <u>\$ 204,444,650</u> |

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 834

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2025
(With Partial Comparative Information as of June 30, 2024)

| | <u>2025</u> | <u>2024</u> |
|--|----------------------|----------------------|
| Total fund balances – governmental funds | \$ 95,601,242 | \$ 128,162,616 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources. | | |
| Cost of capital assets | 347,562,983 | 302,556,405 |
| Accumulated depreciation/amortization | (127,234,906) | (117,592,644) |
| Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses. | | |
| General obligation bonds payable | (158,990,000) | (167,695,000) |
| Certificates of participation payable | (8,285,000) | (9,275,000) |
| Unamortized premium/discount | (18,541,186) | (19,566,934) |
| Lease liability | (398,648) | (761,316) |
| Subscription liability | (36,262) | (120,399) |
| Compensated absences payable | (20,086,693) | (496,458) |
| Net pension liability | (61,879,974) | (80,943,084) |
| Net OPEB liability | (13,308,906) | (12,249,579) |
| Accrued interest payable is included in net position, but is excluded from fund balances until due and payable. | (3,234,934) | (3,430,288) |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. | 462 | 1,869,012 |
| The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements. | | |
| Deferred outflows of resources – pension plan deferments | 19,061,198 | 20,981,989 |
| Deferred outflows of resources – OPEB plan deferments | 1,728,525 | 1,021,561 |
| Deferred inflows of resources – pension plan deferments | (21,046,027) | (6,546,132) |
| Deferred inflows of resources – OPEB plan deferments | (516,888) | (618,376) |
| Deferred inflows of resources – deferred charge on refunding | (2,880,636) | (3,126,092) |
| Deferred inflows of resources – unavailable revenue – delinquent taxes | 493,561 | 172,555 |
| Total net position – governmental activities | <u>\$ 28,007,911</u> | <u>\$ 32,342,836</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2025
 (With Partial Comparative Information for the Year Ended June 30, 2024)

| | <u>General Fund</u> | <u>Capital Projects – Building Construction Fund</u> | <u>Debt Service Fund</u> |
|---|---------------------|--|------------------------------|
| Revenue | | | |
| Local sources | | | |
| Property taxes | \$ 44,481,414 | \$ – | \$ 16,827,679 |
| Investment earnings | 703,027 | 5,076,247 | 304,553 |
| Other | 4,381,163 | – | – |
| State sources | 101,478,487 | – | 193,458 |
| Federal sources | 2,732,937 | – | – |
| Total revenue | <u>153,777,028</u> | <u>5,076,247</u> | <u>17,325,690</u> |
| Expenditures | | | |
| Current | | | |
| Administration | 4,086,910 | – | – |
| District support services | 7,603,656 | – | – |
| Elementary and secondary regular instruction | 59,379,595 | – | – |
| Vocational education instruction | 2,240,103 | – | – |
| Special education instruction | 29,456,376 | – | – |
| Instructional support services | 10,314,372 | – | – |
| Pupil support services | 20,316,419 | – | – |
| Sites and buildings | 19,075,205 | – | – |
| Fiscal and other fixed cost programs | 1,037,453 | – | – |
| Food service | – | – | – |
| Community service | 229,788 | – | – |
| Capital outlay | – | 37,167,142 | – |
| Debt service | | | |
| Principal | 1,868,282 | – | 8,705,000 |
| Interest and fiscal charges | 269,465 | – | 8,043,820 |
| Total expenditures | <u>155,877,624</u> | <u>37,167,142</u> | <u>16,748,820</u> |
| Excess (deficiency) of revenue over expenditures | (2,100,596) | (32,090,895) | 576,870 |
| Other financing sources | | | |
| Debt issued | 431,477 | – | – |
| Refunding debt issued | – | – | – |
| Premium on issuance of debt | – | – | – |
| Insurance recovery | – | – | – |
| Sale of capital assets | 12,265 | – | – |
| Payments to refunded bond escrow agent | – | – | – |
| Total other financing sources (uses) | <u>443,742</u> | <u>–</u> | <u>–</u> |
| Net change in fund balances | (1,656,854) | (32,090,895) | 576,870 |
| Fund balances | | | |
| Beginning of year, as previously reported | 8,838,312 | 112,364,998 | 2,613,340 |
| Error correction | (892,587) | 892,587 | – |
| Beginning of year, as restated | <u>7,945,725</u> | <u>113,257,585</u> | <u>2,613,340</u> |
| End of year | <u>\$ 6,288,871</u> | <u>\$ 81,166,690</u> | <u>\$ 3,190,210</u> |

| Nonmajor Funds | Total Governmental Funds | |
|---------------------|--------------------------|-----------------------|
| | 2025 | 2024 |
| \$ 1,255,850 | \$ 62,564,943 | \$ 51,482,231 |
| 216,702 | 6,300,529 | 4,232,634 |
| 8,851,690 | 13,232,853 | 12,468,258 |
| 4,836,961 | 106,508,906 | 98,160,467 |
| 2,141,864 | 4,874,801 | 5,841,148 |
| <u>17,303,067</u> | <u>193,482,032</u> | <u>172,184,738</u> |
| – | 4,086,910 | 3,828,091 |
| – | 7,603,656 | 7,110,066 |
| – | 59,379,595 | 57,235,938 |
| – | 2,240,103 | 1,634,106 |
| – | 29,456,376 | 26,336,100 |
| – | 10,314,372 | 9,310,663 |
| – | 20,316,419 | 18,534,808 |
| – | 19,075,205 | 17,909,088 |
| – | 1,037,453 | 820,342 |
| 7,230,494 | 7,230,494 | 6,488,594 |
| 9,243,502 | 9,473,290 | 8,740,479 |
| 219,645 | 37,386,787 | 17,188,335 |
| – | 10,573,282 | 8,787,887 |
| – | 8,313,285 | 4,246,102 |
| <u>16,693,641</u> | <u>226,487,227</u> | <u>188,170,599</u> |
| 609,426 | (33,005,195) | (15,985,861) |
| – | 431,477 | 105,715,000 |
| – | – | 54,715,000 |
| – | – | 19,349,694 |
| – | – | 16,137 |
| 79 | 12,344 | 5,098 |
| – | – | (60,380,000) |
| <u>79</u> | <u>443,821</u> | <u>119,420,929</u> |
| 609,505 | (32,561,374) | 103,435,068 |
| 4,345,966 | 128,162,616 | 24,727,548 |
| – | – | – |
| <u>4,345,966</u> | <u>128,162,616</u> | <u>24,727,548</u> |
| <u>\$ 4,955,471</u> | <u>\$ 95,601,242</u> | <u>\$ 128,162,616</u> |

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 834

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2025

(With Partial Comparative Information for the Year Ended June 30, 2024)

| | <u>2025</u> | <u>2024</u> |
|--|----------------------|----------------------|
| Total net change in fund balances – governmental funds | \$ (32,561,374) | \$ 103,435,068 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation/amortization expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase. | | |
| Capital outlays | 45,188,091 | 24,560,385 |
| Depreciation/amortization expense | (9,788,726) | (8,722,665) |
| A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances. | | |
| | (35,049) | (22,478) |
| The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities. | | |
| | (431,477) | (160,430,000) |
| Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances. | | |
| General obligation bonds payable | 8,705,000 | 67,355,000 |
| Certificates of participation payable | 990,000 | 960,000 |
| Lease liability | 794,145 | 727,709 |
| Subscription liability | 84,137 | 125,178 |
| Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses. | | |
| | 1,025,748 | (15,574,053) |
| Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances. | | |
| Compensated absences payable | (975,865) | (48,447) |
| Net pension liability | 19,063,110 | 1,351,785 |
| Net OPEB liability | (1,059,327) | 1,050,916 |
| Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due. | | |
| | 195,354 | (2,101,689) |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities. | | |
| | (1,384,353) | (1,553,380) |
| The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements. | | |
| Deferred outflows of resources – pension plan deferments | (1,920,791) | (7,424,828) |
| Deferred outflows of resources – OPEB plan deferments | 706,964 | (547,403) |
| Deferred inflows of resources – pension plan deferments | (14,499,895) | 10,777,666 |
| Deferred inflows of resources – OPEB plan deferments | 101,488 | 147,534 |
| Deferred inflows of resources – deferred charge on refunding | 245,456 | (3,059,404) |
| Deferred inflows of resources – unavailable revenue – delinquent taxes | 321,006 | (70,276) |
| Change in net position – governmental activities | <u>\$ 14,763,642</u> | <u>\$ 10,936,618</u> |

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 834

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended June 30, 2025

| | Budgeted Amounts | | Actual | Over (Under) Final Budget |
|---|---------------------|--------------------|---------------------|------------------------------|
| | Original | Final | | |
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | \$ 44,014,182 | \$ 44,497,246 | \$ 44,481,414 | \$ (15,832) |
| Investment earnings | 400,000 | 400,000 | 703,027 | 303,027 |
| Other | 3,643,540 | 4,657,721 | 4,381,163 | (276,558) |
| State sources | 97,556,640 | 99,121,585 | 101,478,487 | 2,356,902 |
| Federal sources | 3,724,990 | 3,355,991 | 2,732,937 | (623,054) |
| Total revenue | <u>149,339,352</u> | <u>152,032,543</u> | <u>153,777,028</u> | <u>1,744,485</u> |
| Expenditures | | | | |
| Current | | | | |
| Administration | 3,893,752 | 3,893,752 | 4,086,910 | 193,158 |
| District support services | 7,909,950 | 7,738,478 | 7,603,656 | (134,822) |
| Elementary and secondary regular instruction | 59,372,190 | 59,528,478 | 59,379,595 | (148,883) |
| Vocational education instruction | 1,524,018 | 1,560,140 | 2,240,103 | 679,963 |
| Special education instruction | 27,782,974 | 27,194,198 | 29,456,376 | 2,262,178 |
| Community service | – | 233,154 | 229,788 | (3,366) |
| Instructional support services | 9,139,416 | 10,937,075 | 10,314,372 | (622,703) |
| Pupil support services | 17,752,874 | 17,767,863 | 20,316,419 | 2,548,556 |
| Sites and buildings | 19,097,998 | 20,087,286 | 19,075,205 | (1,012,081) |
| Fiscal and other fixed cost programs | 1,010,000 | 1,010,000 | 1,037,453 | 27,453 |
| Debt service | | | | |
| Principal | 2,391,851 | 1,747,191 | 1,868,282 | 121,091 |
| Interest and fiscal charges | 311,320 | 311,320 | 269,465 | (41,855) |
| Total expenditures | <u>150,186,343</u> | <u>152,008,935</u> | <u>155,877,624</u> | <u>3,868,689</u> |
| Excess (deficiency) of revenue over expenditures | (846,991) | 23,608 | (2,100,596) | (2,124,204) |
| Other financing sources (uses) | | | | |
| Debt issued | – | – | 431,477 | 431,477 |
| Sale of capital assets | 312 | 11,600 | 12,265 | 665 |
| Total other financing sources | <u>312</u> | <u>11,600</u> | <u>443,742</u> | <u>432,142</u> |
| Net change in fund balances | <u>\$ (846,679)</u> | <u>\$ 35,208</u> | <u>(1,656,854)</u> | <u>\$ (1,692,062)</u> |
| Fund balances | | | | |
| Beginning of year, as previously reported | | | 8,838,312 | |
| Error correction | | | <u>(892,587)</u> | |
| Beginning of year, as restated | | | <u>7,945,725</u> | |
| End of year | | | <u>\$ 6,288,871</u> | |

INDEPENDENT SCHOOL DISTRICT NO. 834

Statement of Net Position
 Proprietary Funds
 Internal Service Funds
 as of June 30, 2025

(With Partial Comparative Information as of June 30, 2024)

| | <u>2025</u> | <u>2024</u> |
|-----------------------------------|------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and temporary investments | \$ 6,063,956 | \$ 7,163,414 |
| Receivables | | |
| Accounts and interest | <u>41,430</u> | <u>24,333</u> |
| Total current assets | <u>6,105,386</u> | <u>7,187,747</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts and contracts payable | 672,371 | 718,914 |
| Due to other governmental units | - | 8,582 |
| Unearned revenue | 2,900,553 | 2,156,239 |
| Claims incurred, but not reported | <u>2,532,000</u> | <u>2,435,000</u> |
| Total current liabilities | <u>6,104,924</u> | <u>5,318,735</u> |
| Net position | | |
| Unrestricted | <u>\$ 462</u> | <u>\$ 1,869,012</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

Statement of Revenue, Expenses, and Changes in Net Position
 Proprietary Funds
 Internal Service Funds
 Year Ended June 30, 2025
 (With Partial Comparative Information for the Year Ended June 30, 2024)

| | <u>2025</u> | <u>2024</u> |
|---|-------------------|---------------------|
| Operating revenue | | |
| Charges for services | | |
| Contributions from governmental funds | \$ 21,687,257 | \$ 21,659,354 |
| Operating expenses | | |
| Health benefit claims | 19,571,273 | 20,281,167 |
| Dental benefit claims | 1,129,740 | 1,171,422 |
| Fees and stop loss | 2,378,129 | 1,768,373 |
| Total operating expenses | <u>23,079,142</u> | <u>23,220,962</u> |
| Operating income (loss) | (1,391,885) | (1,561,608) |
| Nonoperating revenue | | |
| Investment earnings | <u>7,532</u> | <u>8,228</u> |
| Change in net position | (1,384,353) | (1,553,380) |
| Net position | | |
| Beginning of year, as previously reported | 1,869,012 | 3,422,392 |
| Error correction | (484,197) | - |
| Beginning of year, as restated | <u>1,384,815</u> | <u>3,422,392</u> |
| End of year | <u>\$ 462</u> | <u>\$ 1,869,012</u> |

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 834

Statement of Cash Flows
 Proprietary Funds
 Internal Service Funds
 Year Ended June 30, 2025

(With Partial Comparative Information for the Year Ended June 30, 2024)

| | <u>2025</u> | <u>2024</u> |
|--|------------------------------|----------------------------|
| Cash flows from operating activities | | |
| Contributions from governmental funds | \$ 21,930,277 | \$ 21,687,854 |
| Payment for health claims | (19,494,721) | (19,335,357) |
| Payment for dental claims | (1,164,417) | (1,146,227) |
| Payment for fees and stop loss | <u>(2,378,129)</u> | <u>(1,768,373)</u> |
| Net cash flows from operating activities | (1,106,990) | (562,103) |
| Cash flows from investing activities | | |
| Investment income received | <u>7,532</u> | <u>8,228</u> |
| Net change in cash and cash equivalents | (1,099,458) | (553,875) |
| Cash and cash equivalents | | |
| Beginning of year | <u>7,163,414</u> | <u>7,717,289</u> |
| End of year | <u><u>\$ 6,063,956</u></u> | <u><u>\$ 7,163,414</u></u> |
| Reconciliation of operating income (loss) to net cash flows from operating activities | | |
| Operating income (loss) | \$ (1,391,885) | \$ (1,561,608) |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities | | |
| Changes in assets and liabilities | | |
| Accounts receivable | (17,097) | 7,421 |
| Accounts and contracts payable | (46,543) | 62,763 |
| Due to other governmental units | (8,582) | 1,242 |
| Unearned revenue | 260,117 | 21,079 |
| Claims incurred, but not reported | <u>97,000</u> | <u>907,000</u> |
| Net cash flows from operating activities | <u><u>\$ (1,106,990)</u></u> | <u><u>\$ (562,103)</u></u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

Statement of Fiduciary Net Position
as of June 30, 2025

| | Scholarship Custodial Fund | Other Post-Employment Benefits Trust Fund |
|----------------------------------|----------------------------------|--|
| | <u> </u> | <u> </u> |
| Assets | | |
| Cash and temporary investments | \$ 52,837 | \$ - |
| Investments held by trustee | | |
| Goldman Sachs government funds | - | 3,166,025 |
| Exchange traded funds – equities | - | 1,526,941 |
| Total assets | <u>52,837</u> | <u>4,692,966</u> |
| Liabilities | | |
| Due to other funds | <u>-</u> | <u>406,916</u> |
| Net position | | |
| Restricted for scholarships | 52,837 | - |
| Restricted for OPEB | <u>-</u> | <u>4,286,050</u> |
| Total net position | <u>\$ 52,837</u> | <u>\$ 4,286,050</u> |

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2025

| | Scholarship Custodial Fund | Other Post-Employment Benefits Trust Fund |
|-----------------------------------|----------------------------------|--|
| | <u> </u> | <u> </u> |
| Additions | | |
| Contributions | | |
| Private donations | \$ 25,810 | \$ - |
| Investment earnings | - | 274,225 |
| Total additions | <u>25,810</u> | <u>274,225</u> |
| Deductions | | |
| Scholarships and other deductions | 24,399 | - |
| OPEB benefit payments | - | 406,916 |
| Total deductions | <u>24,399</u> | <u>406,916</u> |
| Change in net position | 1,411 | (132,691) |
| Net position | | |
| Beginning of year | <u>51,426</u> | <u>4,418,741</u> |
| End of year | <u>\$ 52,837</u> | <u>\$ 4,286,050</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

Notes to Basic Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 834 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District serves pre-kindergarten through 12th-grade students attending the District either as a resident of the District or through an open enrollment options election. It is governed by a School Board elected by the voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements. Transactions representing interfund services provided and used are not eliminated in the consolidation process to the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported instead as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Depreciation/amortization expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues, including property taxes, to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt are reported as other financing sources.
- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

The proprietary (internal service funds) are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District’s governmental activities, the internal service funds are consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the District’s internal service funds is charges to customers (other district funds) for service. Operating expenses for the internal service funds include the cost of providing the services. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary funds are presented in the fiduciary fund financial statements by type: Scholarship Custodial Fund and Other Post-Employment Benefits Trust Fund. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education (MDE). Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

General Fund – The General Fund is the District’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition, construction, and maintenance of major capital facilities authorized by bond issue or under the long-term facilities maintenance program.

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

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used primarily to record financial activities of the District’s child nutrition program.

Community Service Special Revenue Fund – The Community Service Special Revenue Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, or other similar services.

Proprietary Funds

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District’s internal service funds are used to account for dental and medical insurance benefits offered by the District to its employees as a self-insured plan.

Fiduciary Funds

Scholarship Custodial Fund – The Scholarship Custodial Fund is used to account for resources held to award scholarships to former students.

Other Post-Employment Benefits Trust Fund – The Other Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Other Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of eligible employees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. The School Board must approve expenditures exceeding budget at the fund level by resolution or through the disbursement approval process. Budgeted expenditure appropriations lapse at year-end.

Actual expenditures exceeded final budgeted appropriations for fiscal 2025 by \$3,868,689 in the General Fund and by \$208,361 in the Capital Projects – Building Construction Fund. Revenues and other financing sources in excess of budget, along with available fund balance, covered these variances.

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Bond proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to the fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Other Post-Employment Benefits Trust Fund, this represents assets contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Interest earned on these investments is allocated directly to the escrow accounts.

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalent. The proprietary (internal service) fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. See Note 2 for the District's recurring fair value measurements as of year-end.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are delinquent property taxes and lease revenue receivables.

As of June 30, 2025, the District reported the following receivables due from other governmental units:

| | |
|---|----------------------|
| Due from the MDE | \$ 10,873,998 |
| Due from other Minnesota school districts | 166,743 |
| Due from Washington County and others | <u>615,685</u> |
| Total due from other governmental units | <u>\$ 11,656,426</u> |

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food and surplus commodities received from the federal government. Purchased food inventory is recorded at cost on a first-in, first-out basis. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures/expenses at the time of consumption.

J. Property Taxes

The majority of the District's revenue in the General Fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$2,181,608 of the property tax levy collectible in 2025 as revenue to the District in fiscal year 2024–2025. The remaining portion of the taxes collectible in 2025 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Subscription-Based Information Technology Arrangements (SBITAs)

A SBITA is a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The District has entered into certain SBITAs for education, evaluation tracking, and other purposes. Capital assets associated with SBITAs are presented separately from other capital assets in Note 4 and are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. When applicable, a subscription liability is reported in Note 5 to include the terms and related disclosures associated with any subscription liability.

L. Capital Assets

Capital assets that are purchased or constructed by the District are recorded at historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Leased capital assets are recorded based on the measurement of payments applicable to the lease term. SBITA capital assets are recorded based on the measurement of any subscription liability plus the payments due to a SBITA vendor at the commencement of the subscription term, including any applicable initial implementation costs as defined in the standard. The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year. Groups of similar assets acquired at or near the same time for a single objective, with individual acquisition costs below this threshold, are also capitalized if cost of the assets is considered significant in the aggregate. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, 5 to 20 years for equipment. Leased assets are amortized over the term of the lease or over the useful life of the applicable asset class previously described, if future ownership is anticipated. SBITAs are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. Land and construction in progress are not depreciated.

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

M. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period as other financing sources or uses, respectively. The face amount of debt issued is reported as other financing sources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment.

Under the terms of collectively bargained contracts, eligible employees accrue vacation, sick, and other leave at varying rates, portions of which may be carried over to future years. Employees are reimbursed for unused, accrued vacation to the limit specified in their labor contract or School Board policy upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. The District's policy permits employees to accumulate earned but unused sick leave. Generally, all sick leave lapses when employees leave employment of the District and, upon separation from service, no monetary obligation exists. However, a liability for the estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

Compensated absences are accrued when earned in the government-wide financial statements. Compensated absences are accrued in the governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end, due to employee termination or similar circumstances. The liability for compensated absences includes salary-related benefits, where applicable.

O. State-Wide Pension Plans

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 the Teachers Retirement Association (TRA) and additions to/deductions from the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

P. Other Post-Employment Benefits (OPEB) Plan

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Risk Management and Self-Insurance

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers’ compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District’s insurance coverage in the current year.
2. **Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

The District makes premium payments that include both employer and employee contributions to the internal service funds on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the balance of health claim liabilities for the last two years were as follows:

| | Balance – Beginning of Year | Charges and Changes in Estimates | Claim Payments | Balance – End of Year |
|------|-----------------------------------|--|-------------------|--------------------------|
| 2024 | \$ 1,500,000 | \$ 22,001,948 | \$ 21,101,948 | \$ 2,400,000 |
| 2025 | \$ 2,400,000 | \$ 21,897,913 | \$ 21,797,913 | \$ 2,500,000 |

Changes in the balance of dental claim liabilities for the last two years were as follows:

| | Balance – Beginning of Year | Charges and Changes in Estimates | Claim Payments | Balance – End of Year |
|------|-----------------------------------|--|-------------------|--------------------------|
| 2024 | \$ 28,000 | \$ 1,219,014 | \$ 1,212,014 | \$ 35,000 |
| 2025 | \$ 35,000 | \$ 1,181,229 | \$ 1,184,229 | \$ 32,000 |

R. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports deferred outflows and inflows of resources related to pensions and OPEB plans reported in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, net collective difference between projected and actual investment earnings, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

The District reports deferred inflows of resources related to lease receivables, which requires lessors to recognize deferred inflows of resources to correspond to lease receivables in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. These amounts are deferred and amortized in a systematic and rationale manner over the term of the lease.

Property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, are reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available.

Unavailable revenue from property taxes arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

The District reports deferred inflows of resources related to the deferred charge on refunding in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

S. Net Position Classifications and Flow Assumptions

In the government-wide, proprietary (internal service), and fiduciary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation and amortization, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Fund Balance Classifications and Flow Assumptions

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District’s superintendent and chief financial officer are authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

When committed, assigned, or unassigned resources are available for use, it is the District’s policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

U. Use of Estimates

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

V. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District’s financial statements for the prior year, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. Net Position and Fund Balance Restatements

Change in Accounting Principle – During the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*. This statement provided new guidance on accounting and reporting for compensated absences. Certain amounts necessary to fully restate fiscal year 2024 financial information are not determinable; therefore, prior year comparative amounts have not been restated. Implementation of this new guidance resulted in a restatement of beginning net position for the cumulative effect of this change. In the government-wide financial statements, beginning net position was reduced by \$18,614,370. For additional details see Note 5 of the notes to basic financial statements.

Error Correction – An error results from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were issued about conditions that existed as of the financial statement date. During fiscal year 2025, the District determined an error was made related to long-term facilities maintenance expenditures for a previous year that were coded to the Capital Projects – Building Construction Fund that were approved to be paid out of the General Fund. This resulted in an adjustment between these two funds for the same off-setting amount. The District also discovered that the unearned revenue for future premiums was under stated in the District’s self-insurance funds for medical and dental claims. Certain amounts necessary to fully restate fiscal year 2024 financial information are not determinable; therefore, prior year comparative amounts have not been restated. This error correction resulted in a restatement of beginning net position as presented in the table below.

For the fiscal year ended June 30, 2025, the District reported the following adjustments to the beginning fund balances and net position on the fund-based and government-wide statements:

| | Governmental Funds | | Proprietary Funds Internal Service Funds | Government-Wide Governmental Activities Total |
|--|---------------------|---|--|---|
| | General Fund | Capital Projects – Building Construction Fund | | |
| Net position – fund balance | | | | |
| Beginning, as previously reported | \$ 8,838,312 | \$ 112,364,998 | \$ 1,869,012 | \$ 32,342,836 |
| Change in accounting principle | | | | |
| Adjustment to compensated absences with implementation of GASB Statement No. 101 | – | – | – | (18,614,370) |
| Error correction | | | | |
| Adjustment for reporting prior year spending on long-term facilities maintenance | (892,587) | 892,587 | – | – |
| Adjustment to unearned revenue for under reporting of future premiums | – | – | (484,197) | (484,197) |
| Error correction – net adjustment | <u>(892,587)</u> | <u>892,587</u> | <u>(484,197)</u> | <u>(484,197)</u> |
| Beginning, as restated | <u>\$ 7,945,725</u> | <u>\$ 113,257,585</u> | <u>\$ 1,384,815</u> | <u>\$ 13,244,269</u> |

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

| | |
|-------------|-----------------------|
| Deposits | \$ 66,905,050 |
| Investments | <u>75,312,337</u> |
| Total | <u>\$ 142,217,387</u> |

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments are presented in the financial statements as follows:

| | |
|---|----------------------------------|
| Statement of Net Position | |
| Cash and temporary investments | \$ 137,471,584 |
| Statement of Fiduciary Net Position | |
| Cash and temporary investments | 52,837 |
| Investments held by trustee | |
| Other Post-Employment Benefits Trust Fund | <u>4,692,966</u> |
| Total | <u><u>\$ 142,217,387</u></u> |

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and nonnegotiable certificates of deposit.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The District’s deposit policies do not further limit depository choices.

At year-end, the carrying amount of the District’s deposits was \$66,905,050, while the balance on the bank records was \$72,713,864. As of June 30, 2025, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

C. Investments

The District has the following investments at year-end:

| Investment Type | Credit Risk | | Fair Value Measurements | Interest Rate Risk – Maturity Duration in Years | | Total |
|---|-------------|--------|----------------------------|--|--------------|---------------------------------|
| | Rating | Agency | | Less Than 1 | 1 to 5 | |
| U.S. treasury securities | N/A | N/A | Level 1 | \$ 8,089,279 | \$ – | \$ 8,089,279 |
| Goldman Sachs government funds | AAA | S&P | Level 2 | \$ 3,166,025 | \$ – | 3,166,025 |
| Exchange traded funds – equities | N/R | N/A | Level 2 | \$ 1,526,941 | \$ – | 1,526,941 |
| Federated Institutional Tax-Free Cash Trust | AAA | S&P | Amortized Cost | \$ 2,718,440 | \$ – | 2,718,440 |
| MNTrust Term Series | N/R | N/A | Amortized Cost | \$ 16,500,000 | \$ 2,000,000 | 18,500,000 |
| MNTrust Term Series II | AAA | Fitch | Amortized Cost | \$ 6,500,000 | \$ – | 6,500,000 |
| MNTrust Investment Shares Portfolio | AAA | S&P | Amortized Cost | \$ 34,811,652 | \$ – | <u>34,811,652</u> |
| Total investments | | | | | | <u><u>\$ 75,312,337</u></u> |

N/A – Not Applicable

N/R – Not Rated

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The MNTrust Investment Shares Portfolio and MNTrust Term Series are regulated by Minnesota Statutes and are external investment pools not registered with the Securities and Exchange Commission regulated by Minnesota Statutes. The District's investment in these is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. For these investment pools, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required except for the MNTrust Term Series, which requires a redemption notice of 7 days.

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policies do not address concentration risk.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District's investment policies do not limit the maturities of investments; however, when purchasing investments, the District considers such things as interest rates and cash flow needs.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District's investment policies do not further restrict investing in specific financial instruments.

NOTE 3 – LEASE REVENUE RECEIVABLE

The District has entered into lease receivable agreements for cell tower rental space and the bus terminal on district property. The leases are reported using incremental rates ranging from 2.87–3.25 percent with final maturities through fiscal 2028. During the current year, the District received principal and interest payments on leases totaling \$235,197.

NOTE 4 – CAPITAL ASSETS

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

| | Balance – Beginning of Year | Additions | Deletions | Completed Construction | Balance – End of Year |
|---|-----------------------------------|---------------|-------------|---------------------------|--------------------------|
| Capital assets, not depreciated/amortized | | | | | |
| Land | \$ 14,969,222 | \$ – | \$ – | \$ – | \$ 14,969,222 |
| Construction in progress | 15,627,996 | 42,722,949 | – | (18,626,125) | 39,724,820 |
| Total capital assets, not depreciated/amortized | 30,597,218 | 42,722,949 | – | (18,626,125) | 54,694,042 |
| Capital assets, depreciated/amortized | | | | | |
| Land improvements | 23,281,364 | 75,050 | – | 4,828,222 | 28,184,636 |
| Buildings | 234,323,630 | – | – | 13,797,903 | 248,121,533 |
| Equipment | 11,838,147 | 1,958,616 | (181,513) | – | 13,615,250 |
| Equipment – leased | 2,191,521 | 431,476 | – | – | 2,622,997 |
| Technology subscriptions | 324,525 | – | – | – | 324,525 |
| Total capital assets, depreciated/amortized | 271,959,187 | 2,465,142 | (181,513) | 18,626,125 | \$ 292,868,941 |
| Less accumulated depreciation/amortization for | | | | | |
| Land improvements | (12,830,029) | (1,435,677) | – | – | (14,265,706) |
| Buildings | (94,504,675) | (6,777,543) | – | – | (101,282,218) |
| Equipment | (8,636,694) | (696,793) | 146,464 | – | (9,187,023) |
| Equipment – leased | (1,428,085) | (771,951) | – | – | (2,200,036) |
| Technology subscriptions | (193,161) | (106,762) | – | – | (299,923) |
| Total accumulated depreciation/amortization | (117,592,644) | (9,788,726) | 146,464 | – | (127,234,906) |
| Net capital assets, depreciated/amortized | 154,366,543 | (7,323,584) | (35,049) | 18,626,125 | 165,634,035 |
| Total capital assets, net | \$ 184,963,761 | \$ 35,399,365 | \$ (35,049) | \$ – | \$ 220,328,077 |

Depreciation and amortization expense for the year was charged to the following governmental functions:

| | |
|--|---------------------|
| Administration | \$ 227,205 |
| District support services | 1,265,857 |
| Elementary and secondary regular instruction | 3,028,065 |
| Vocational education instruction | 93,555 |
| Special education instruction | 1,397,090 |
| Instructional support services | 494,506 |
| Pupil support services | 1,025,542 |
| Sites and buildings | 1,460,351 |
| Food service | 350,163 |
| Community service | 446,392 |
| Total depreciation and amortization expense | <u>\$ 9,788,726</u> |

NOTE 5 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

The District currently has the following general obligation bonds payable outstanding:

| Issue | Issue Date | Interest Rate | Face/Par Value | Final Maturity | Principal Outstanding |
|--|------------|---------------|----------------|----------------|-----------------------|
| 2022A Facilities Maintenance Bonds | 06/02/2022 | 3.00–5.00% | \$ 7,265,000 | 02/01/2038 | \$ 7,265,000 |
| 2024A School Building, Facilities Maintenance, and Refunding Bonds | 02/01/2024 | 4.00–5.00% | \$ 160,430,000 | 02/01/2044 | <u>151,725,000</u> |
| Total general obligation bonds payable | | | | | <u>\$ 158,990,000</u> |

These bonds were issued to finance acquisition, construction, and/or improvements of capital facilities, or to finance the retirement (refunding) of prior bond issues. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. The annual future debt service levies authorized equal 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

In November 2023, the Stillwater community authorized the issuance of up to \$174,845,000 in General Obligation School Building bonds in a bond referendum election. The District issued \$100,000,000 in February 2024, leaving \$74,845,000 in remaining bonds available to be sold.

B. Certificates of Participation Payable

| Issue | Issue Date | Interest Rate | Face/Par Value | Final Maturity | Principal Outstanding |
|---|------------|---------------|----------------|----------------|-----------------------|
| 2019A Refunding Certificates of Participation | 12/11/2019 | 2.00–4.00% | \$ 5,630,000 | 02/01/2029 | \$ 2,705,000 |
| 2021A Certificates of Participation | 06/10/2021 | 2.00–4.00% | \$ 6,670,000 | 04/01/2037 | <u>5,580,000</u> |
| Total certificates of participation payable | | | | | <u>\$ 8,285,000</u> |

These certificates of participation were issued to finance improvements at the District's school buildings. The certificates of participation are paid by the General Fund. The debt is secured by the original property purchased and includes terms that upon default all payments may become due and payable. The debtor also may repossess the property and seek full recovery of any losses upon default.

C. Lease Liability

The District has obtained the use of certain postage and copier equipment through lease financing agreements. The total amount of underlying lease assets by major class and the related accumulated amortization is presented in Note 4 of the notes to basic financial statements. Annual principal and interest in these agreements will be paid from the General Fund. These agreements are secured by the original property. The lessor also may repossess the property and seek full recovery of the losses upon default. The District currently has the following lease liability obligations outstanding:

| Issue | Issue Date | Interest Rate | Face/Par Value | Final Maturity | Principal Outstanding |
|------------------------|------------|---------------|----------------|----------------|-----------------------|
| Postage machine lease | 05/10/2023 | 3.25% | \$ 12,774 | 02/01/2028 | \$ 7,256 |
| Copier equipment lease | 01/01/2025 | 3.25% | \$ 431,477 | 12/31/2029 | <u>391,392</u> |
| Total lease liability | | | | | <u>\$ 398,648</u> |

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

D. Subscription Liability

The District has several agreements to finance the use of software, which call for annual principal and interest payments through December 2025. These agreements are paid for by the General Fund. The total amount of the underlying technology subscriptions assets and the related accumulated amortization is presented in Note 4 of the notes to basic financial statements.

| Issue | Issue Date | Interest Rate | Face/Par Value | Final Maturity | Principal Outstanding |
|---------------------------------|------------|---------------|----------------|----------------|-----------------------|
| Citrix subscription | 07/01/2022 | 3.80% | \$ 32,713 | 12/01/2025 | \$ 8,966 |
| Tyler Technologies subscription | 12/01/2022 | 3.80% | \$ 96,055 | 08/01/2025 | 27,296 |
| Total subscription liability | | | | | <u>\$ 36,262</u> |

E. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including compensated absences, pensions, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund. The District has also established an Other Post-Employment Benefits Trust Fund to finance OPEB obligations.

District employees participate in two state-wide, cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2025:

| Pension Plans | Net Pension Liabilities | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|---------------|-------------------------|--------------------------------|-------------------------------|---------------------|
| PERA | \$ 8,471,906 | \$ 2,887,684 | \$ 5,514,286 | \$ 930,373 |
| TRA | 53,408,068 | 16,173,514 | 15,531,741 | 5,366,866 |
| Total | <u>\$ 61,879,974</u> | <u>\$ 19,061,198</u> | <u>\$ 21,046,027</u> | <u>\$ 6,297,239</u> |

F. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds payable, certificates of participation payable, lease liability, and subscription liability are as follows:

| Year Ending June 30, | General Obligation Bonds Payable | | Certificates of Participation Payable | | Lease Liability | | Subscription Liability | |
|----------------------|----------------------------------|----------------------|---------------------------------------|---------------------|-------------------|---------------|------------------------|---------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2026 | \$ 9,900,000 | \$ 7,599,221 | \$ 1,035,000 | \$ 220,900 | \$ 84,676 | \$ 190 | \$ 36,262 | \$ 229 |
| 2027 | 8,555,000 | 7,104,221 | 1,075,000 | 179,500 | 87,465 | 106 | – | – |
| 2028 | 9,020,000 | 6,676,471 | 1,115,000 | 140,600 | 89,653 | 22 | – | – |
| 2029 | 9,360,000 | 6,225,471 | 1,140,000 | 109,900 | 90,495 | – | – | – |
| 2030 | 8,870,000 | 5,757,471 | 455,000 | 78,400 | 46,359 | – | – | – |
| 2031–2035 | 47,325,000 | 22,171,001 | 2,425,000 | 251,500 | – | – | – | – |
| 2036–2040 | 43,180,000 | 10,470,545 | 1,040,000 | 31,300 | – | – | – | – |
| 2041–2044 | 22,780,000 | 1,997,801 | – | – | – | – | – | – |
| | <u>\$ 158,990,000</u> | <u>\$ 68,002,202</u> | <u>\$ 8,285,000</u> | <u>\$ 1,012,100</u> | <u>\$ 398,648</u> | <u>\$ 318</u> | <u>\$ 36,262</u> | <u>\$ 229</u> |

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

G. Changes in Long-Term Liabilities

| | Balance – Beginning of Year | Change in Accounting Principle (1) | Additions | Deletions | Balance – End of Year | Due Within One Year |
|---------------------------------------|-----------------------------------|--|----------------------|----------------------|--------------------------|------------------------|
| General obligation bonds payable | \$ 167,695,000 | \$ – | \$ – | \$ 8,705,000 | \$ 158,990,000 | \$ 9,900,000 |
| Certificates of participation payable | 9,275,000 | – | – | 990,000 | 8,285,000 | 1,035,000 |
| Unamortized premium/discount | 19,566,934 | – | – | 1,025,748 | 18,541,186 | – |
| Lease liability | 761,316 | – | 431,477 | 794,145 | 398,648 | 84,676 |
| Subscription liability | 120,399 | – | – | 84,137 | 36,262 | 36,262 |
| Compensated absences payable (2) | 496,458 | 18,614,370 | 975,865 | – | 20,086,693 | 2,706,515 |
| Net pension liability | 80,943,084 | – | 9,325,071 | 28,388,181 | 61,879,974 | – |
| Net OPEB liability | 12,249,579 | – | 2,502,441 | 1,443,114 | 13,308,906 | – |
| | <u>\$ 291,107,770</u> | <u>\$ 18,614,370</u> | <u>\$ 13,234,854</u> | <u>\$ 41,430,325</u> | <u>\$ 281,526,669</u> | <u>\$ 13,762,453</u> |

(1) See Note 1 for details of the change in accounting principle for compensated absences with implementation of GASB Statement No. 101.

(2) The change in compensated absences is presented net.

NOTE 6 – NET POSITION/FUND BALANCES

A. Net Investment in Capital Assets

The government-wide Statement of Net Position at year-end includes the District's net investment in capital assets calculated as follows:

| | |
|---|-----------------------|
| Net investment in capital assets | |
| Capital assets | |
| Not depreciated/amortized | \$ 54,694,042 |
| Depreciated/amortized, net of accumulated depreciation/amortization | 165,634,035 |
| Less capital-related long-term debt outstanding | |
| General obligation bonds payable | (158,990,000) |
| Certificates of participation payable | (8,285,000) |
| Unamortized premium/discount | (18,541,186) |
| Lease liability | (398,648) |
| Subscription liability | (36,262) |
| Capital-related accounts and contracts payable | (7,554,018) |
| Deferred inflows of resources – deferred charge on refunding | (2,880,636) |
| Addition for unspent proceeds | 88,720,708 |
| Total net investment in capital assets | <u>\$ 112,363,035</u> |

B. Governmental Fund Balance Classifications

The classifications on the following page are a breakdown of fund balance components of governmental funds, which are defined earlier in the report. When applicable, certain state funding restrictions, which have an accumulated deficit balance on June 30 are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits. Fund balance is only assigned if there is available unassigned fund balance to cover such deficits that are part of disclosure purposes only.

Minimum Fund Balance Policy – The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes the District will strive to maintain a minimum General Fund unassigned fund balance of 5.0 percent of the annual budget. At June 30, 2025, the unassigned fund balance of the General Fund was 1.1 percent of fiscal 2025 actual expenditures (adjusted for the negative LTFM restriction in accordance with their policy).

NOTE 6 – NET POSITION/FUND BALANCES (CONTINUED)

Classifications – At year-end, a summary of the District’s governmental fund balance classifications are as follows:

| | General Fund | Capital Projects – Building Construction Fund | Debt Service Fund | Nonmajor Funds | Total |
|---|---------------------|---|----------------------|---------------------|----------------------|
| Nonspendable | | | | | |
| Inventory | \$ – | \$ – | \$ – | \$ 46,594 | \$ 46,594 |
| Prepaid items | 60,527 | – | – | – | 60,527 |
| Total nonspendable | 60,527 | – | – | 46,594 | 107,121 |
| Restricted | | | | | |
| Student activities | 107,788 | – | – | – | 107,788 |
| Scholarships | 310,284 | – | – | – | 310,284 |
| American Indian education aid | 54,002 | – | – | – | 54,002 |
| Operating capital | 2,894,509 | – | – | – | 2,894,509 |
| Quality compensation – alternative teacher professional pay system | 59,524 | – | – | – | 59,524 |
| School library aid | 3,022 | – | – | – | 3,022 |
| Literacy aid | 334,218 | – | – | – | 334,218 |
| Teacher compensation for READ Act training | 301,750 | – | – | – | 301,750 |
| Student support personnel | 45,102 | – | – | – | 45,102 |
| Long-term facilities maintenance | – | 6,325,785 | – | – | 6,325,785 |
| Capital projects | – | 74,840,905 | – | – | 74,840,905 |
| Debt service | – | – | 3,190,210 | – | 3,190,210 |
| Food service | – | – | – | 4,177,652 | 4,177,652 |
| Community education programs | – | – | – | 1,756,216 | 1,756,216 |
| Total restricted | 4,110,199 | 81,166,690 | 3,190,210 | 5,933,868 | 94,400,967 |
| Assigned | | | | | |
| Severance benefits | 96,496 | – | – | – | 96,496 |
| Facility use improvements | 1,920 | – | – | – | 1,920 |
| Grants | 268,459 | – | – | – | 268,459 |
| Donations | 794,424 | – | – | – | 794,424 |
| Total assigned | 1,161,299 | – | – | – | 1,161,299 |
| Unassigned | | | | | |
| Restricted account deficits | | | | | |
| Long-term facilities maintenance | (686,877) | – | – | – | (686,877) |
| Early childhood family education programs | – | – | – | (119,681) | (119,681) |
| School readiness | – | – | – | (905,310) | (905,310) |
| Unassigned | 1,643,723 | – | – | – | 1,643,723 |
| Total unassigned | 956,846 | – | – | (1,024,991) | (68,145) |
| Total | \$ 6,288,871 | \$ 81,166,690 | \$ 3,190,210 | \$ 4,955,471 | \$ 95,601,242 |

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

The District participates in the following cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The PERA's and the TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. The PERA's and the TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code (IRC).

1. General Employees Retirement Fund (GERF)

The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. Minnesota Statutes, Chapter 356 defines each plan's financial reporting requirements.

Certain full-time and part-time employees of the District other than teachers are covered by the GERF. 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. Teachers Retirement Association (TRA)

The 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. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

B. Benefits Provided

1. GERF Benefits

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.0 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. For recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase.

2. TRA Benefits

The 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 Statutes and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service. TRA members belong to either the Basic or Coordinated Plan.

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Tier I Benefits

| Step-Rate Formula | Percentage per Year |
|---|------------------------|
| Basic Plan | |
| First 10 years of service | 2.2 % |
| All years after | 2.7 % |
| Coordinated Plan | |
| First 10 years if service years are up to July 1, 2006 | 1.2 % |
| First 10 years if service years are July 1, 2006 or after | 1.4 % |
| All other years of service if service years are up to July 1, 2006 | 1.7 % |
| All other years of service if service years are up to July 1, 2006 or after | 1.9 % |

With these provisions:

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

Or

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

Tier II Benefits

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

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

C. Contributions

Minnesota Statutes set the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employee and employer contributions. Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50 percent for General Plan members. The District's contributions to the GERF for the year ended June 30, 2025, were \$1,516,066. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 sets the rates for employee and employer contributions. Rates for each fiscal year 2025 Coordinated Plan were 7.75 percent for the employee and 8.75 percent for the employer. Basic Plan rates were 11.25 percent for the employee and 12.75 percent for the employer. The District's contributions to the TRA for the plan's fiscal year ended June 30, 2025, were \$5,344,010. The District's contributions were equal to the required contributions for each year as set by state statutes.

D. Pension Costs

1. GERF Pension Costs

As of June 30, 2025, the District reported a liability of \$8,471,906 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled \$219,066.

| | |
|--|---------------------|
| District's proportionate share of the net pension liability | \$ 8,471,906 |
| State's proportionate share of the net pension liability associated with the District | <u>219,066</u> |
| Total | <u>\$ 8,690,972</u> |

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.2292 percent at the end of the measurement period and 0.2185 percent for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$924,500 for its proportionate share of the GERF's pension expense. The District also recognized an additional \$5,873 as pension expense and grant revenue for its proportionate share of the state of Minnesota's pension expense for the annual \$16 million contribution.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

During the plan year ended June 30, 2024, the state of Minnesota contributed \$170.1 million to the General Employees Fund. The state of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$389,786 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota’s on-behalf contributions to the General Employees Fund.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 784,068 | \$ – |
| Changes in actuarial assumptions | 39,240 | 3,097,546 |
| Net difference between projected and actual investment earnings on pension plan investments | – | 2,416,740 |
| Changes in proportion | 548,310 | – |
| District’s contributions to the GERP subsequent to the measurement date | <u>1,516,066</u> | <u>–</u> |
| Total | <u>\$ 2,887,684</u> | <u>\$ 5,514,286</u> |

The \$1,516,066 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Pension Expense Amount |
|-------------------------|------------------------------|
| 2026 | \$ (2,305,513) |
| 2027 | \$ (311,805) |
| 2028 | \$ (876,029) |
| 2029 | \$ (649,321) |

2. TRA Pension Costs

At June 30, 2025, the District reported a liability of \$53,408,068 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District’s proportion of the net pension liability was based on the District’s contributions to the 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 0.8405 percent at the end of the measurement period and 0.8324 percent for the beginning of the period.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The pension liability amount reflected a reduction due to direct aid provided to the 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 the net pension liability | \$ 53,408,068 |
| State’s proportionate share of the net pension liability associated with the District | <u>3,493,215</u> |
| Total | <u>\$ 56,901,283</u> |

For the year ended June 30, 2025, the District recognized pension expense of \$5,174,842. It also recognized \$192,024 as an increase to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the state of Minnesota contributed \$176.0 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 \$176.0 million in direct state aid because of this contribution was not considered to meet the definition of a special funding situation. The District recognized \$1,480,680 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota’s on-behalf contributions to the Fund.

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual economic experience | \$ 2,522,210 | \$ 685,230 |
| Changes in actuarial assumptions | 5,326,620 | 6,369,057 |
| Net difference between projected and actual investment earnings on pension plan investments | – | 7,851,614 |
| Changes in proportion | 2,980,674 | 625,840 |
| District’s contributions to the TRA subsequent to the measurement date | <u>5,344,010</u> | <u>–</u> |
| Total | <u>\$ 16,173,514</u> | <u>\$ 15,531,741</u> |

The \$5,344,010 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | <u>Pension Expense Amount</u> |
|---------------------------------|---------------------------------------|
| 2026 | \$ (2,846,661) |
| 2027 | \$ 5,475,881 |
| 2028 | \$ (3,726,553) |
| 2029 | \$ (2,873,497) |
| 2030 | \$ (731,407) |

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

E. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of the PERA and the TRA, 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 future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentages 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:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic equity | 33.50 % | 5.10 % |
| International equity | 16.50 | 5.30 % |
| Private markets | 25.00 | 5.90 % |
| Fixed income | <u>25.00</u> | 0.75 % |
| Total | <u><u>100.00 %</u></u> | |

F. Actuarial Methods and Assumptions

1. GERF

The total pension liability 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 7.00 percent. The 7.00 percent assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.00 percent is within that range.

Inflation is assumed to be 2.25 percent for the GERF Plan. Benefit increases after retirement are assumed to be 1.25 percent for the GERF Plan.

Salary growth assumptions in the GERF Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years of service.

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

2. TRA

The total pension liability in the July 1, 2024 actuarial valuation was determined using the entry-age normal method and actuarial assumptions, applied to all periods included in the measurement. Key assumptions used in the valuation of the total pension liability are as follows:

| Actuarial Assumptions Used in Valuation of Total Pension Liability | |
|--|---|
| 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% thereafter |
| Cost of living adjustment | 1.00 percent for January 2019 through January 2023, then increasing by 0.10 percent each year up to 1.50 percent annually |

| Mortality Assumptions Used in Valuation of Total Pension Liability | |
|--|---|
| Pre-Retirement | PubT-2010(A) Employee Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 Scale. |
| Healthy Retirees | PubT-2010(A) Retiree Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 Scale. |
| Beneficiaries | Pub-2010(A) Contingent Survivor Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 Scale. |
| Disabled Retirees | PubNS-2010 Disabled Retiree Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 Scale. |

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

1. GERP

CHANGES IN PLAN PROVISIONS

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

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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15.00 percent to reflect the continued lower than expected observations.

G. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2024 was 7.00 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 GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. TRA

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

H. Pension Liability Sensitivity

The following table presents the District’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rates disclosed in the preceding paragraphs, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

| | 1% Decrease in Discount Rate | Current Discount Rate | 1% Increase in Discount Rate |
|---|---------------------------------|--------------------------|---------------------------------|
| GERF discount rate | 6.00% | 7.00% | 8.00% |
| District’s proportionate share of the GERF net pension liability | \$ 18,504,006 | \$ 8,471,906 | \$ 219,589 |
| TRA discount rate | 6.00% | 7.00% | 8.00% |
| District’s proportionate share of the TRA net pension liability | \$ 94,054,732 | \$ 53,408,068 | \$ 19,954,899 |

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

I. Pension Plan Fiduciary Net Position

Detailed information about the 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.

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 the TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling 651-296-2409 or 800-657-3669.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

The District administers a defined benefit Post-Employment Benefits Trust Fund. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund, established by the District to finance these obligations. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

B. Benefits Provided

All retirees of the District upon retirement have the option under state law to continue their medical insurance coverage through the District. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical and/or dental insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these District-paid premium benefits must pay the full district premium rate for their coverage.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District's contributions in the current year totaled \$1,534,953 as required on a pay-as-you-go basis to finance current year benefits as described in the previous section. The District has established the Post-Employment Benefits Trust Fund to finance these obligations.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

D. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

| | |
|---|---------------------|
| Retirees and beneficiaries receiving benefits | 141 |
| Active plan members | <u>1,021</u> |
| Total members | <u><u>1,162</u></u> |

E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2025. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2024, and update procedures were used to roll forward the total OPEB liability to the measurement date. The components of the net OPEB liability of the District at year-end were as follows:

| | |
|--|-----------------------------|
| Total OPEB liability | \$ 17,594,956 |
| Plan fiduciary net position | <u>(4,286,050)</u> |
| District's net OPEB liability | <u><u>\$ 13,308,906</u></u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u><u>24.36%</u></u> |

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial study using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--------------------------------------|---|
| Discount rate | 4.80% |
| Expected long-term investment return | 4.10% (net of investment expenses) |
| 20-year municipal bond yield | 4.90% |
| Inflation rate | 2.50% |
| Healthcare trend rate | 6.50%, grading to 5.00% over 6 years, and then to 4.00% over the next 48 years |

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

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The District's policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes.

The long-term expected rate of return on OPEB Plan investments was set based on the plan's target investment allocation described below, along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return</u> |
|--------------------|------------------------------|--|
| Cash | 5.00 % | 3.00 % |
| Fixed income | 85.00 | 4.00 % |
| Domestic equity | <u>10.00</u> | 5.00 % |
| Total | <u>100.00 %</u> | 4.10 % |

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 4.70 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 4.80 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy have also been considered. The District discount rate used in the prior measurement date was 4.10 percent.

I. Changes in the Net OPEB Liability

| | <u>Total OPEB Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net OPEB Liability</u> |
|---|---------------------------------|--|-------------------------------|
| Beginning balance | \$ 16,668,320 | \$ 4,418,741 | \$ 12,249,579 |
| Changes for the year | | | |
| Service cost | 523,138 | – | 523,138 |
| Interest | 673,699 | – | 673,699 |
| Assumption changes | (133,909) | – | (133,909) |
| Contributions | – | 1,128,037 | (1,128,037) |
| Net investment income | – | 181,168 | (181,168) |
| Differences between expected and actual experience | 1,398,661 | 93,057 | 1,305,604 |
| Benefit payments | <u>(1,534,953)</u> | <u>(1,534,953)</u> | – |
| Total net changes | <u>926,636</u> | <u>(132,691)</u> | <u>1,059,327</u> |
| Ending balance | <u>\$ 17,594,956</u> | <u>\$ 4,286,050</u> | <u>\$ 13,308,906</u> |

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

Assumption changes since the prior measurement date include the following:

- The healthcare trend rates and mortality tables were updated.
- The discount rate was changed from 4.10 percent to 4.80 percent.

J. Net OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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 that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

| | <u>1% Decrease in Discount Rate</u> | <u>Current Discount Rate</u> | <u>1% Increase in Discount Rate</u> |
|--------------------|---|----------------------------------|---|
| OPEB discount rate | 3.80% | 4.80% | 5.80% |
| Net OPEB liability | \$ 13,971,055 | \$ 13,308,906 | \$ 12,652,815 |

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 healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

| | <u>1% Decrease in Healthcare Trend Rate</u> | <u>Healthcare Trend Rate</u> | <u>1% Increase in Healthcare Trend Rate</u> |
|-----------------------|---|---|---|
| OPEB healthcare trend | 5.50% decreasing to 4.00% then 3.00% | 6.50% decreasing to 5.00% then 4.00% | 7.50% decreasing to 6.00% then 5.00% |
| Net OPEB liability | \$ 12,267,528 | \$ 13,308,906 | \$ 14,461,439 |

K. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year ended, the District recognized OPEB expense of \$1,378,912. As of year-end, 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> |
|---|---|--|
| Difference between expected and actual economic experience | \$ 1,567,311 | \$ – |
| Changes in actuarial assumptions | 124,506 | 516,888 |
| Net collective difference between projected and actual investment earnings on OPEB plan investments | <u>36,708</u> | <u>–</u> |
| Total | <u>\$ 1,728,525</u> | <u>\$ 516,888</u> |

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

| Year Ending June 30, | OPEB Expense Amount |
|-------------------------|---------------------------|
| 2026 | \$ 385,712 |
| 2027 | \$ 223,913 |
| 2028 | \$ 377,853 |
| 2029 | \$ 224,159 |

NOTE 9 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan, which is classified as a cafeteria plan (the Plan) under § 125 of the IRC. 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 pretax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

Before the beginning of the Plan year, which is from July 1 to June 30, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for total contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

All assets of the Plan are held in a separate bank account and are administered by an employee of the District. Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated service providers. These payments are made on a timely basis and are accounted for primarily in the District's self-insurance funds. The medical reimbursement and dependent care activity in the financial statements is accounted for in the General Fund.

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

NOTE 10 – INTERFUND BALANCES AND TRANSACTIONS

Interfund Receivables and Payables

The District had the following interfund receivables and payables as of June 30, 2025:

| | Due From Other Funds | Due To Other Funds |
|-------------------------------------|-------------------------|-----------------------|
| General Fund | \$ 406,916 | \$ – |
| Post-Employment Benefits Trust Fund | – | 406,916 |
| Total | <u>\$ 406,916</u> | <u>\$ 406,916</u> |

These balances represent interfund amounts due to the General Fund relating to post-employment benefit costs to be reimbursed as of June 30, 2025. Such interfund balances are reported in the fund financial statements but are eliminated as necessary in the government-wide financial statements.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Construction Contracts

At June 30, 2025, the District had commitments totaling \$104,092,029 under various construction contracts for which work was not yet completed.

B. Legal Claims

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. Although the outcomes of these claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

C. Federal and State Revenues

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

D. Purchase Power Agreement

During fiscal year 2024, the District entered into a solar power purchase agreement. The District is committed on a purchase power agreement for all of the annual delivered energy generated by the system for a period of 20 years from the commercial operation date. In return, the District will receive bill credits associated with the energy production.

NOTE 12 – STEWARDSHIP AND ACCOUNTABILITY

As of June 30, 2025, the District's Health Benefits Self-Insurance Internal Service Fund had a deficit net position of \$240,732. This deficit will be financed by future contributions from governmental funds.

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 834

Public Employees Retirement Association Pension Benefits Plan
 Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended June 30, 2025

| District Fiscal Year-End Date | PERA Fiscal Year-End Date (Measurement Date) | District's Proportion of the Net Pension Liability | District's Proportionate Share of the Net Pension Liability | District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability | Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability | District's Covered Payroll | District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-------------------------------|--|--|---|---|--|----------------------------|--|--|
| 06/30/2016 | 06/30/2015 | 0.2182% | \$ 11,308,257 | \$ - | \$ 11,308,257 | \$ 12,615,573 | 89.64% | 78.20% |
| 06/30/2017 | 06/30/2016 | 0.2049% | \$ 16,636,863 | \$ 217,204 | \$ 16,854,067 | \$ 12,694,533 | 131.06% | 68.90% |
| 06/30/2018 | 06/30/2017 | 0.2155% | \$ 13,757,377 | \$ 172,995 | \$ 13,930,372 | \$ 13,873,747 | 99.16% | 75.90% |
| 06/30/2019 | 06/30/2018 | 0.2147% | \$ 11,910,677 | \$ 390,616 | \$ 12,301,293 | \$ 14,390,960 | 82.76% | 79.50% |
| 06/30/2020 | 06/30/2019 | 0.2101% | \$ 11,615,958 | \$ 361,151 | \$ 11,977,109 | \$ 14,741,827 | 78.80% | 80.20% |
| 06/30/2021 | 06/30/2020 | 0.2143% | \$ 12,848,264 | \$ 396,180 | \$ 13,244,444 | \$ 15,361,827 | 83.64% | 79.10% |
| 06/30/2022 | 06/30/2021 | 0.2120% | \$ 9,053,350 | \$ 276,503 | \$ 9,329,853 | \$ 15,311,107 | 59.13% | 87.00% |
| 06/30/2023 | 06/30/2022 | 0.2174% | \$ 17,218,152 | \$ 504,844 | \$ 17,722,996 | \$ 16,309,347 | 105.57% | 76.70% |
| 06/30/2024 | 06/30/2023 | 0.2185% | \$ 12,218,275 | \$ 336,780 | \$ 12,555,055 | \$ 17,360,547 | 70.38% | 83.10% |
| 06/30/2025 | 06/30/2024 | 0.2292% | \$ 8,471,906 | \$ 219,066 | \$ 8,690,972 | \$ 19,331,144 | 43.83% | 89.08% |

Public Employees Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2025

| District Fiscal Year-End Date | Statutorily Required Contributions | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-------------------------------|------------------------------------|---|----------------------------------|-----------------|--|
| 06/30/2016 | \$ 952,090 | \$ 952,090 | \$ - | \$ 12,694,533 | 7.50% |
| 06/30/2017 | \$ 1,040,531 | \$ 1,040,531 | \$ - | \$ 13,873,747 | 7.50% |
| 06/30/2018 | \$ 1,079,322 | \$ 1,079,322 | \$ - | \$ 14,390,960 | 7.50% |
| 06/30/2019 | \$ 1,105,637 | \$ 1,105,637 | \$ - | \$ 14,741,827 | 7.50% |
| 06/30/2020 | \$ 1,152,137 | \$ 1,152,137 | \$ - | \$ 15,361,827 | 7.50% |
| 06/30/2021 | \$ 1,148,333 | \$ 1,148,333 | \$ - | \$ 15,311,107 | 7.50% |
| 06/30/2022 | \$ 1,223,201 | \$ 1,223,201 | \$ - | \$ 16,309,347 | 7.50% |
| 06/30/2023 | \$ 1,302,041 | \$ 1,302,041 | \$ - | \$ 17,360,547 | 7.50% |
| 06/30/2024 | \$ 1,449,719 | \$ 1,449,719 | \$ - | \$ 19,331,144 | 7.50% |
| 06/30/2025 | \$ 1,516,066 | \$ 1,516,066 | \$ - | \$ 20,214,255 | 7.50% |

INDEPENDENT SCHOOL DISTRICT NO. 834

Teachers Retirement Association Pension Benefits Plan
 Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
 Year Ended June 30, 2025

| District Fiscal Year-End Date | TRA Fiscal Year-End Date (Measurement Date) | District's Proportion of the Net Pension Liability | District's Proportionate Share of the Net Pension Liability | District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability | Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability | District's Covered Payroll | District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-------------------------------|---|--|---|---|--|----------------------------|--|--|
| 06/30/2016 | 06/30/2015 | 0.7468% | \$ 46,196,966 | \$ 5,666,484 | \$ 51,863,450 | \$ 37,891,347 | 121.92% | 76.80% |
| 06/30/2017 | 06/30/2016 | 0.7442% | \$177,509,457 | \$ 17,817,356 | \$195,326,813 | \$ 38,687,289 | 458.83% | 44.88% |
| 06/30/2018 | 06/30/2017 | 0.7697% | \$153,646,083 | \$ 14,852,396 | \$168,498,479 | \$ 41,442,240 | 370.75% | 51.57% |
| 06/30/2019 | 06/30/2018 | 0.7821% | \$ 49,123,200 | \$ 4,615,379 | \$ 53,738,579 | \$ 43,206,143 | 113.69% | 78.07% |
| 06/30/2020 | 06/30/2019 | 0.7962% | \$ 50,749,955 | \$ 4,491,418 | \$ 55,241,373 | \$ 45,202,983 | 112.27% | 78.21% |
| 06/30/2021 | 06/30/2020 | 0.7756% | \$ 57,302,367 | \$ 4,802,118 | \$ 62,104,485 | \$ 45,070,354 | 127.14% | 75.48% |
| 06/30/2022 | 06/30/2021 | 0.8313% | \$ 36,380,174 | \$ 3,068,223 | \$ 39,448,397 | \$ 50,374,157 | 72.22% | 86.63% |
| 06/30/2023 | 06/30/2022 | 0.8127% | \$ 65,076,717 | \$ 4,826,015 | \$ 69,902,732 | \$ 50,762,182 | 128.20% | 76.17% |
| 06/30/2024 | 06/30/2023 | 0.8324% | \$ 68,724,809 | \$ 4,814,030 | \$ 73,538,839 | \$ 53,570,222 | 128.29% | 76.42% |
| 06/30/2025 | 06/30/2024 | 0.8405% | \$ 53,408,068 | \$ 3,493,215 | \$ 56,901,283 | \$ 55,687,309 | 95.91% | 82.07% |

Teachers Retirement Association Pension Benefits Plan
 Schedule of District Contributions
 Year Ended June 30, 2025

| District Fiscal Year-End Date | Statutorily Required Contributions | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-------------------------------|------------------------------------|---|----------------------------------|-----------------|--|
| 06/30/2016 | \$ 2,901,919 | \$ 2,901,919 | \$ - | \$ 38,687,289 | 7.50% |
| 06/30/2017 | \$ 3,108,168 | \$ 3,108,168 | \$ - | \$ 41,442,240 | 7.50% |
| 06/30/2018 | \$ 3,240,764 | \$ 3,240,764 | \$ - | \$ 43,206,143 | 7.50% |
| 06/30/2019 | \$ 3,485,150 | \$ 3,485,150 | \$ - | \$ 45,202,983 | 7.71% |
| 06/30/2020 | \$ 3,569,572 | \$ 3,569,572 | \$ - | \$ 45,070,354 | 7.92% |
| 06/30/2021 | \$ 4,095,419 | \$ 4,095,419 | \$ - | \$ 50,374,157 | 8.13% |
| 06/30/2022 | \$ 4,233,566 | \$ 4,233,566 | \$ - | \$ 50,762,182 | 8.34% |
| 06/30/2023 | \$ 4,580,254 | \$ 4,580,254 | \$ - | \$ 53,570,222 | 8.55% |
| 06/30/2024 | \$ 4,872,595 | \$ 4,872,595 | \$ - | \$ 55,687,309 | 8.75% |
| 06/30/2025 | \$ 5,344,010 | \$ 5,344,010 | \$ - | \$ 61,074,368 | 8.75% |

INDEPENDENT SCHOOL DISTRICT NO. 834

Other Post-Employment Benefits Plan
 Schedule of Changes in the District's Net
 OPEB Liability and Related Ratios
 Year Ended June 30, 2025

| | District Fiscal Year-End Date | | | |
|--|-------------------------------|----------------------|----------------------|----------------------|
| | 2017 | 2018 | 2019 | 2020 |
| Total OPEB liability | | | | |
| Service cost | \$ 863,315 | \$ 800,160 | \$ 730,634 | \$ 836,134 |
| Interest | 577,783 | 575,132 | 702,071 | 567,066 |
| Assumption changes | - | (528,148) | 157,634 | 435,311 |
| Differences between expected and actual experience | - | - | (2,408,201) | - |
| Benefit payments | (1,640,555) | (1,302,349) | (1,216,843) | (888,229) |
| Net change in total OPEB liability | (199,457) | (455,205) | (2,034,705) | 950,282 |
| Total OPEB liability – beginning of year | 20,586,402 | 20,386,945 | 19,931,740 | 17,897,035 |
| Total OPEB liability – end of year | 20,386,945 | 19,931,740 | 17,897,035 | 18,847,317 |
| Plan fiduciary net position | | | | |
| Contributions | 792,282 | 451,188 | 361,084 | 122,940 |
| Net investment income | 185,453 | 299,433 | 216,739 | 191,580 |
| Differences between expected and actual experience | - | (37,045) | 38,645 | - |
| Benefit payments | (1,640,555) | (1,302,349) | (1,216,843) | (888,229) |
| Administrative expense | (151,727) | (148,839) | (144,241) | (122,939) |
| Net change in plan fiduciary net position | (814,547) | (737,612) | (744,616) | (696,648) |
| Plan fiduciary net position – beginning | 9,888,282 | 9,073,735 | 8,336,123 | 7,591,507 |
| Plan fiduciary net position – ending | 9,073,735 | 8,336,123 | 7,591,507 | 6,894,859 |
| Net OPEB liability | <u>\$ 11,313,210</u> | <u>\$ 11,595,617</u> | <u>\$ 10,305,528</u> | <u>\$ 11,952,458</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u>44.51%</u> | <u>41.82%</u> | <u>42.42%</u> | <u>36.58%</u> |
| Covered-employee payroll | <u>\$ 53,583,444</u> | <u>\$ 55,190,947</u> | <u>\$ 56,145,928</u> | <u>\$ 57,830,306</u> |
| Net OPEB liability as a percentage of covered-employee payroll | <u>21.11%</u> | <u>21.01%</u> | <u>18.35%</u> | <u>20.67%</u> |

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|----|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ | 913,570 | \$ 731,253 | \$ 681,448 | \$ 691,238 | \$ 523,138 |
| | 457,426 | 399,243 | 657,355 | 697,835 | 673,699 |
| | 358,388 | (1,023,673) | 249,015 | (61,085) | (133,909) |
| | – | – | 828,275 | – | 1,398,661 |
| | (1,411,315) | (1,779,347) | (1,767,454) | (2,801,169) | (1,534,953) |
| | 318,069 | (1,672,524) | 648,639 | (1,473,181) | 926,636 |
| | 18,847,317 | 19,165,386 | 17,492,862 | 18,141,501 | 16,668,320 |
| | 19,165,386 | 17,492,862 | 18,141,501 | 16,668,320 | 17,594,956 |
| | 811,656 | 1,029,347 | 1,017,454 | 2,051,169 | 1,128,037 |
| | 257,150 | (247,880) | 270,206 | 198,481 | 181,168 |
| | – | – | (83,329) | 129,254 | 93,057 |
| | (1,411,315) | (1,779,347) | (1,767,454) | (2,801,169) | (1,534,953) |
| | (150,341) | – | – | – | – |
| | (492,850) | (997,880) | (563,123) | (422,265) | (132,691) |
| | 6,894,859 | 6,402,009 | 5,404,129 | 4,841,006 | 4,418,741 |
| | 6,402,009 | 5,404,129 | 4,841,006 | 4,418,741 | 4,286,050 |
| | <u>\$ 12,763,377</u> | <u>\$ 12,088,733</u> | <u>\$ 13,300,495</u> | <u>\$ 12,249,579</u> | <u>\$ 13,308,906</u> |
| | <u>33.40%</u> | <u>30.89%</u> | <u>26.68%</u> | <u>26.51%</u> | <u>24.36%</u> |
| | <u>\$ 59,575,031</u> | <u>\$ 61,362,282</u> | <u>\$ 67,947,323</u> | <u>\$ 69,985,743</u> | <u>\$ 77,639,546</u> |
| | <u>21.42%</u> | <u>19.70%</u> | <u>19.57%</u> | <u>17.50%</u> | <u>17.14%</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2025

| <u>District Fiscal Year-End Date</u> | <u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u> |
|--|--|
| 2017 | 1.90 % |
| 2018 | 2.90 % |
| 2019 | 3.10 % |
| 2020 | 2.50 % |
| 2021 | 2.10 % |
| 2022 | 4.10 % |
| 2023 | 5.00 % |
| 2024 | 6.80 % |
| 2025 | 4.70 % |

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 834

Notes to Required Supplementary Information
June 30, 2025

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2024 CHANGES IN PLAN PROVISIONS

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

2024 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2023 CHANGES IN PLAN PROVISIONS

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- 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 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent 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 two through five, 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 MP-2018 to 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 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

2019 CHANGES IN PLAN PROVISIONS

- 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.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year, with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2018 CHANGES IN PLAN PROVISIONS (CONTINUED)

- 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.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- 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 CHANGES IN PLAN PROVISIONS

- The state's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 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 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

TEACHERS RETIREMENT ASSOCIATION (TRA)

2024 CHANGES IN ACTUARIAL ASSUMPTIONS

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family of tables.
- 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 15.00 percent to reflect the continued lower than expected observations.

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The normal retirement age for active and eligible Tier II members will be 65 effective July 1, 2024.
- The employer contribution rate will increase from 8.75 percent to 9.50 percent on July 1, 2025.
- The employee contribution rate will increase from 7.75 percent to 8.00 percent on July 1, 2025.
- The pension adjustment rate for school districts and the base budgets for MnSCU, Perpich Center for Arts Education, and Minnesota academies will increase to reflect the 0.75 percent employer contribution rate increase.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit, are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent 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 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption was changed from 8.50 percent to 7.50 percent.
- The single discount rate changed from 5.12 percent to 7.50 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The single discount rate was changed from 8.00 percent to 4.66 percent.

2015 CHANGES IN PLAN PROVISIONS

- The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The annual COLA for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent, with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2025 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates and mortality tables were updated.
- The discount rate was changed from 4.10 percent to 4.80 percent.

2024 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term rate of return was changed from 5.00 percent to 4.10 percent.
- The discount rate was changed from 4.00 percent to 4.10 percent.

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term rate of return was changed from 4.10 percent to 5.00 percent.
- The discount rate was changed from 3.80 percent to 4.00 percent.
- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for nonteachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term rate of return was changed from 2.10 percent to 4.10 percent.
- The discount rate was changed from 2.10 percent to 3.80 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increases were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 2.40 percent to 2.10 percent.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term rate of return was changed from 2.60 percent to 2.10 percent.
- The discount rate was changed from 3.10 percent to 2.40 percent.

OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The retiree plan participation assumption for participants not eligible for a pre-65 subsidy was changed from 50.00 percent to 40.00 percent.
- The expected long-term rate of return was changed from 3.30 percent to 2.60 percent.
- The discount rate was changed from 3.50 percent to 3.10 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term rate of return was changed from 2.30 percent to 3.30 percent.
- The discount rate was changed from 2.80 percent to 3.50 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2000 projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and retirement tables for only employees eligible to retire with Rule of 90 also were updated.
- The discount rate was changed from 4.00 percent to 2.80 percent.

THIS PAGE INTENTIONALLY LEFT BLANK

SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

GOVERNMENTAL FUNDS

Governmental funds reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. The governmental funds category for the District includes the General Fund, Food Service Special Revenue Fund, Community Service Special Revenue Fund, Capital Projects – Building Construction Fund, and Debt Service Fund.

The statements and schedules that follow are to provide further detail and support additional analysis for the District's major and nonmajor governmental funds.

INDEPENDENT SCHOOL DISTRICT NO. 834

Nonmajor Governmental Funds
 Combining Balance Sheet
 as of June 30, 2025

| | Special Revenue Funds | | Total |
|--|-----------------------|---------------------|---------------------|
| | Food Service | Community Service | |
| Assets | | | |
| Cash and temporary investments | \$ 4,258,072 | \$ 2,269,608 | \$ 6,527,680 |
| Receivables | | | |
| Current taxes | – | 701,155 | 701,155 |
| Delinquent taxes | – | 10,898 | 10,898 |
| Accounts and interest | 67 | 1,139 | 1,206 |
| Due from other governmental units | 122,917 | 189,400 | 312,317 |
| Inventory | 46,594 | – | 46,594 |
| Total assets | <u>\$ 4,427,650</u> | <u>\$ 3,172,200</u> | <u>\$ 7,599,850</u> |
| Liabilities | | | |
| Salaries payable | \$ 7,300 | \$ 408,989 | \$ 416,289 |
| Accounts and contracts payable | 117,475 | 201,138 | 318,613 |
| Due to other governmental units | 36 | 7,223 | 7,259 |
| Unearned revenue | 78,593 | 454,411 | 533,004 |
| Total liabilities | <u>203,404</u> | <u>1,071,761</u> | <u>1,275,165</u> |
| Deferred inflows of resources | | | |
| Property taxes levied for subsequent year | – | 1,358,854 | 1,358,854 |
| Unavailable revenue – delinquent taxes | – | 10,360 | 10,360 |
| Total deferred inflows of resources | <u>–</u> | <u>1,369,214</u> | <u>1,369,214</u> |
| Fund balances (deficit) | | | |
| Nonspendable | 46,594 | – | 46,594 |
| Restricted | 4,177,652 | 1,756,216 | 5,933,868 |
| Unassigned | – | (1,024,991) | (1,024,991) |
| Total fund balances | <u>4,224,246</u> | <u>731,225</u> | <u>4,955,471</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 4,427,650</u> | <u>\$ 3,172,200</u> | <u>\$ 7,599,850</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

Nonmajor Governmental Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2025

| | Special Revenue Funds | | Total |
|--|-----------------------|-------------------|---------------------|
| | Food Service | Community Service | |
| Revenue | | | |
| Local sources | | | |
| Property taxes | \$ - | \$ 1,255,850 | \$ 1,255,850 |
| Investment earnings | 142,847 | 73,855 | 216,702 |
| Other | 1,900,814 | 6,950,876 | 8,851,690 |
| State sources | 3,715,001 | 1,121,960 | 4,836,961 |
| Federal sources | 2,130,848 | 11,016 | 2,141,864 |
| Total revenue | <u>7,889,510</u> | <u>9,413,557</u> | <u>17,303,067</u> |
| Expenditures | | | |
| Current | | | |
| Food service | 7,230,494 | - | 7,230,494 |
| Community service | - | 9,243,502 | 9,243,502 |
| Capital outlay | 209,121 | 10,524 | 219,645 |
| Total expenditures | <u>7,439,615</u> | <u>9,254,026</u> | <u>16,693,641</u> |
| Excess (deficiency) of revenue over expenditures | 449,895 | 159,531 | 609,426 |
| Other financing sources | | | |
| Sale of capital assets | 79 | - | 79 |
| Net change in fund balances | 449,974 | 159,531 | 609,505 |
| Fund balances | | | |
| Beginning of year | <u>3,774,272</u> | <u>571,694</u> | <u>4,345,966</u> |
| End of year | <u>\$ 4,224,246</u> | <u>\$ 731,225</u> | <u>\$ 4,955,471</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

General Fund
Comparative Balance Sheet
as of June 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|--|----------------------|----------------------|
| Assets | | |
| Cash and temporary investments | \$ 27,422,975 | \$ 29,080,074 |
| Receivables | | |
| Current taxes | 24,177,549 | 22,123,072 |
| Delinquent taxes | 376,685 | 351,960 |
| Accounts and interest | 182,490 | 104,271 |
| Due from other governmental units | 11,324,763 | 11,456,238 |
| Due from other funds | 406,916 | 750,000 |
| Lease revenue | 642,301 | 853,035 |
| Prepaid items | <u>60,527</u> | <u>77,565</u> |
| Total assets | <u>\$ 64,594,206</u> | <u>\$ 64,796,215</u> |
| Liabilities | | |
| Salaries payable | \$ 8,701,686 | \$ 8,095,682 |
| Accounts and contracts payable | 3,351,679 | 4,415,546 |
| Due to other governmental units | 553,226 | 620,912 |
| Unearned revenue | <u>151</u> | <u>797</u> |
| Total liabilities | <u>12,606,742</u> | <u>13,132,937</u> |
| Deferred inflows of resources | | |
| Lease revenue for subsequent years | 642,301 | 853,035 |
| Property taxes levied for subsequent year | 44,692,027 | 41,842,388 |
| Unavailable revenue – delinquent taxes | <u>364,265</u> | <u>129,543</u> |
| Total deferred inflows of resources | <u>45,698,593</u> | <u>42,824,966</u> |
| Fund balances | | |
| Nonspendable for prepaid items | 60,527 | 77,565 |
| Restricted for student activities | 107,788 | 94,205 |
| Restricted for scholarships | 310,284 | 296,670 |
| Restricted for American Indian education aid | 54,002 | 20,644 |
| Restricted for operating capital | 2,894,509 | 4,044,296 |
| Restricted for quality compensation – alternative teacher professional pay system | 59,524 | – |
| Restricted for school library aid | 3,022 | – |
| Restricted for literacy aid | 334,218 | – |
| Restricted for teacher compensation for READ Act training | 301,750 | – |
| Restricted for long-term facilities maintenance | – | 205,709 |
| Restricted for student support personnel | 45,102 | 11,703 |
| Restricted for Medical Assistance | – | 9,915 |
| Assigned for severance benefits | 96,496 | 650,000 |
| Assigned for facility use improvements | 1,920 | 632,819 |
| Assigned for Q comp | – | 82,594 |
| Assigned for grants | 268,459 | 524,556 |
| Assigned for donations | 794,424 | 489,343 |
| Assigned for strategic plan | – | 45,270 |
| Unassigned – long-term facilities maintenance restricted account deficit | (686,877) | – |
| Unassigned | <u>1,643,723</u> | <u>1,653,023</u> |
| Total fund balances | <u>6,288,871</u> | <u>8,838,312</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 64,594,206</u> | <u>\$ 64,796,215</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2025
 (With Comparative Actual Amounts for the Year Ended June 30, 2024)

| | 2025 | | Over (Under) | 2024 | |
|--|---------------|---------------|--------------|---------------|--|
| | Budget | Actual | Budget | Actual | |
| Revenue | | | | | |
| Local sources | | | | | |
| Property taxes | \$ 44,497,246 | \$ 44,481,414 | \$ (15,832) | \$ 40,783,144 | |
| Investment earnings | 400,000 | 703,027 | 303,027 | 687,680 | |
| Other | 4,657,721 | 4,381,163 | (276,558) | 4,116,046 | |
| State sources | 99,121,585 | 101,478,487 | 2,356,902 | 93,579,001 | |
| Federal sources | 3,355,991 | 2,732,937 | (623,054) | 3,388,082 | |
| Total revenue | 152,032,543 | 153,777,028 | 1,744,485 | 142,553,953 | |
| Expenditures | | | | | |
| Current | | | | | |
| Administration | | | | | |
| Salaries | 2,651,993 | 2,825,625 | 173,632 | 2,686,484 | |
| Employee benefits | 1,138,004 | 1,188,727 | 50,723 | 1,070,460 | |
| Purchased services | 56,050 | 19,054 | (36,996) | 19,921 | |
| Supplies and materials | 12,200 | 22,765 | 10,565 | 7,012 | |
| Other expenditures | 35,505 | 30,739 | (4,766) | 44,214 | |
| Total administration | 3,893,752 | 4,086,910 | 193,158 | 3,828,091 | |
| District support services | | | | | |
| Salaries | 3,366,327 | 3,035,076 | (331,251) | 2,652,262 | |
| Employee benefits | 1,656,258 | 1,938,421 | 282,163 | 1,808,103 | |
| Purchased services | 1,134,721 | 649,990 | (484,731) | 868,721 | |
| Supplies and materials | 1,615,031 | 1,547,735 | (67,296) | 1,772,227 | |
| Capital expenditures | 2,000 | 432,703 | 430,703 | 23,059 | |
| Other expenditures | (35,859) | (269) | 35,590 | (14,306) | |
| Total district support services | 7,738,478 | 7,603,656 | (134,822) | 7,110,066 | |
| Elementary and secondary regular instruction | | | | | |
| Salaries | 36,685,929 | 36,863,272 | 177,343 | 34,283,638 | |
| Employee benefits | 17,117,282 | 16,963,555 | (153,727) | 16,582,740 | |
| Purchased services | 3,783,882 | 3,916,184 | 132,302 | 3,792,991 | |
| Supplies and materials | 1,653,726 | 1,261,032 | (392,694) | 2,291,236 | |
| Capital expenditures | 246,650 | 149,483 | (97,167) | 49,793 | |
| Other expenditures | 41,009 | 226,069 | 185,060 | 235,540 | |
| Total elementary and secondary regular instruction | 59,528,478 | 59,379,595 | (148,883) | 57,235,938 | |

INDEPENDENT SCHOOL DISTRICT NO. 834

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2025
 (With Comparative Actual Amounts for the Year Ended June 30, 2024)

| | 2025 | | 2024 | |
|--|------------|------------|------------------------|------------|
| | Budget | Actual | Over (Under) Budget | Actual |
| Expenditures (continued) | | | | |
| Current (continued) | | | | |
| Vocational education instruction | | | | |
| Salaries | 774,270 | 1,250,073 | 475,803 | 856,565 |
| Employee benefits | 370,530 | 590,451 | 219,921 | 377,858 |
| Purchased services | 382,613 | 352,576 | (30,037) | 357,244 |
| Supplies and materials | 27,742 | 38,031 | 10,289 | 37,203 |
| Capital expenditures | 4,985 | 4,322 | (663) | – |
| Other expenditures | – | 4,650 | 4,650 | 5,236 |
| Total vocational education instruction | 1,560,140 | 2,240,103 | 679,963 | 1,634,106 |
| Special education instruction | | | | |
| Salaries | 16,928,489 | 17,721,236 | 792,747 | 16,130,842 |
| Employee benefits | 8,296,218 | 9,052,415 | 756,197 | 7,724,978 |
| Purchased services | 1,739,553 | 2,443,155 | 703,602 | 2,245,326 |
| Supplies and materials | 211,288 | 141,782 | (69,506) | 129,411 |
| Capital expenditures | 14,500 | 10,239 | (4,261) | 22,934 |
| Other expenditures | 4,150 | 87,549 | 83,399 | 82,609 |
| Total special education instruction | 27,194,198 | 29,456,376 | 2,262,178 | 26,336,100 |
| Community service | | | | |
| Salaries | 225,154 | 229,788 | 4,634 | – |
| Purchased services | 8,000 | – | (8,000) | – |
| Total community service | 233,154 | 229,788 | (3,366) | – |
| Instructional support services | | | | |
| Salaries | 6,402,678 | 6,236,109 | (166,569) | 6,020,805 |
| Employee benefits | 2,547,468 | 2,733,273 | 185,805 | 2,399,915 |
| Purchased services | 791,583 | 476,609 | (314,974) | 414,498 |
| Supplies and materials | 1,145,246 | 810,468 | (334,778) | 398,625 |
| Capital expenditures | 20,900 | 8,543 | (12,357) | 26,597 |
| Other expenditures | 29,200 | 49,370 | 20,170 | 50,223 |
| Total instructional support services | 10,937,075 | 10,314,372 | (622,703) | 9,310,663 |
| Pupil support services | | | | |
| Salaries | 3,416,070 | 3,543,480 | 127,410 | 3,334,149 |
| Employee benefits | 1,770,648 | 1,852,100 | 81,452 | 1,595,231 |
| Purchased services | 12,517,289 | 14,843,717 | 2,326,428 | 13,454,333 |
| Supplies and materials | 63,556 | 59,504 | (4,052) | 131,459 |
| Other expenditures | 300 | 17,618 | 17,318 | 19,636 |
| Total pupil support services | 17,767,863 | 20,316,419 | 2,548,556 | 18,534,808 |

INDEPENDENT SCHOOL DISTRICT NO. 834

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2025
 (With Comparative Actual Amounts for the Year Ended June 30, 2024)

| | 2025 | | 2024 | |
|---|-------------|--------------|------------------------|--------------|
| | Budget | Actual | Over (Under) Budget | Actual |
| Expenditures (continued) | | | | |
| Current (continued) | | | | |
| Sites and buildings | | | | |
| Salaries | 3,650,464 | 3,704,639 | 54,175 | 3,590,307 |
| Employee benefits | 1,922,883 | 1,997,892 | 75,009 | 1,844,041 |
| Purchased services | 5,720,816 | 5,925,659 | 204,843 | 6,671,992 |
| Supplies and materials | 655,872 | 632,152 | (23,720) | 755,980 |
| Capital expenditures | 8,130,451 | 6,802,041 | (1,328,410) | 5,024,321 |
| Other expenditures | 6,800 | 12,822 | 6,022 | 22,447 |
| Total sites and buildings | 20,087,286 | 19,075,205 | (1,012,081) | 17,909,088 |
| Fiscal and other fixed cost programs | | | | |
| Purchased services | 980,000 | 982,170 | 2,170 | 784,739 |
| Other expenditures | 30,000 | 55,283 | 25,283 | 35,603 |
| Total fiscal and other fixed cost programs | 1,010,000 | 1,037,453 | 27,453 | 820,342 |
| Debt service | | | | |
| Principal | 1,747,191 | 1,868,282 | 121,091 | 1,812,887 |
| Interest and fiscal charges | 311,320 | 269,465 | (41,855) | 330,979 |
| Total debt service | 2,058,511 | 2,137,747 | 79,236 | 2,143,866 |
| Total expenditures | 152,008,935 | 155,877,624 | 3,868,689 | 144,863,068 |
| Excess (deficiency) of revenue over expenditures | 23,608 | (2,100,596) | (2,124,204) | (2,309,115) |
| Other financing sources | | | | |
| Debt issued | – | 431,477 | 431,477 | – |
| Insurance recovery | – | – | – | 16,137 |
| Sale of capital assets | 11,600 | 12,265 | 665 | 5,098 |
| Total other financing sources | 11,600 | 443,742 | 432,142 | 21,235 |
| Net change in fund balances | \$ 35,208 | (1,656,854) | \$ (1,692,062) | (2,287,880) |
| Fund balances | | | | |
| Beginning of year, as previously reported | | 8,838,312 | | 11,126,192 |
| Error correction | | (892,587) | | – |
| Beginning of year, as restated | | 7,945,725 | | 11,126,192 |
| End of year | | \$ 6,288,871 | | \$ 8,838,312 |

INDEPENDENT SCHOOL DISTRICT NO. 834

Food Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|-------------------------------------|---------------------|---------------------|
| Assets | | |
| Cash and temporary investments | \$ 4,258,072 | \$ 3,513,635 |
| Receivables | | |
| Accounts and interest | 67 | - |
| Due from other governmental units | 122,917 | 286,817 |
| Inventory | <u>46,594</u> | <u>84,801</u> |
| Total assets | <u>\$ 4,427,650</u> | <u>\$ 3,885,253</u> |
| Liabilities | | |
| Salaries payable | \$ 7,300 | \$ 6,509 |
| Accounts and contracts payable | 117,475 | 7,200 |
| Due to other governmental units | 36 | - |
| Unearned revenue | <u>78,593</u> | <u>97,272</u> |
| Total liabilities | 203,404 | 110,981 |
| Fund balances | | |
| Nonspendable for inventory | 46,594 | 84,801 |
| Restricted for food service | <u>4,177,652</u> | <u>3,689,471</u> |
| Total fund balances | <u>4,224,246</u> | <u>3,774,272</u> |
| Total liabilities and fund balances | <u>\$ 4,427,650</u> | <u>\$ 3,885,253</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

Food Service Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2025
 (With Comparative Actual Amounts for the Year Ended June 30, 2024)

| | 2025 | | 2024 | |
|---|--------------------|---------------------|------------------------|---------------------|
| | Budget | Actual | Over (Under) Budget | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Investment earnings | \$ 50,000 | \$ 142,847 | \$ 92,847 | \$ 130,899 |
| Other – primarily meal sales | 1,789,145 | 1,900,814 | 111,669 | 1,737,364 |
| State sources | 3,727,000 | 3,715,001 | (11,999) | 3,325,382 |
| Federal sources | 2,248,592 | 2,130,848 | (117,744) | 2,446,108 |
| Total revenue | <u>7,814,737</u> | <u>7,889,510</u> | <u>74,773</u> | <u>7,639,753</u> |
| Expenditures | | | | |
| Current | | | | |
| Salaries | 2,691,925 | 2,549,792 | (142,133) | 2,213,224 |
| Employee benefits | 1,270,607 | 1,167,446 | (103,161) | 977,610 |
| Purchased services | 301,250 | 275,993 | (25,257) | 290,600 |
| Supplies and materials | 3,342,827 | 3,233,537 | (109,290) | 3,004,212 |
| Other expenditures | 4,245 | 3,726 | (519) | 2,948 |
| Capital outlay | 303,500 | 209,121 | (94,379) | 479,839 |
| Total expenditures | <u>7,914,354</u> | <u>7,439,615</u> | <u>(474,739)</u> | <u>6,968,433</u> |
| Excess (deficiency) of revenue over expenditures | (99,617) | 449,895 | 549,512 | 671,320 |
| Other financing sources | | | | |
| Sale of capital assets | <u>–</u> | <u>79</u> | <u>79</u> | <u>–</u> |
| Net change in fund balances | <u>\$ (99,617)</u> | <u>449,974</u> | <u>\$ 549,591</u> | <u>671,320</u> |
| Fund balances | | | | |
| Beginning of year | | <u>3,774,272</u> | | <u>3,102,952</u> |
| End of year | | <u>\$ 4,224,246</u> | | <u>\$ 3,774,272</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

Community Service Special Revenue Fund
 Comparative Balance Sheet
 as of June 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|--|-------------------------|-------------------------|
| Assets | | |
| Cash and temporary investments | \$ 2,269,608 | \$ 2,113,805 |
| Receivables | | |
| Current taxes | 701,155 | 634,484 |
| Delinquent taxes | 10,898 | 10,051 |
| Accounts and interest | 1,139 | 23,533 |
| Due from other governmental units | 189,400 | 147,239 |
| Prepaid items | <u>—</u> | <u>240</u> |
| Total assets | <u>\$ 3,172,200</u> | <u>\$ 2,929,352</u> |
| Liabilities | | |
| Salaries payable | \$ 408,989 | \$ 430,818 |
| Accounts and contracts payable | 201,138 | 161,272 |
| Due to other governmental units | 7,223 | 7,567 |
| Unearned revenue | <u>454,411</u> | <u>488,559</u> |
| Total liabilities | 1,071,761 | 1,088,216 |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | 1,358,854 | 1,265,512 |
| Unavailable revenue – delinquent taxes | <u>10,360</u> | <u>3,930</u> |
| Total deferred inflows of resources | 1,369,214 | 1,269,442 |
| Fund balances (deficit) | | |
| Nonspendable for prepaid items | — | 240 |
| Restricted for community education programs | 1,756,216 | 1,337,676 |
| Unassigned – early childhood family education programs restricted account deficit | (119,681) | (52,777) |
| Unassigned – school readiness restricted account deficit | <u>(905,310)</u> | <u>(713,445)</u> |
| Total fund balances | <u>731,225</u> | <u>571,694</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 3,172,200</u> | <u>\$ 2,929,352</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

Community Service Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2025
 (With Comparative Actual Amounts for the Year Ended June 30, 2024)

| | 2025 | | Over (Under) Budget | 2024 |
|------------------------------------|--------------------|-------------------|------------------------|-------------------|
| | Budget | Actual | | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | \$ 1,168,826 | \$ 1,255,850 | \$ 87,024 | \$ 1,054,989 |
| Investment earnings | – | 73,855 | 73,855 | 70,430 |
| Other – primarily tuition and fees | 6,945,949 | 6,950,876 | 4,927 | 6,575,786 |
| State sources | 1,172,629 | 1,121,960 | (50,669) | 1,141,068 |
| Federal sources | 9,031 | 11,016 | 1,985 | 6,958 |
| Total revenue | <u>9,296,435</u> | <u>9,413,557</u> | <u>117,122</u> | <u>8,849,231</u> |
| Expenditures | | | | |
| Current | | | | |
| Salaries | 5,529,749 | 5,520,679 | (9,070) | 5,270,130 |
| Employee benefits | 1,831,039 | 1,722,925 | (108,114) | 1,613,850 |
| Purchased services | 1,607,400 | 1,634,717 | 27,317 | 1,531,235 |
| Supplies and materials | 351,467 | 337,061 | (14,406) | 299,537 |
| Other expenditures | 32,020 | 28,120 | (3,900) | 25,727 |
| Capital outlay | 16,960 | 10,524 | (6,436) | 3,838 |
| Total expenditures | <u>9,368,635</u> | <u>9,254,026</u> | <u>(114,609)</u> | <u>8,744,317</u> |
| Net change in fund balances | <u>\$ (72,200)</u> | 159,531 | <u>\$ 231,731</u> | 104,914 |
| Fund balances | | | | |
| Beginning of year | | <u>571,694</u> | | <u>466,780</u> |
| End of year | | <u>\$ 731,225</u> | | <u>\$ 571,694</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

Capital Projects – Building Construction Fund
 Comparative Balance Sheet
 as of June 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|-----------------------|
| Assets | | |
| Cash and temporary investments | \$ 85,700,467 | \$ 112,195,200 |
| Receivables | | |
| Accounts and interest | <u>3,025,856</u> | <u>856,213</u> |
| Total assets | <u>\$ 88,726,323</u> | <u>\$ 113,051,413</u> |
| Liabilities | | |
| Accounts and contracts payable | \$ 7,554,018 | \$ 671,415 |
| Due to other governmental units | <u>5,615</u> | <u>15,000</u> |
| Total liabilities | <u>7,559,633</u> | <u>686,415</u> |
| Fund balances | | |
| Restricted for long-term facilities maintenance | 6,325,785 | 5,393,943 |
| Restricted for capital projects | <u>74,840,905</u> | <u>106,971,055</u> |
| Total fund balances | <u>81,166,690</u> | <u>112,364,998</u> |
| Total liabilities and fund balances | <u>\$ 88,726,323</u> | <u>\$ 113,051,413</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

Capital Projects – Building Construction Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2025
 (With Comparative Actual Amounts for the Year Ended June 30, 2024)

| | 2025 | | Over (Under) | 2024 |
|---|-----------------|---------------|--------------|----------------|
| | Budget | Actual | Budget | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Investment earnings | \$ 652,000 | \$ 5,076,247 | \$ 4,424,247 | \$ 2,763,634 |
| Other | – | – | – | 39,062 |
| Total revenue | 652,000 | 5,076,247 | 4,424,247 | 2,802,696 |
| Expenditures | | | | |
| Capital outlay | | | | |
| Salaries | 40,503 | 294,612 | 254,109 | 43,595 |
| Employee benefits | 12,278 | 119,930 | 107,652 | 12,471 |
| Purchased services | 6,076,000 | 22,972,618 | 16,896,618 | 2,148,438 |
| Other expenditures | – | – | – | 814 |
| Capital expenditures | 30,830,000 | 13,779,982 | (17,050,018) | 14,499,340 |
| Total expenditures | 36,958,781 | 37,167,142 | 208,361 | 16,704,658 |
| Excess (deficiency) of revenue over expenditures | (36,306,781) | (32,090,895) | 4,215,886 | (13,901,962) |
| Other financing sources | | | | |
| Debt issued | – | – | – | 105,715,000 |
| Premium on issuance of debt | – | – | – | 12,746,415 |
| Total other financing sources | – | – | – | 118,461,415 |
| Net change in fund balances | \$ (36,306,781) | (32,090,895) | \$ 4,215,886 | 104,559,453 |
| Fund balances | | | | |
| Beginning of year, as previously reported | | 112,364,998 | | 7,805,545 |
| Error correction | | 892,587 | | – |
| Beginning of year, as restated | | 113,257,585 | | 7,805,545 |
| End of year | | \$ 81,166,690 | | \$ 112,364,998 |

INDEPENDENT SCHOOL DISTRICT NO. 834

Debt Service Fund
Comparative Balance Sheet
as of June 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|--|----------------------|----------------------|
| Assets | | |
| Cash and temporary investments | \$ 11,756,506 | \$ 11,000,581 |
| Receivables | | |
| Current taxes | 9,356,040 | 8,674,471 |
| Delinquent taxes | 133,948 | 95,863 |
| Due from other governmental units | <u>19,346</u> | <u>11,502</u> |
| Total assets | <u>\$ 21,265,840</u> | <u>\$ 19,782,417</u> |
| Liabilities | | |
| Accounts and contracts payable | \$ 4,075 | \$ 4,075 |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | 17,952,619 | 17,125,920 |
| Unavailable revenue – delinquent taxes | <u>118,936</u> | <u>39,082</u> |
| Total deferred inflows of resources | <u>18,071,555</u> | <u>17,165,002</u> |
| Fund balances | | |
| Restricted for debt service | <u>3,190,210</u> | <u>2,613,340</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 21,265,840</u> | <u>\$ 19,782,417</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

Debt Service Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2025
 (With Comparative Actual Amounts for the Year Ended June 30, 2024)

| | 2025 | | Over (Under) Budget | 2024 |
|---|-------------------|---------------------|------------------------|---------------------|
| | Budget | Actual | | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | \$ 17,115,779 | \$ 16,827,679 | \$ (288,100) | \$ 9,644,098 |
| Investment earnings | 300,100 | 304,553 | 4,453 | 579,991 |
| State sources | 106,000 | 193,458 | 87,458 | 115,016 |
| Total revenue | <u>17,521,879</u> | <u>17,325,690</u> | <u>(196,189)</u> | <u>10,339,105</u> |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | 8,705,000 | 8,705,000 | – | 6,975,000 |
| Interest | 8,034,471 | 8,034,471 | – | 3,175,885 |
| Fiscal charges and other | 10,000 | 9,349 | (651) | 739,238 |
| Total expenditures | <u>16,749,471</u> | <u>16,748,820</u> | <u>(651)</u> | <u>10,890,123</u> |
| Excess (deficiency) of revenue over expenditures | 772,408 | 576,870 | (195,538) | (551,018) |
| Other financing sources (uses) | | | | |
| Refunding debt issued | – | – | – | 54,715,000 |
| Premium on issuance of debt | – | – | – | 6,603,279 |
| Payments to refunded bond escrow agent | – | – | – | (60,380,000) |
| Total other financing sources (uses) | <u>–</u> | <u>–</u> | <u>–</u> | <u>938,279</u> |
| Net change in fund balances | <u>\$ 772,408</u> | 576,870 | <u>\$ (195,538)</u> | 387,261 |
| Fund balances | | | | |
| Beginning of year | | <u>2,613,340</u> | | <u>2,226,079</u> |
| End of year | | <u>\$ 3,190,210</u> | | <u>\$ 2,613,340</u> |

THIS PAGE INTENTIONALLY LEFT BLANK

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District maintains two internal service funds. These funds are used to account for the District's self-insured health and dental activities.

The statements that follow are to provide further detail and support additional analysis for the District's internal service funds.

INDEPENDENT SCHOOL DISTRICT NO. 834

Internal Service Funds
 Combining Statement of Net Position
 as of June 30, 2025
 (With Comparative Totals as of June 30, 2024)

| | Health Benefits | Dental Benefits | Totals | |
|-----------------------------------|---------------------|-------------------|------------------|---------------------|
| | Self-Insurance | Self-Insurance | 2025 | 2024 |
| Assets | | | | |
| Current assets | | | | |
| Cash and temporary investments | \$ 5,623,982 | \$ 439,974 | \$ 6,063,956 | \$ 7,163,414 |
| Receivables | | | | |
| Accounts and interest | 26,683 | 14,747 | 41,430 | 24,333 |
| Total current assets | <u>5,650,665</u> | <u>454,721</u> | <u>6,105,386</u> | <u>7,187,747</u> |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts and contracts payable | 633,275 | 39,096 | 672,371 | 718,914 |
| Due to other governmental units | — | — | — | 8,582 |
| Unearned revenue | 2,758,122 | 142,431 | 2,900,553 | 2,156,239 |
| Claims incurred, but not reported | 2,500,000 | 32,000 | 2,532,000 | 2,435,000 |
| Total current liabilities | <u>5,891,397</u> | <u>213,527</u> | <u>6,104,924</u> | <u>5,318,735</u> |
| Net position | | | | |
| Unrestricted | <u>\$ (240,732)</u> | <u>\$ 241,194</u> | <u>\$ 462</u> | <u>\$ 1,869,012</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

Internal Service Funds
 Combining Statement of Revenue, Expenses, and Changes in Net Position
 Year Ended June 30, 2025
 (With Comparative Totals for the Year Ended June 30, 2024)

| | Health Benefits Self-Insurance | Dental Benefits Self-Insurance | Totals | |
|---|-----------------------------------|-----------------------------------|-------------------|---------------------|
| | | | 2025 | 2024 |
| Operating revenue | | | | |
| Charges for services | | | | |
| Contributions from governmental funds | \$ 20,457,369 | \$ 1,229,888 | \$ 21,687,257 | \$ 21,659,354 |
| Operating expenses | | | | |
| Health benefit claims | 19,571,273 | – | 19,571,273 | 20,281,167 |
| Dental benefit claims | – | 1,129,740 | 1,129,740 | 1,171,422 |
| Fees and stop loss | 2,326,640 | 51,489 | 2,378,129 | 1,768,373 |
| Total operating expenses | <u>21,897,913</u> | <u>1,181,229</u> | <u>23,079,142</u> | <u>23,220,962</u> |
| Operating income (loss) | (1,440,544) | 48,659 | (1,391,885) | (1,561,608) |
| Nonoperating revenue | | | | |
| Investment earnings | <u>7,280</u> | <u>252</u> | <u>7,532</u> | <u>8,228</u> |
| Change in net position | (1,433,264) | 48,911 | (1,384,353) | (1,553,380) |
| Net position | | | | |
| Beginning of year, as previously reported | 1,648,591 | 220,421 | 1,869,012 | 3,422,392 |
| Error correction | (456,059) | (28,138) | (484,197) | – |
| Beginning of year, as restated | <u>1,192,532</u> | <u>192,283</u> | <u>1,384,815</u> | <u>3,422,392</u> |
| End of year | <u>\$ (240,732)</u> | <u>\$ 241,194</u> | <u>\$ 462</u> | <u>\$ 1,869,012</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

Internal Service Funds
 Combining Statement of Cash Flows
 Year Ended June 30, 2025
 (With Comparative Totals for the Year Ended June 30, 2024)

| | Health Benefits | Dental Benefits | Totals | |
|--|-----------------|-----------------|----------------|----------------|
| | Self-Insurance | Self-Insurance | 2025 | 2024 |
| Cash flows from operating activities | | | | |
| Contributions from governmental funds | \$ 20,699,264 | \$ 1,231,013 | \$ 21,930,277 | \$ 21,687,854 |
| Payment for health claims | (19,494,721) | – | (19,494,721) | (19,335,357) |
| Payment for dental claims | – | (1,164,417) | (1,164,417) | (1,146,227) |
| Payment for fees and stop loss | (2,326,640) | (51,489) | (2,378,129) | (1,768,373) |
| Net cash flows from operating activities | (1,122,097) | 15,107 | (1,106,990) | (562,103) |
| Cash flows from investing activities | | | | |
| Investment income received | 7,280 | 252 | 7,532 | 8,228 |
| Net change in cash and cash equivalents | (1,114,817) | 15,359 | (1,099,458) | (553,875) |
| Cash and cash equivalents | | | | |
| Beginning of year | 6,738,799 | 424,615 | 7,163,414 | 7,717,289 |
| End of year | \$ 5,623,982 | \$ 439,974 | \$ 6,063,956 | \$ 7,163,414 |
| Reconciliation of operating income (loss) to net cash flows from operating activities | | | | |
| Operating income (loss) | \$ (1,440,544) | \$ 48,659 | \$ (1,391,885) | \$ (1,561,608) |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities | | | | |
| Changes in assets and liabilities | | | | |
| Accounts receivable | (12,297) | (4,800) | (17,097) | 7,421 |
| Accounts and contracts payable | (14,866) | (31,677) | (46,543) | 62,763 |
| Due to other governmental units | (8,582) | – | (8,582) | 1,242 |
| Unearned revenue | 254,192 | 5,925 | 260,117 | 21,079 |
| Claims incurred, but not reported | 100,000 | (3,000) | 97,000 | 907,000 |
| Net cash flows from operating activities | \$ (1,122,097) | \$ 15,107 | \$ (1,106,990) | \$ (562,103) |

Section III

Statistical



THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL SECTION

(UNAUDITED)

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL SECTION (UNAUDITED)

This section of Independent School District No. 834's (the District) Annual Comprehensive Financial Report (ACFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant local revenue source, property taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Indicators

These schedules contain service and infrastructure data to help the reader understand how the information in the District's ACFR relates to the services the District provides, and the activities it performs.

Source: Unless otherwise noted, the information in these schedules is derived from the District's ACFR for the relevant year.

INDEPENDENT SCHOOL DISTRICT NO. 834

Net Position by Component
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

| | 2016 | 2017 | 2018 | Fiscal Year 2019 |
|--|---------------|----------------|----------------|---------------------|
| Governmental activities | | | | |
| Net investment in capital assets | \$ 65,414,063 | \$ 66,141,043 | \$ 60,554,744 | \$ 58,929,681 |
| Restricted | 9,743,503 | 9,753,511 | 13,123,335 | 16,107,066 |
| Unrestricted | (40,407,600) | (84,709,936) | (107,596,516) | (81,207,029) |
| Total governmental activities net position | \$ 34,749,966 | \$ (8,815,382) | \$(33,918,437) | \$ (6,170,282) |

| <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
|---------------------|-----------------------|---------------------|----------------------|----------------------|----------------------|
| \$ 62,505,284 | \$ 64,517,478 | \$ 71,225,113 | \$ 85,984,444 | \$ 96,784,018 | \$ 112,363,035 |
| 19,894,112 | 18,704,343 | 30,171,276 | 12,209,701 | 9,799,260 | 10,243,825 |
| <u>(82,957,418)</u> | <u>(90,662,072)</u> | <u>(99,073,901)</u> | <u>(77,108,376)</u> | <u>(74,240,442)</u> | <u>(94,598,949)</u> |
| <u>\$ (558,022)</u> | <u>\$ (7,440,251)</u> | <u>\$ 2,322,488</u> | <u>\$ 21,085,769</u> | <u>\$ 32,342,836</u> | <u>\$ 28,007,911</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

| | Fiscal Year | | | |
|--|----------------------|-----------------------|-----------------------|----------------------|
| | 2016 | 2017 | 2018 | 2019 |
| Governmental activities | | | | |
| Expenses | | | | |
| Administration | \$ 3,835,257 | \$ 5,045,515 | \$ 4,859,694 | \$ 2,761,832 |
| District support services | 4,930,575 | 4,428,888 | 4,866,422 | 3,848,441 |
| Elementary and secondary regular instruction | 45,403,156 | 64,048,509 | 63,695,632 | 33,389,523 |
| Vocational education instruction | 1,293,897 | 1,589,857 | 1,814,893 | 1,061,396 |
| Special education instruction | 17,032,647 | 23,701,150 | 24,272,246 | 15,645,568 |
| Instructional support services | 5,748,010 | 8,648,249 | 9,138,084 | 6,355,742 |
| Pupil support services | 10,113,009 | 12,473,301 | 13,277,132 | 11,597,906 |
| Sites and buildings | 9,363,699 | 11,735,283 | 14,715,947 | 11,508,298 |
| Fiscal and other fixed cost programs | 263,329 | 238,724 | 282,149 | 298,619 |
| Food service | 3,983,097 | 4,095,413 | 4,225,459 | 4,178,034 |
| Community service | 4,807,513 | 6,181,362 | 7,040,015 | 6,563,197 |
| Interest and fiscal charges | 4,793,187 | 3,932,639 | 3,920,205 | 3,808,388 |
| Total governmental activities expenses | <u>111,567,376</u> | <u>146,118,890</u> | <u>152,107,878</u> | <u>101,016,944</u> |
| Program revenues | | | | |
| Charges for services | | | | |
| District support services | 635 | 390 | 505 | 991 |
| Elementary and secondary regular instruction | 1,733,392 | 2,062,685 | 1,841,634 | 1,674,506 |
| Vocational education instruction | 428 | 266 | - | - |
| Special education instruction | 716,816 | 276,329 | 349,799 | 417,106 |
| Instructional support services | 3,613 | 4,706 | 4,707 | 3,155 |
| Pupil support services | 9,697 | 6,833 | 8,620 | 5,225 |
| Sites and buildings | 309,365 | 310,726 | 216,217 | 172,648 |
| Food service | 2,591,822 | 2,647,891 | 2,951,523 | 3,044,482 |
| Community service | 3,340,816 | 3,731,436 | 4,708,102 | 5,318,825 |
| Operating grants and contributions | 15,073,801 | 16,342,406 | 15,985,953 | 17,854,618 |
| Capital grants and contributions | - | - | - | - |
| Total governmental activities program revenues | <u>23,780,385</u> | <u>25,383,668</u> | <u>26,067,060</u> | <u>28,491,556</u> |
| Net (expense) revenue | (87,786,991) | (120,735,222) | (126,040,818) | (72,525,388) |
| General revenues and other changes in net position | | | | |
| Taxes | | | | |
| Property taxes, levied for general purposes | 21,857,533 | 26,077,926 | 26,662,509 | 27,029,172 |
| Property taxes, levied for community service | 879,475 | 924,206 | 936,351 | 942,286 |
| Property taxes, levied for building construction | 3,504,044 | - | - | - |
| Property taxes, levied for debt service | 10,418,158 | 9,853,545 | 9,991,344 | 10,243,194 |
| General grants and aids | 58,466,733 | 62,239,860 | 61,151,385 | 59,591,562 |
| Other general revenues | 1,222,650 | 1,409,761 | 1,501,148 | 1,543,674 |
| Investment earnings | 406,428 | 505,982 | 695,026 | 923,655 |
| Gain on sale of capital assets | - | 349,350 | - | - |
| Special item – joint school proceeds | 8,918,771 | - | - | - |
| Total general revenues and other changes in net position | <u>105,673,792</u> | <u>101,360,630</u> | <u>100,937,763</u> | <u>100,273,543</u> |
| Change in net position | <u>\$ 17,886,801</u> | <u>\$(19,374,592)</u> | <u>\$(25,103,055)</u> | <u>\$ 27,748,155</u> |

| 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--------------|----------------|--------------|---------------|---------------|---------------|
| \$ 4,163,190 | \$ 4,678,752 | \$ 3,788,855 | \$ 3,423,828 | \$ 3,934,318 | \$ 4,361,627 |
| 4,221,324 | 7,124,857 | 4,429,348 | 7,076,391 | 7,149,362 | 8,579,220 |
| 51,734,965 | 56,621,066 | 52,311,821 | 44,700,955 | 57,583,266 | 63,237,403 |
| 1,544,708 | 1,738,619 | 1,632,540 | 1,451,541 | 1,667,003 | 2,347,228 |
| 22,395,970 | 23,193,864 | 23,240,347 | 22,182,831 | 26,993,683 | 31,221,918 |
| 7,480,689 | 7,773,002 | 7,416,847 | 8,330,698 | 9,548,300 | 10,438,634 |
| 13,259,915 | 10,453,525 | 2,346,484 | 4,430,425 | 18,857,105 | 21,261,383 |
| 14,417,912 | 14,867,425 | 21,697,829 | 26,720,775 | 12,763,666 | 13,555,324 |
| 418,172 | 497,990 | 484,668 | 610,378 | 820,342 | 1,238,676 |
| 3,717,123 | 3,207,032 | 4,675,820 | 6,209,091 | 7,388,530 | 7,780,758 |
| 3,054,540 | 6,263,485 | 7,688,390 | 7,953,183 | 9,175,416 | 9,890,095 |
| 3,586,985 | 3,203,781 | 770,883 | 2,710,888 | 5,631,554 | 6,846,727 |
| 129,995,493 | 139,623,398 | 130,483,832 | 135,800,984 | 161,512,545 | 180,758,993 |
| 180 | 15 | - | - | - | - |
| 1,161,617 | 709,348 | 1,441,108 | 1,403,534 | 1,467,633 | 1,368,188 |
| - | - | - | - | - | - |
| 397,576 | 460,907 | 393,773 | 384,720 | 314,292 | 338,741 |
| 8 | (7) | 229 | - | 1,210 | 24,482 |
| 154,240 | 53,014 | 177,247 | 220,516 | 208,646 | 231,304 |
| 96,424 | 96,424 | 100,467 | 119,622 | 211,323 | 418,047 |
| 2,402,682 | 695,540 | 1,209,895 | 3,432,806 | 1,737,364 | 1,900,814 |
| 3,968,375 | 2,480,370 | 4,724,877 | 5,393,956 | 6,575,786 | 6,950,876 |
| 23,892,060 | 29,010,528 | 30,868,772 | 31,487,802 | 35,146,017 | 40,449,381 |
| 1,071,842 | 7,795,398 | 802,846 | - | - | - |
| 33,145,004 | 41,301,537 | 39,719,214 | 42,442,956 | 45,662,271 | 51,681,833 |
| (96,850,489) | (98,321,861) | (90,764,618) | (93,358,028) | (115,850,274) | (129,077,160) |
| 29,140,145 | 27,402,570 | 30,212,808 | 37,735,955 | 40,731,963 | 44,716,136 |
| 937,773 | 963,441 | 998,815 | 989,984 | 1,053,284 | 1,262,280 |
| - | - | - | - | - | - |
| 9,834,780 | 10,224,886 | 9,045,351 | 9,455,632 | 9,626,708 | 16,907,533 |
| 60,073,369 | 52,203,763 | 59,154,862 | 61,140,335 | 69,182,071 | 72,646,391 |
| 704,641 | 530,450 | 546,982 | 1,402,994 | 1,952,004 | 2,000,401 |
| 838,911 | 134,502 | 50,428 | 1,396,409 | 4,240,862 | 6,308,061 |
| - | (19,980) | 518,111 | - | - | - |
| - | - | - | - | - | - |
| 101,529,619 | 91,439,632 | 100,527,357 | 112,121,309 | 126,786,892 | 143,840,802 |
| \$ 4,679,130 | \$ (6,882,229) | \$ 9,762,739 | \$ 18,763,281 | \$ 10,936,618 | \$ 14,763,642 |

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 834

Governmental Activities Tax Revenues by Source and Levy Type
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

| Fiscal Year | Property Tax | | | | Total |
|-------------|------------------|-------------------|--|---------------|---------------|
| | General Purposes | Community Service | Capital Projects – Building Construction | Debt Service | |
| 2016 | \$ 21,857,533 | \$ 879,475 | \$ 3,504,044 | \$ 10,418,158 | \$ 36,659,210 |
| 2017 | 26,077,926 | 924,206 | – | 9,853,545 | 36,855,677 |
| 2018 | 26,662,509 | 936,351 | – | 9,991,344 | 37,590,204 |
| 2019 | 27,029,172 | 942,286 | – | 10,243,194 | 38,214,652 |
| 2020 | 29,140,145 | 937,773 | – | 9,834,780 | 39,912,698 |
| 2021 | 27,402,570 | 963,441 | – | 10,224,886 | 38,590,897 |
| 2022 | 30,212,808 | 998,815 | – | 9,045,351 | 40,256,974 |
| 2023 | 37,735,955 | 989,984 | – | 9,455,632 | 48,181,571 |
| 2024 | 40,731,963 | 1,053,284 | – | 9,626,708 | 51,411,955 |
| 2025 | 44,716,136 | 1,262,280 | – | 16,907,533 | 62,885,949 |

INDEPENDENT SCHOOL DISTRICT NO. 834

Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

| | 2016 | 2017 | 2018 | Fiscal Year 2019 |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | |
| Nonspendable | \$ 180,717 | \$ 132,997 | \$ 261,833 | \$ 133,500 |
| Restricted | 2,590,464 | 8,070,793 | 10,603,252 | 12,387,032 |
| Committed | 3,783,815 | 1,883,815 | 983,815 | 983,815 |
| Assigned | 1,851,841 | 3,351,587 | 3,974,155 | 1,416,490 |
| Unassigned | 7,753,286 | 7,852,065 | 4,215,589 | 6,078,702 |
| Total General Fund | <u>\$ 16,160,123</u> | <u>\$ 21,291,257</u> | <u>\$ 20,038,644</u> | <u>\$ 20,999,539</u> |
| All other governmental funds | | | | |
| Nonspendable | \$ 69,555 | \$ 43,739 | \$ 73,814 | \$ 53,360 |
| Restricted | 90,781,630 | 27,083,056 | 13,787,952 | 9,679,032 |
| Unassigned | - | - | - | - |
| Total all other governmental funds | <u>\$ 90,851,185</u> | <u>\$ 27,126,795</u> | <u>\$ 13,861,766</u> | <u>\$ 9,732,392</u> |
| Total all governmental funds | <u>\$107,011,308</u> | <u>\$ 48,418,052</u> | <u>\$ 33,900,410</u> | <u>\$ 30,731,931</u> |

| <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 176,979 | \$ 59,842 | \$ 148,874 | \$ 127,118 | \$ 77,565 | \$ 60,527 |
| 14,738,965 | 14,232,268 | 16,310,327 | 6,954,021 | 4,683,142 | 4,110,199 |
| 983,815 | — | — | — | — | — |
| 2,423,807 | 2,845,311 | 2,471,741 | 2,472,209 | 2,424,582 | 1,161,299 |
| <u>10,393,558</u> | <u>4,426,645</u> | <u>2,463,162</u> | <u>1,572,844</u> | <u>1,653,023</u> | <u>956,846</u> |
| <u>\$ 28,717,124</u> | <u>\$ 21,564,066</u> | <u>\$ 21,394,104</u> | <u>\$ 11,126,192</u> | <u>\$ 8,838,312</u> | <u>\$ 6,288,871</u> |
| \$ 76,202 | \$ 42,902 | \$ 95,955 | \$ 73,868 | \$ 85,041 | \$ 46,594 |
| 5,875,326 | 13,082,785 | 15,668,288 | 14,253,849 | 120,005,485 | 90,290,768 |
| — | — | (690,541) | (726,361) | (766,222) | (1,024,991) |
| <u>\$ 5,951,528</u> | <u>\$ 13,125,687</u> | <u>\$ 15,073,702</u> | <u>\$ 13,601,356</u> | <u>\$119,324,304</u> | <u>\$ 89,312,371</u> |
| <u>\$ 34,668,652</u> | <u>\$ 34,689,753</u> | <u>\$ 36,467,806</u> | <u>\$ 24,727,548</u> | <u>\$128,162,616</u> | <u>\$ 95,601,242</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

| | Fiscal Year | | | |
|---|----------------------|------------------------|------------------------|-----------------------|
| | 2016 | 2017 | 2018 | 2019 |
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | \$ 36,717,544 | \$ 36,882,419 | \$ 37,672,798 | \$ 38,196,912 |
| Investment earnings | 400,302 | 499,727 | 690,063 | 917,736 |
| Other | 9,929,234 | 10,451,023 | 11,582,255 | 12,180,612 |
| State sources | 69,753,786 | 72,643,686 | 74,119,502 | 77,697,741 |
| Federal sources | 3,786,748 | 3,689,765 | 3,041,466 | 3,218,497 |
| Total revenue | <u>120,587,614</u> | <u>124,166,620</u> | <u>127,106,084</u> | <u>132,211,498</u> |
| Expenditures | | | | |
| Current | | | | |
| Administration | 3,730,271 | 3,687,102 | 3,544,839 | 3,628,235 |
| District support services | 4,988,023 | 4,273,631 | 4,580,746 | 3,774,731 |
| Elementary and secondary regular instruction | 44,391,220 | 45,818,551 | 46,326,515 | 46,434,301 |
| Vocational education instruction | 1,269,046 | 1,178,394 | 1,418,503 | 1,370,650 |
| Special education instruction | 16,718,523 | 17,660,774 | 18,706,782 | 19,527,685 |
| Instructional support services | 5,579,197 | 7,055,599 | 7,170,917 | 7,248,996 |
| Pupil support services | 9,827,309 | 11,098,053 | 11,854,935 | 12,112,530 |
| Sites and buildings | 16,709,425 | 8,813,285 | 12,572,733 | 14,766,990 |
| Fiscal and other fixed cost programs | 263,329 | 238,724 | 282,149 | 298,619 |
| Food service | 3,728,962 | 3,851,332 | 3,958,441 | 3,931,222 |
| Community service | 4,650,156 | 5,313,353 | 6,127,808 | 7,021,549 |
| Capital outlay | 16,748,548 | 59,322,612 | 14,443,268 | 5,495,558 |
| Debt service | | | | |
| Principal | 8,825,000 | 9,595,000 | 6,255,000 | 6,325,000 |
| Interest and fiscal charges | 2,212,828 | 6,391,505 | 4,447,910 | 4,344,823 |
| Total expenditures | <u>139,641,837</u> | <u>184,297,915</u> | <u>141,690,546</u> | <u>136,280,889</u> |
| Excess of revenues over (under) expenditures | (19,054,223) | (60,131,295) | (14,584,462) | (4,069,391) |
| Other financing sources (uses) | | | | |
| Debt issued | 90,565,000 | - | - | - |
| Refunding debt issued | 14,695,000 | - | - | - |
| Premium (discount) on debt issued | 9,381,096 | - | - | - |
| Insurance recovery | - | - | - | - |
| Sale of capital assets | 5,333 | 1,538,039 | 66,820 | 900,912 |
| Payments to refunded bond escrow agent | (14,545,000) | - | - | - |
| Total other financing sources (uses) | <u>100,101,429</u> | <u>1,538,039</u> | <u>66,820</u> | <u>900,912</u> |
| Net change in fund balances before special item | 81,047,206 | (58,593,256) | (14,517,642) | (3,168,479) |
| Special item – joint school proceeds | 8,918,771 | - | - | - |
| Net change in fund balances | <u>\$ 89,965,977</u> | <u>\$ (58,593,256)</u> | <u>\$ (14,517,642)</u> | <u>\$ (3,168,479)</u> |
| Debt service as a percentage of noncapital expenditures | <u>9.6%</u> | <u>12.6%</u> | <u>8.3%</u> | <u>8.4%</u> |

| 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---------------------|--------------------|---------------------|------------------------|-----------------------|------------------------|
| \$ 39,871,369 | \$ 38,645,741 | \$ 40,241,343 | \$ 48,204,764 | \$ 51,482,231 | \$ 62,564,943 |
| 697,984 | 124,847 | 40,983 | 1,387,174 | 4,232,634 | 6,300,529 |
| 10,088,143 | 5,884,158 | 9,967,948 | 12,911,708 | 12,468,258 | 13,232,853 |
| 80,108,815 | 80,072,065 | 79,815,806 | 84,185,836 | 98,160,467 | 106,508,906 |
| 3,234,460 | 7,933,018 | 10,236,292 | 8,353,583 | 5,841,148 | 4,874,801 |
| <u>134,000,771</u> | <u>132,659,829</u> | <u>140,302,372</u> | <u>155,043,065</u> | <u>172,184,738</u> | <u>193,482,032</u> |
| 3,596,442 | 4,097,721 | 3,622,133 | 3,775,598 | 3,828,091 | 4,086,910 |
| 3,641,489 | 6,536,079 | 4,149,920 | 8,508,773 | 7,110,066 | 7,603,656 |
| 45,094,688 | 50,819,375 | 50,609,133 | 52,583,218 | 57,235,938 | 59,379,595 |
| 1,380,782 | 1,572,498 | 1,588,110 | 1,645,397 | 1,634,106 | 2,240,103 |
| 20,222,013 | 21,209,377 | 22,697,664 | 24,506,861 | 26,336,100 | 29,456,376 |
| 6,454,349 | 6,881,669 | 6,947,450 | 8,666,051 | 9,310,663 | 10,314,372 |
| 12,089,424 | 12,830,283 | 12,122,290 | 17,987,073 | 18,534,808 | 20,316,419 |
| 9,265,654 | 10,911,152 | 11,536,233 | 24,359,464 | 17,909,088 | 19,075,205 |
| 418,172 | 497,990 | 484,668 | 610,378 | 820,342 | 1,037,453 |
| 3,666,975 | 3,250,397 | 4,682,019 | 5,638,611 | 6,488,594 | 7,230,494 |
| 6,998,035 | 5,839,448 | 7,498,242 | 7,875,149 | 8,740,479 | 9,473,290 |
| 7,219,599 | 4,438,117 | 10,485,524 | 2,256,872 | 17,188,335 | 37,386,787 |
| 6,715,000 | 7,065,000 | 7,437,325 | 8,346,444 | 8,787,887 | 10,573,282 |
| 4,319,771 | 3,882,187 | 3,834,296 | 3,605,380 | 4,246,102 | 8,313,285 |
| <u>131,082,393</u> | <u>139,831,293</u> | <u>147,695,007</u> | <u>170,365,269</u> | <u>188,170,599</u> | <u>226,487,227</u> |
| 2,918,378 | (7,171,464) | (7,392,635) | (15,322,204) | (15,985,861) | (33,005,195) |
| – | – | 7,265,000 | 2,429,429 | 105,715,000 | 431,477 |
| 5,630,000 | 6,670,000 | – | – | 54,715,000 | – |
| 424,079 | 522,665 | 104,660 | – | 19,349,694 | – |
| – | – | 21,111 | 1,152,102 | 16,137 | – |
| 1,134 | – | 1,780,217 | 115 | 5,098 | 12,344 |
| (5,970,000) | – | – | – | (60,380,000) | – |
| <u>85,213</u> | <u>7,192,665</u> | <u>9,170,988</u> | <u>3,581,646</u> | <u>119,420,929</u> | <u>443,821</u> |
| 3,003,591 | 21,201 | 1,778,353 | (11,740,558) | 103,435,068 | (32,561,374) |
| – | – | – | – | – | – |
| <u>\$ 3,003,591</u> | <u>\$ 21,201</u> | <u>\$ 1,778,353</u> | <u>\$ (11,740,558)</u> | <u>\$ 103,435,068</u> | <u>\$ (32,561,374)</u> |
| <u>8.8%</u> | <u>8.2%</u> | <u>8.3%</u> | <u>7.8%</u> | <u>8.0%</u> | <u>10.4%</u> |

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 834

General Governmental Tax Revenues by Source and Levy Type
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

| Fiscal Year | Property Tax | | | | Total |
|-------------|---------------|--|----------------------|--|---------------|
| | General Fund | Capital Projects – Building Construction Fund | Debt Service Fund | Community Service Special Revenue Fund | |
| 2016 | \$ 21,894,121 | \$ 3,504,044 | \$ 10,437,895 | \$ 881,484 | \$ 36,717,544 |
| 2017 | 26,092,174 | – | 9,865,167 | 925,078 | 36,882,419 |
| 2018 | 26,718,149 | – | 10,016,080 | 938,569 | 37,672,798 |
| 2019 | 27,016,038 | – | 10,239,037 | 941,837 | 38,196,912 |
| 2020 | 29,103,776 | – | 9,830,382 | 937,211 | 39,871,369 |
| 2021 | 27,443,738 | – | 10,237,264 | 964,739 | 38,645,741 |
| 2022 | 30,197,880 | – | 9,045,107 | 998,356 | 40,241,343 |
| 2023 | 37,746,806 | – | 9,466,992 | 990,966 | 48,204,764 |
| 2024 | 40,783,144 | – | 9,644,098 | 1,054,989 | 51,482,231 |
| 2025 | 44,481,414 | – | 16,827,679 | 1,255,850 | 62,564,943 |

INDEPENDENT SCHOOL DISTRICT NO. 834

Tax Capacities and Market Values
Last Ten Fiscal Years

| For Taxes Collectible | Tax Capacity Valuation | | | |
|--------------------------|------------------------|-----------------|--------------------|--------------|
| | Agricultural | Nonagricultural | Fiscal Disparities | |
| | | | Contribution | Distribution |
| 2016 | \$ 2,600,534 | \$ 92,862,246 | \$ (7,156,893) | \$ 5,841,005 |
| 2017 | 2,593,669 | 95,774,839 | (7,588,432) | 6,408,262 |
| 2018 | 2,613,556 | 102,233,253 | (7,966,063) | 6,782,970 |
| 2019 | 2,731,036 | 108,532,963 | (8,572,046) | 7,316,060 |
| 2020 | 2,825,150 | 118,614,081 | (8,853,224) | 8,019,195 |
| 2021 | 3,096,361 | 123,238,863 | (9,043,983) | 8,119,895 |
| 2022 | 2,991,935 | 131,060,064 | (9,840,554) | 8,868,220 |
| 2023 | 3,472,835 | 159,185,573 | (10,504,452) | 8,635,209 |
| 2024 | 4,100,709 | 181,020,789 | (11,210,522) | 9,092,624 |
| 2025 | 4,131,648 | 179,260,510 | (13,215,262) | 9,936,678 |

Note: The District has presented taxable market value, which is the best information available to represent estimated actual value of property.

Source: State of Minnesota School Tax Report

| <u>Tax Increment</u> | <u>Total Taxable</u> | <u>Total Direct Tax Rate</u> | <u>Taxable Market Value</u> | <u>Tax Capacity as a Percentage of Market Value</u> |
|----------------------|----------------------|----------------------------------|---------------------------------|---|
| \$ (1,610,290) | \$ 92,536,602 | 19.85 % | \$ 8,263,498,200 | 1.12 % |
| (1,603,853) | 95,584,485 | 20.39 | 8,487,566,000 | 1.13 |
| (1,750,111) | 101,913,605 | 19.35 | 9,031,232,600 | 1.13 |
| (2,005,329) | 108,002,684 | 18.44 | 9,583,871,800 | 1.13 |
| (2,530,386) | 118,074,816 | 15.32 | 10,474,238,500 | 1.13 |
| (2,680,161) | 122,730,975 | 17.28 | 10,855,805,400 | 1.13 |
| (2,852,184) | 130,227,481 | 19.50 | 11,512,758,100 | 1.13 |
| (2,843,948) | 157,945,217 | 17.14 | 13,921,994,800 | 1.13 |
| (3,382,941) | 179,620,659 | 22.03 | 15,630,118,700 | 1.15 |
| (3,409,028) | 176,704,546 | 23.41 | 15,513,015,700 | 1.14 |

INDEPENDENT SCHOOL DISTRICT NO. 834

Property Tax Rates – Direct and Overlapping Governments
Last Ten Fiscal Years

| Rate | Tax Collection Calendar Year | ISD No. 834 | Overlapping Rates Municipalities (1) | | | | |
|-------------------|---------------------------------------|-------------|---|---------------------|---------|---------|---------|
| | | | Stillwater | Oak Park Heights | Bayport | Marine | Afton |
| Tax capacity rate | 2016 | 19.849% | 57.016% | 57.726% | 37.107% | 56.752% | 29.373% |
| Market value rate | 2016 | 0.20618% | – | – | – | – | – |
| Tax capacity rate | 2017 | 20.390% | 56.927% | 56.143% | 39.410% | 60.678% | 32.300% |
| Market value rate | 2017 | 0.19504% | – | – | – | – | – |
| Tax capacity rate | 2018 | 19.349% | 53.421% | 54.462% | 36.017% | 55.060% | 32.255% |
| Market value rate | 2018 | 0.18938% | – | – | – | – | – |
| Tax capacity rate | 2019 | 18.442% | 54.288% | 50.031% | 33.954% | 56.705% | 32.983% |
| Market value rate | 2019 | 0.19352% | – | – | – | – | – |
| Tax capacity rate | 2020 | 15.321% | 53.474% | 50.176% | 31.644% | 56.338% | 32.983% |
| Market value rate | 2020 | 0.17594% | – | – | – | – | – |
| Tax capacity rate | 2021 | 17.278% | 52.486% | 50.838% | 33.792% | 56.172% | 30.795% |
| Market value rate | 2021 | 0.16640% | – | – | – | – | – |
| Tax capacity rate | 2022 | 19.502% | 52.152% | 51.753% | 33.463% | 59.002% | 32.025% |
| Market value rate | 2022 | 0.18360% | – | – | – | – | – |
| Tax capacity rate | 2023 | 17.143% | 49.146% | 48.985% | 28.965% | 42.747% | 32.007% |
| Market value rate | 2023 | 0.15164% | – | – | – | – | – |
| Tax capacity rate | 2024 | 22.033% | 46.862% | 49.502% | 27.725% | 47.855% | 23.533% |
| Market value rate | 2024 | 0.14128% | – | – | – | – | – |
| Tax capacity rate | 2025 | 23.407% | 52.440% | 54.587% | 31.541% | 48.734% | 26.671% |
| Market value rate | 2025 | 0.15231% | – | – | – | – | – |

(1) Municipalities listed include those with district learning sites (current and former).

(2) The miscellaneous other levy includes the Washington County HRA, Metropolitan Council, Metropolitan Mosquito, Transit District, Valley Branch Watershed, Rice Creek Watershed, Carnelian-Marine Watershed, South Washington Watershed, Browns Creek Watershed, Woodbury HRA, and Regional Rail Authority.

Source: Washington County

| Lake Elmo | Lakeland | Woodbury | Washington County | Miscellaneous Other (2) | Total Stillwater Resident |
|-----------|----------|----------|----------------------|----------------------------|---------------------------------|
| 23.121% | 42.451% | 35.287% | 28.745% | 16.586% | 122.196% |
| - | - | 0.01216% | - | - | 0.20618% |
| 20.018% | 44.213% | 35.122% | 28.697% | 15.025% | 121.039% |
| - | - | 0.01187% | - | - | 0.19504% |
| 22.442% | 36.540% | 33.670% | 28.994% | 17.723% | 119.487% |
| - | - | 0.01111% | - | - | 0.18938% |
| 22.927% | 31.800% | 33.177% | 28.661% | 19.659% | 121.050% |
| - | - | 0.00664% | - | - | 0.19352% |
| 23.477% | 36.149% | 32.489% | 27.770% | 18.916% | 115.481% |
| - | - | 0.00615% | - | - | 0.17594% |
| 23.638% | 33.408% | 32.298% | 26.533% | 19.210% | 115.507% |
| - | - | 0.00584% | - | - | 0.16640% |
| 30.546% | 29.525% | 32.217% | 26.737% | 18.518% | 116.909% |
| - | - | 0.00551% | - | - | 0.18360% |
| 24.064% | 26.189% | 28.599% | 22.955% | 15.696% | 104.940% |
| - | - | 0.00466% | - | - | 0.15164% |
| 24.631% | 30.360% | 27.601% | 21.355% | 14.838% | 105.088% |
| - | - | 0.00419% | - | - | 0.14128% |
| 26.845% | 31.796% | 31.163% | 23.191% | 15.640% | 114.678% |
| - | - | - | - | - | 0.15231% |

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 834

Principal Property Taxpayers
Current Year and Nine Years Ago

| Taxpayer | 2025 | | | 2016 | | |
|--|----------------------|------|----------------------------------|----------------------|------|----------------------------------|
| | Net Tax Capacity | Rank | Percentage of Tax Capacity Value | Net Tax Capacity | Rank | Percentage of Tax Capacity Value |
| Xcel Energy | \$ 7,187,394 | 1 | 4.07 % | \$ 8,049,825 | 1 | 8.70 % |
| VSSA Boutwells Landing, LLC | 1,375,700 | 2 | 0.78 | 902,296 | 3 | 0.98 |
| City Walk TIC I, LLC Etal | 1,222,851 | 3 | 0.69 | — | — | — |
| Ryan Woodbury, LLC | 1,037,084 | 4 | 0.59 | — | — | — |
| Wal-Mart Real Estate Business Trust | 960,380 | 5 | 0.54 | 924,112 | 2 | 1.00 |
| Woodbury Logistics Center Owner, LLC | 844,394 | 6 | 0.48 | — | — | — |
| Continental 483 Fund, LLC | 822,392 | 7 | 0.47 | — | — | — |
| Stillwater Health System | 787,800 | 8 | 0.45 | 515,099 | 6 | 0.56 |
| Beyond Acquisitions, LLC & Beyond MDR, LLC | 713,093 | 9 | 0.40 | — | — | — |
| Andersen Corporation | 705,531 | 10 | 0.40 | 524,786 | 5 | 0.57 |
| Crossroads Commerce Center, LLC | — | — | — | 561,526 | 4 | 0.61 |
| Rivertown Trading Company | — | — | — | 466,539 | 7 | 0.50 |
| Target Corporation | — | — | — | 465,556 | 8 | 0.50 |
| Inland Woodbury Commons, LLC | — | — | — | 460,892 | 9 | 0.50 |
| FR JH 12, LLC | — | — | — | 413,915 | 10 | 0.45 |
| Total | <u>\$ 15,656,619</u> | | <u>8.86 %</u> | <u>\$ 13,284,546</u> | | <u>14.36 %</u> |

Source: Washington County

INDEPENDENT SCHOOL DISTRICT NO. 834

Property Tax Levies, Collections, and Receivables
Last Ten Fiscal Years

| For Taxes Collectible | Original Levy | | | | Collections | |
|--------------------------|---------------|--------------------|-------------------------|---------------|--------------------------------------|-----------------------|
| | Local Spread | Fiscal Disparities | Property Tax Credits | Total Spread | First Year Levy Recognized Amount | Percentage of Levy |
| 2016 | \$ 34,215,394 | \$ 2,349,208 | \$ – | \$ 36,564,602 | \$ 36,332,635 | 99.4 % |
| 2017 | 34,736,744 | 2,531,306 | – | 37,268,050 | 37,108,753 | 99.6 |
| 2018 | 35,455,695 | 2,642,264 | – | 38,097,959 | 37,885,063 | 99.4 |
| 2019 | 37,019,474 | 2,730,961 | 101,861 | 39,852,296 | 39,787,011 | 99.8 |
| 2020 | 35,176,324 | 2,956,006 | 114,318 | 38,246,648 | 37,981,535 | 99.3 |
| 2021 | 37,752,403 | 2,603,730 | 113,534 | 40,469,667 | 40,319,810 | 99.6 |
| 2022 | 44,725,526 | 2,929,929 | 115,404 | 47,770,859 | 47,464,320 | 99.4 |
| 2023 | 46,618,505 | 3,188,041 | 120,605 | 49,927,151 | 49,629,095 | 99.4 |
| 2024 | 59,483,461 | 2,844,390 | 207,652 | 62,535,503 | 62,161,146 | 99.4 |
| 2025 | 62,487,748 | 3,476,020 | 221,304 | 66,185,108 | 31,950,364 | 48.3 |

Note 1: A portion of the total spread levy is paid through various property tax credits, which are paid through state aids and have been included in collections. Legislative changes have adjusted the amount of tax credits paid through state aids for the years presented above.

Note 2: Delinquent taxes receivable are written off after seven years. The amount of collections has been adjusted to reflect the write-off of delinquent taxes receivable.

Source: State of Minnesota School Tax Report

| Uncollected Taxes Receivable as of June 30, 2025 | | | | | | |
|--|---------------|-----------------------|-------------------|---------|----------------------|---------|
| Received in Subsequent Years | Total to Date | | Delinquent | | Current | |
| | Amount | Percentage of Levy | Amount | Percent | Amount | Percent |
| \$ 231,967 | \$ 36,564,602 | 100.0 % | \$ - | - % | \$ - | - % |
| 159,297 | 37,268,050 | 100.0 | - | - | - | - |
| 212,896 | 38,097,959 | 100.0 | - | - | - | - |
| 10,740 | 39,797,751 | 99.9 | 54,545 | 0.1 | - | - |
| 260,203 | 38,241,738 | 100.0 | 4,910 | - | - | - |
| 139,849 | 40,459,659 | 100.0 | 10,008 | - | - | - |
| 283,794 | 47,748,114 | 100.0 | 22,745 | - | - | - |
| 243,090 | 49,872,185 | 99.9 | 54,966 | 0.1 | - | - |
| - | 62,161,146 | 99.4 | 374,357 | 0.6 | - | - |
| - | 31,950,364 | 48.3 | - | - | <u>34,234,744</u> | 51.7 |
| | | | <u>\$ 521,531</u> | | <u>\$ 34,234,744</u> | |

INDEPENDENT SCHOOL DISTRICT NO. 834

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | | Total Primary Government | Percentage of Personal Income (1) | Per Capita (1) |
|-------------|--------------------------|-----------------------------|-------------------------------|----------------------------------|--------------------------|-----------------------------------|----------------|
| | General Obligation Bonds | Premium (Discount) on Bonds | Certificates of Participation | Leases and Subscriptions Payable | | | |
| 2016 | \$ 113,990,000 | \$ 9,637,255 | \$ 8,075,000 | \$ – | \$ 131,702,255 | 12.85 % | \$ 2,062 |
| 2017 | 104,900,000 | 9,090,910 | 7,570,000 | – | 121,560,910 | 9.67 | 1,898 |
| 2018 | 99,165,000 | 8,598,598 | 7,050,000 | – | 114,813,598 | 9.05 | 1,793 |
| 2019 | 93,370,000 | 8,106,286 | 6,520,000 | – | 107,996,286 | 8.23 | 1,639 |
| 2020 | 87,205,000 | 7,816,244 | 5,630,000 | – | 100,651,244 | 8.00 | 1,469 |
| 2021 | 80,735,000 | 7,823,860 | 11,705,000 | – | 100,263,860 | 8.12 | 1,463 |
| 2022 | 81,265,000 | 4,808,949 | 11,155,000 | – | 97,228,949 | 6.51 | 1,422 |
| 2023 | 74,620,000 | 3,992,881 | 10,235,000 | 1,734,602 | 90,582,483 | 5.84 | 1,325 |
| 2024 | 167,695,000 | 19,566,934 | 9,275,000 | 881,715 | 197,418,649 | 12.03 | 2,850 |
| 2025 | 158,990,000 | 18,541,186 | 8,285,000 | 434,910 | 186,251,096 | N/A | 2,649 |

N/A – Not Available

(1) See the Schedule of Demographic and Economic Statistics for personal income and total ISD No. 834 population data.

Note: Details regarding the District’s outstanding debt can be found in the notes to basic financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 834

Ratio of Net General Obligation Bonded Debt
to Market Value and Net General Obligation Bonded Debt
per Capita
Last Ten Fiscal Years

| Fiscal Year | Gross Bonded Debt | Less Debt Service Funds on Hand | Net Bonded Debt | Market Value | Percent of Net Debt to Market Value | Estimated Population (1) | Net Bonded Debt per Capita |
|-------------|-------------------|---------------------------------|-----------------|------------------|-------------------------------------|--------------------------|----------------------------|
| 2016 | \$ 123,627,255 | \$ 7,341,354 | \$ 116,285,901 | \$ 8,263,498,200 | 1.41 % | 63,865 | \$ 1,821 |
| 2017 | 113,990,910 | 2,151,560 | 111,839,350 | 8,487,566,000 | 1.32 | 64,046 | 1,746 |
| 2018 | 107,763,598 | 2,379,053 | 105,384,545 | 9,031,232,600 | 1.17 | 64,046 | 1,645 |
| 2019 | 101,476,286 | 2,962,013 | 98,514,273 | 9,583,871,800 | 1.03 | 65,883 | 1,495 |
| 2020 | 95,021,244 | 2,860,179 | 92,161,065 | 10,474,238,500 | 0.88 | 68,534 | 1,345 |
| 2021 | 88,558,860 | 3,240,252 | 85,318,608 | 10,855,805,400 | 0.79 | 68,534 | 1,245 |
| 2022 | 86,073,949 | 2,311,281 | 83,762,668 | 11,512,758,100 | 0.73 | 68,357 | 1,225 |
| 2023 | 78,612,881 | 2,226,079 | 76,386,802 | 13,921,994,800 | 0.55 | 68,357 | 1,117 |
| 2024 | 187,261,934 | 2,613,340 | 184,648,594 | 15,630,118,700 | 1.18 | 69,269 | 2,666 |
| 2025 | 177,531,186 | 3,190,210 | 174,340,976 | 15,513,015,700 | 1.12 | 70,310 | 2,480 |

Source: (1) Annual school district census and U.S. Census

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 834

Direct and Overlapping Debt
as of June 30, 2025

| Governmental Unit | 2024-2025 Taxable Net Tax Capacity | Bonded Debt | Percent Allocable to ISD No. 834 | Portion Allocable to ISD No. 834 |
|--|--|----------------|--|-------------------------------------|
| Independent School District No. 834 | \$ 176,704,546 | \$ 177,531,186 | 100.00 % | \$ 177,531,186 |
| Overlapping debt | | | | |
| City of Afton | 10,499,521 | 3,943,000 | 93.76 | 3,696,957 |
| City of Bayport | 6,091,321 | 1,700,000 | 100.00 | 1,700,000 |
| City of Hugo | 33,352,938 | 15,145,000 | 4.58 | 693,641 |
| City of Lake Elmo | 37,709,658 | 59,185,000 | 76.62 | 45,347,547 |
| City of Lakeland | 3,639,717 | 355,000 | 100.00 | 355,000 |
| City of Marine | 2,313,812 | 750,000 | 100.00 | 750,000 |
| City of Oak Park Heights | 13,245,764 | 2,460,000 | 100.00 | 2,460,000 |
| City of Scandia | 11,180,995 | 6,170,000 | 0.33 | 20,361 |
| City of Stillwater | 39,029,244 | 31,510,000 | 100.00 | 31,510,000 |
| City of Woodbury | 168,654,809 | 52,335,000 | 16.35 | 8,556,773 |
| Northeast Metropolitan Intermediate School District No. 916 | 582,093,106 | 66,840,000 | 30.36 | 20,292,624 |
| South Washington Watershed District | 233,590,073 | 1,940,000 | 9.55 | 185,270 |
| Washington County | 508,753,421 | 112,695,000 | 34.73 | 39,138,974 |
| Total overlapping debt | | | | 154,707,146 |
| Total direct and overlapping debt | | | | \$ 332,238,332 |

Note 1: The percentage of overlapping debt applicable is estimated using taxable net tax capacity values. Applicable percentages were estimated by determining the portion of the overlapping entity's taxable net tax capacity value that is within the District's boundaries and dividing it by the overlapping government's total taxable net tax capacity value.

Note 2: The Washington County HRA, Metropolitan Council, and Metropolitan Airports Commission are governmental units with overlapping debt applicable to the District. Overlapping debt information for these units of government applicable to the District was not readily available.

Source: Washington County

INDEPENDENT SCHOOL DISTRICT NO. 834

Legal Debt Margin Information
Last Ten Fiscal Years

| | Fiscal Year | | | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2016 | 2017 | 2018 | 2019 |
| Debt limit | \$ 1,239,524,730 | \$ 1,273,134,900 | \$ 1,354,684,890 | \$ 1,437,580,770 |
| Total net debt applicable to limit | <u>106,648,646</u> | <u>102,748,440</u> | <u>96,785,947</u> | <u>90,407,987</u> |
| Legal debt margin | <u>\$ 1,132,876,084</u> | <u>\$ 1,170,386,460</u> | <u>\$ 1,257,898,943</u> | <u>\$ 1,347,172,783</u> |
| Total net debt applicable to limit as a percentage of debt limit | 8.60% | 8.07% | 7.14% | 6.29% |

Note: Under state finance law, the District's outstanding general obligation debt should not exceed 15 percent of total market property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: State of Minnesota School Tax Report

| 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| \$ 1,571,135,775 | \$ 1,628,370,810 | \$ 1,726,913,715 | \$ 2,088,299,220 | \$ 2,344,517,805 | \$ 2,326,952,355 |
| 84,344,821 | 77,494,748 | 78,953,719 | 72,393,921 | 165,081,660 | 155,799,790 |
| <u>\$ 1,486,790,954</u> | <u>\$ 1,550,876,062</u> | <u>\$ 1,647,959,996</u> | <u>\$ 2,015,905,299</u> | <u>\$ 2,179,436,145</u> | <u>\$ 2,171,152,565</u> |
| 5.37% | 4.76% | 4.57% | 3.47% | 7.04% | 6.70% |

Legal Debt Margin Calculation for Fiscal Year 2025

| | |
|--|-------------------------|
| Market value | \$15,513,015,700 |
| Debt limit (15% of market value) | 2,326,952,355 |
| Debt applicable to limit | |
| General obligation bonds | 158,990,000 |
| Less amount set aside for repayment of general obligation debt | <u>(3,190,210)</u> |
| Total net debt applicable to limit | <u>155,799,790</u> |
| Legal debt margin | <u>\$ 2,171,152,565</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

Demographic and Economic Statistics
Last Ten Fiscal Years

| Fiscal Year | City of Stillwater | | | Total ISD No. 834 Population (3) | School Enrollment (4) | Washington County Unemployment Rate (5) |
|-------------|--------------------|------------------------|--------------------------------------|--|--------------------------|--|
| | Population (1) | Personal Income (1) | Per Capita Personal Income (2) | | | |
| 2016 | 19,693 | \$ 1,025,218,000 | \$ 52,060 | 63,865 | 8,352 | 3.4 % |
| 2017 | 19,748 | 1,257,572,000 | 63,681 | 64,046 | 8,450 | 3.1 |
| 2018 | 19,915 | 1,268,207,000 | 63,681 | 64,046 | 8,342 | 2.6 |
| 2019 | 20,600 | 1,311,829,000 | 63,681 | 65,883 | 8,433 | 2.9 |
| 2020 | 19,767 | 1,258,782,000 | 63,681 | 68,534 | 8,451 | 5.8 |
| 2021 | 19,394 | 1,235,029,000 | 63,681 | 68,534 | 8,181 | 3.2 |
| 2022 | 19,464 | 1,493,531,000 | 76,733 | 68,357 | 8,098 | 2.1 |
| 2023 | 19,425 | 1,550,387,000 | 79,814 | 68,357 | 8,152 | 2.4 |
| 2024 | 19,530 | 1,640,872,000 | 84,018 | 69,269 | 8,265 | 2.7 |
| 2025 | N/A | N/A | N/A | 70,310 | 8,223 | 3.3 |

N/A – Not Available

Note 1: Student enrollment numbers are estimated for the most recent fiscal year.

Note 2: Unemployment rate for 2025 is an average through August 2025.

Sources:

- (1) City of Stillwater’s ACFR for the year ended December 31, 2024
- (2) The per capita personal income used is for that of Washington County, in which the City of Stillwater resides
- (3) Annual school district census and U.S. Census
- (4) The District
- (5) Minnesota Department of Employment and Economic Development

INDEPENDENT SCHOOL DISTRICT NO. 834

Principal Employers
Current Year and Nine Years Ago

| Employer | Fiscal Year | | | |
|--|---------------|------|---------------|------|
| | 2025 | | 2016 | |
| | Employees | Rank | Employees | Rank |
| Andersen Corporation | 4,250 | 1 | 2,622 | 1 |
| Washington County | 1,442 | 2 | 1,188 | 2 |
| Lakeview Hospital and HealthPartners Clinic | 1,340 | 3 | 759 | 4 |
| Independent School District No. 834 | 1,213 | 4 | 1,049 | 3 |
| Minnesota Correctional Facility – Stillwater | 473 | 5 | – | – |
| Cub Foods | 378 | 6 | 295 | 8 |
| DiaSorin, Inc. | 340 | 7 | 245 | 9 |
| Minnesota Correctional Facility – Oak Park Heights | 327 | 8 | 517 | 5 |
| Wal-Mart | 275 | 9 | 350 | 7 |
| Target | 200 | 10 | – | – |
| Stillwater Medical Group and Clinic | – | – | 382 | 6 |
| W. Zintl Corporation | – | – | 180 | 10 |
| Total | <u>10,238</u> | | <u>7,587</u> | |
| Total ISD No. 834 population (see the Schedule of Demographic and Economic Statistics) | <u>70,310</u> | | <u>63,865</u> | |
| Percent of principal employers to total ISD No. 834 population | <u>14.6%</u> | | <u>11.9%</u> | |

Note: The District has provided total population to provide a comparison base to reference between current year and nine years ago.

Sources: 2025 Continuing Disclosure Report prepared by Ehlers; District’s Human Resources Department; District’s Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2016

INDEPENDENT SCHOOL DISTRICT NO. 834

Employees by Classification
Last Ten Fiscal Years

| Employees (1) | Fiscal Year | | | |
|---|--------------|--------------|--------------|--------------|
| | 2016 | 2017 | 2018 | 2019 |
| District directors/superintendent | 12 | 12 | 14 | 14 |
| Principals | 18 | 19 | 17 | 17 |
| Teachers | 522 | 524 | 566 | 564 |
| Coordinators, supervisors, specialists, and technical support | 99 | 105 | 116 | 111 |
| Paraprofessionals | 205 | 208 | 177 | 187 |
| Food service | 68 | 68 | 66 | 70 |
| Custodians | 53 | 52 | 56 | 56 |
| Community education leads and assistants | 72 | 88 | 85 | 124 |
| Total | <u>1,049</u> | <u>1,076</u> | <u>1,097</u> | <u>1,143</u> |

(1) This schedule is a headcount based on contract group; if an employee has multiple contract groups, they are reflected multiple times. Full-time and part-time employees count the same.

Source: The District's Human Resources Department

| <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
|--------------|--------------|--------------|--------------|--------------|--------------|
| 13 | 14 | 14 | 14 | 14 | 18 |
| 17 | 17 | 17 | 17 | 18 | 20 |
| 568 | 592 | 596 | 594 | 598 | 595 |
| 109 | 112 | 113 | 119 | 132 | 125 |
| 196 | 199 | 190 | 190 | 177 | 203 |
| 78 | 69 | 72 | 73 | 78 | 93 |
| 53 | 56 | 64 | 55 | 58 | 58 |
| 115 | 74 | 101 | 99 | 100 | 101 |
| <u>1,149</u> | <u>1,133</u> | <u>1,167</u> | <u>1,161</u> | <u>1,175</u> | <u>1,213</u> |

INDEPENDENT SCHOOL DISTRICT NO. 834

Teacher Data
Year Ended June 30, 2025

| | Salary Schedule | | | | |
|--------------------|-----------------|-----------|-----------|-----------|-----------|
| | BA | BA + 15 | BA + 30 | BA + 45 | BA + 60 |
| Low range | \$ 53,710 | \$ 55,797 | \$ 57,934 | \$ 60,120 | \$ 62,336 |
| High range | \$ 77,060 | \$ 80,255 | \$ 86,729 | \$ 90,445 | \$ 98,886 |
| Number of teachers | 32 | 8 | 6 | 5 | 32 |
| Average salary | \$ 94,973 | | | | |
| Average education | MA + 30 | | | | |

N/A – Not Applicable

Source: The District's Human Resources Department

| | MA | MA + 15 | MA + 30 | MA + 45 | MA + 60 | PhD / Doc | Total |
|----|--------|------------|------------|------------|------------|------------|-------|
| \$ | 62,336 | \$ 63,400 | \$ 64,458 | \$ 65,542 | \$ 66,618 | \$ 67,694 | N/A |
| \$ | 98,886 | \$ 101,119 | \$ 102,906 | \$ 104,720 | \$ 106,543 | \$ 108,336 | N/A |
| | 100 | 35 | 46 | 41 | 249 | 14 | 568 |

INDEPENDENT SCHOOL DISTRICT NO. 834

Operating Indicators by Function
Standardized Testing and Graduation Rates
Last Ten Fiscal Years

| | Fiscal Year | | | |
|--------------------------------|--------------|--------------|--------------|--------------|
| | 2016 | 2017 | 2018 | 2019 (2) |
| Standardized tests | | | | |
| MCA Reading (1) | | | | |
| Grade 3 | 68 % | 68 % | 63 % | 59 % |
| Grade 5 | 81 | 75 | 80 | 77 |
| Grade 7 | 70 | 68 | 64 | 70 |
| Grade 10 | 67 | 71 | 73 | 73 |
| MCA Math (1) | | | | |
| Grade 3 | 83 | 80 | 76 | 73 |
| Grade 5 | 68 | 66 | 59 | 57 |
| Grade 7 | 68 | 65 | 64 | 68 |
| Grade 11 | 52 | 62 | 58 | 51 |
| ACT | | | | |
| Average composite score (2) | 22.6 | 22.4 | 22.3 | 22.5 |
| Graduation data (3) | | | | |
| ISD No. 834's graduation rate | 86 | 89 | 92 | N/A |
| State graduation rate | 83 | 83 | 83 | N/A |
| Post-graduation student survey | | | | |
| Four-year college/university | 73 | 75 | 73 | 70 |
| Two-year college | 15 | 16 | 15 | 17 |
| Employment | 5 | 2 | 5 | 4 |
| Military | 2 | 6 | 2 | 3 |
| No response/undecided | 5 | 1 | 5 | 6 |
| Gap year | - | - | - | - |
| Bridge Transition Program | - | - | - | - |
| | <u>100 %</u> | <u>100 %</u> | <u>100 %</u> | <u>100 %</u> |

N/A – Not Available

- (1) Percent of students scoring at or above proficiency on the Minnesota Comprehensive Assessment Test (II).
- (2) For 2019, Grade 11 only.
- (3) No testing in 2020 due to COVID-19, also due to distance learning, there was not sufficient data for the student survey.

Source: Minnesota Department of Education, the District's Testing Department, and the District's Registrar and ACT Corporation

| 2020 (3) | 2021 | 2022 | 2023 | 2024 | 2025 |
|----------|-------|-------|-------|-------|-------|
| N/A % | 52 % | 51 % | 49 % | 56 % | 55 % |
| N/A | 63 | 58 | 70 | 68 | 66 |
| N/A | 57 | 57 | 50 | 52 | 58 |
| N/A | 67 | 59 | 57 | 62 | 61 |
| N/A | 66 | 68 | 65 | 72 | 65 |
| N/A | 39 | 46 | 45 | 46 | 50 |
| N/A | 52 | 54 | 51 | 57 | 58 |
| N/A | 55 | 42 | 40 | 47 | 48 |
| 23.1 | 23.9 | 24.1 | 22.6 | 21.9 | 21.7 |
| 94 | 91 | 93 | 92 | 94 | 96 |
| 84 | 83 | 84 | 83 | 84 | N/A |
| N/A | 70 | 69 | 68 | 67 | 75 |
| N/A | 14 | 14 | 13 | 16 | 11 |
| N/A | 4 | 4 | 3 | 5 | 3 |
| N/A | 3 | 2 | 2 | 2 | 3 |
| N/A | 9 | 11 | 10 | 3 | 1 |
| - | - | - | 4 | 5 | 7 |
| - | - | - | - | 2 | - |
| - % | 100 % | 100 % | 100 % | 100 % | 100 % |

INDEPENDENT SCHOOL DISTRICT NO. 834

School Facilities
as of June 30, 2025

| Facility | Use | Constructed | Acres | Classrooms | Square Footage | Capacity | Enrollment (1) |
|-------------------------------|------------------------|---|--------|------------|----------------|----------|----------------|
| Afton Lakeland Elementary | School | 1951/1954/1965 1968/1980/2001 | 17.00 | 24 | 63,368 | 525 | 437 |
| Andersen Elementary | School | 1919/1937/1946 1980/1997/2014 | 1.13 | 16 | 49,840 | 375 | 311 |
| Brookview Elementary | School | 2017/2022 | 20.00 | 28 | 86,960 | 700 | 580 |
| Central Services | Office/ warehouse | 1975 | 6.50 | N/A | 16,139 | N/A | N/A |
| Early Childhood Family Center | School | 2012 | 2.00 | 17 | 45,685 | 255 | N/A |
| Lake Elmo Elementary | School | 1920/1952/1954 1959/1963/1969 1976/1987/1988 1996/2010 | 8.70 | 36 | 82,570 | 725 | 681 |
| Lily Lake Elementary | School | 1963/1966/1969 1990/1993 | 12.00 | 31 | 73,088 | 650 | 387 |
| Oak Park Learning Center | School/ office | 1956/1963/1975 1996/2001/2014 | 12.70 | 26 | 65,781 | 500 | 69 |
| Oak-Land Middle | School | 1967/1969/2016 | 40.00 | 45 | 135,238 | 1,050 | 947 |
| Rutherford Elementary | School | 1998 | 16.00 | 29 | 106,998 | 725 | 573 |
| Stillwater Area High | School | 1993/2001/2017 | 131.88 | 110 | 492,841 | 3,300 | 2,695 |
| Stillwater Middle | School | 1959/1965/1969 1979/1993/2014 | 40.00 | 51 | 212,924 | 1,530 | 1,003 |
| Stonebridge Elementary | School | 1971/1997 | 12.00 | 28 | 65,089 | 650 | 420 |
| Transportation Facility | Office/ maintenance | 2001 | 11.00 | N/A | 18,495 | N/A | N/A |

N/A – Not Available

(1) Enrollment data from October 1, 2024.

Source: The District's Operations and Maintenance Department and Enrollment Department, and MDE school ADM served report

INDEPENDENT SCHOOL DISTRICT NO. 834

Food Service
School Lunch Program Data
Last Ten Fiscal Years

| Fiscal Year | Total Lunches Served | Days | Average Daily Participation | Free Lunch | | Reduced Lunch | |
|-------------|----------------------|------|-----------------------------|---------------|------------------|---------------|------------------|
| | | | | Number Served | Percent of Total | Number Served | Percent of Total |
| 2016 | 750,615 | 173 | 4,344 | 131,892 | 17.57 | 40,893 | 5.45 |
| 2017 | 718,089 | 171 | 4,199 | 131,214 | 18.27 | 39,860 | 5.55 |
| 2018 | 685,616 | 171 | 4,009 | 128,479 | 18.74 | 43,997 | 6.42 |
| 2019 | 695,879 | 167 | 4,167 | 125,912 | 18.09 | 46,955 | 6.75 |
| 2020 | 581,250 | 218 | 2,666 | 174,770 | 30.07 | 38,819 | 6.68 |
| 2021 | 184,901 | 199 | 929 | 184,901 | 100.00 | – | – |
| 2022 | 819,229 | 172 | 4,763 | 819,229 | 100.00 | – | – |
| 2023 | 771,586 | 168 | 4,593 | 173,847 | 22.53 | 38,279 | 4.96 |
| 2024 | 932,219 | 172 | 5,420 | 191,982 | 20.59 | 35,444 | 3.80 |
| 2025 | 967,035 | 166 | 5,825 | 171,610 | 17.75 | 40,210 | 4.16 |

Note: In fiscal 2021 and 2022, all student meals served through the District’s child nutrition program were reimbursed through pandemic-related federal awards. The state-wide Free School Meals for Kids Program began July 1, 2023.

Source: The District’s Food Service Department

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SCHOOL DISTRICT NO. 834

Student Enrollment
Last Ten Fiscal Years

| Year Ended June 30, | Average Daily Membership (ADM) (for Students Served or Tuition Paid) | | | | | Total Pupil Units |
|------------------------|--|--------------|------------|-----------|----------|----------------------|
| | Pre-Kindergarten | Kindergarten | Elementary | Secondary | Total | |
| 2016 | 79.07 | 547.88 | 3,657.63 | 4,067.90 | 8,352.48 | 9,166.06 |
| 2017 | 89.47 | 550.02 | 3,648.54 | 4,161.82 | 8,449.85 | 9,282.13 |
| 2018 | 99.76 | 540.62 | 3,522.57 | 4,179.34 | 8,342.29 | 9,178.17 |
| 2019 | 103.84 | 581.26 | 3,530.51 | 4,217.51 | 8,433.12 | 9,276.43 |
| 2020 | 105.78 | 575.50 | 3,619.35 | 4,150.19 | 8,450.82 | 9,280.87 |
| 2021 | 104.95 | 518.01 | 3,470.88 | 4,086.94 | 8,180.78 | 8,998.17 |
| 2022 | 104.90 | 533.88 | 3,416.09 | 4,042.96 | 8,097.83 | 8,906.40 |
| 2023 | 105.08 | 577.66 | 3,501.92 | 3,966.96 | 8,151.62 | 8,945.02 |
| 2024 | 117.74 | 512.07 | 3,598.61 | 4,036.96 | 8,265.38 | 9,072.77 |
| 2025 | 149.43 | 512.17 | 3,581.19 | 3,979.79 | 8,222.58 | 9,018.53 |

Note 1: Student enrollment numbers are estimated for the most recent fiscal year.

Note 2: ADM is weighted as follows in computing pupil units:

| | Pre-Kindergarten | Half-Day Kindergarten | Full-Day Kindergarten | Elementary 1-6 | Secondary 7-12+ |
|-----------------------------|------------------|--------------------------|--------------------------|-------------------|--------------------|
| Fiscal 2016 through 2025 | 1.000 | 0.550 | 1.000 | 1.000 | 1.200 |

Source: Minnesota Department of Education student reporting system

INDEPENDENT SCHOOL DISTRICT NO. 834

Expenditures per Student
Last Ten Fiscal Years

| | Fiscal Year | | | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2016 | 2017 | 2018 | 2019 |
| Expenditures per student (ADM) (1) | | | | |
| General Fund | | | | |
| District level administration | \$ 473 | \$ 599 | \$ 675 | \$ 557 |
| School level administration | 394 | 407 | 387 | 399 |
| Regular instruction | 4,970 | 5,099 | 5,217 | 5,190 |
| Career and technical instruction | 151 | 138 | 169 | 161 |
| Special education | 1,990 | 2,074 | 2,226 | 2,298 |
| Student activities/athletics | 237 | 237 | 249 | 253 |
| Instructional support services | 573 | 718 | 754 | 751 |
| Pupil support services | 389 | 441 | 490 | 523 |
| Operations, maintenance, and other | 804 | 824 | 939 | 958 |
| Student transportation | 780 | 866 | 924 | 907 |
| Equipment | 1,443 | 166 | 274 | 553 |
| Land and buildings | 224 | 263 | 468 | 415 |
| Total General Fund expenditures | <u>\$ 12,429</u> | <u>\$ 11,832</u> | <u>\$ 12,772</u> | <u>\$ 12,965</u> |
| ADM used per profile model format | <u>8,392</u> | <u>8,482</u> | <u>8,376</u> | <u>8,463</u> |

(1) Average daily membership (ADM) is a measure of student attendance.

Note: The increase in 2016 equipment expenditures per student was due to a one-time special item reported in that year.

Source: Minnesota Department of Education School District Profiles Report

| <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 558 | \$ 988 | \$ 631 | \$ 885 | \$ 982 | \$ 972 |
| 396 | 415 | 436 | 446 | 474 | 518 |
| 5,042 | 5,917 | 5,910 | 6,057 | 6,553 | 6,806 |
| 162 | 203 | 195 | 201 | 196 | 270 |
| 2,379 | 2,576 | 2,784 | 2,975 | 3,164 | 3,549 |
| 258 | 245 | 292 | 329 | 323 | 360 |
| 658 | 727 | 739 | 938 | 987 | 1,118 |
| 507 | 546 | 617 | 734 | 691 | 754 |
| 902 | 1,110 | 1,181 | 1,195 | 1,137 | 1,184 |
| 918 | 1,016 | 873 | 1,464 | 1,542 | 1,699 |
| 484 | 497 | 550 | 163 | 149 | 167 |
| <u>337</u> | <u>390</u> | <u>386</u> | <u>1,972</u> | <u>1,229</u> | <u>1,348</u> |
| <u>\$ 12,601</u> | <u>\$ 14,630</u> | <u>\$ 14,595</u> | <u>\$ 17,358</u> | <u>\$ 17,427</u> | <u>\$ 18,745</u> |
| <u>8,474</u> | <u>8,206</u> | <u>8,127</u> | <u>8,180</u> | <u>8,291</u> | <u>8,274</u> |

THIS PAGE INTENTIONALLY LEFT BLANK

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. 834
(STILLWATER AREA PUBLIC SCHOOLS)
WASHINGTON COUNTY, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING AND FACILITIES MAINTENANCE BONDS
SERIES 2026A

We have acted as bond counsel to Independent School District No. 834 (Stillwater Area Public Schools), Washington County, Minnesota (the "Issuer"), in connection with the issuance by the Issuer of its General Obligation School Building and Facilities Maintenance Bonds, Series 2026A (the "Bonds"), originally dated _____, 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 July 15, 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)

\$ _____
INDEPENDENT SCHOOL DISTRICT NO. 834
(STILLWATER AREA PUBLIC SCHOOLS)
WASHINGTON COUNTY, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING AND 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. 834 (Stillwater Area Public Schools), Washington County, Minnesota (the “District”), in connection with the issuance of its General Obligation School Building and Facilities Maintenance Bonds, Series 2026A (the “Bonds”), in the original aggregate principal amount of \$_____. The Bonds are being issued pursuant to a resolution adopted by the School Board of the District (the “Resolution”). The Bonds are being delivered to _____[, as syndicate manager] (the “Purchaser”), on the date hereof. Pursuant to the Resolution, the District has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The District hereby covenants and agrees as follows:

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

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

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

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

“Bonds” means the General Obligation School Building and Facilities Maintenance Bonds, Series 2026A, issued by the District in the original aggregate principal amount of \$_____.

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“District” means Independent School District No. 834 (Stillwater Area Public Schools), Washington 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 5(a) of this Disclosure Certificate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 5. Reporting of Material Events.

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

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person;

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

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

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

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

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

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

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

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

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 834
(STILLWATER AREA PUBLIC SCHOOLS),
WASHINGTON COUNTY, MINNESOTA**

Board Chair

Clerk

TERMS OF PROPOSAL

\$90,335,000* GENERAL OBLIGATION SCHOOL BUILDING AND FACILITIES MAINTENANCE BONDS, SERIES 2026A INDEPENDENT SCHOOL DISTRICT NO. 834 (STILLWATER AREA PUBLIC SCHOOLS), MINNESOTA

Proposals for the purchase of \$90,335,000* General Obligation School Building and Facilities Maintenance Bonds, Series 2026A (the "Bonds") of Independent School District No. 834 (Stillwater Area Public Schools), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, municipal advisors to the District, until 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 February 17, 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, Minnesota Statutes, Section 123B.595, as amended, and a special election held November 7, 2023, by the District, for the purposes of financing the acquisition and betterment of school sites and facilities in the District and to provide funds for deferred maintenance projects included in the District's ten-year facility plan as 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 March 12, 2026, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

| <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> |
|-------------|----------------|-------------|----------------|-------------|----------------|
| 2027 | \$435,000 | 2034 | \$2,330,000 | 2041 | \$5,315,000 |
| 2028 | 3,050,000 | 2035 | 2,195,000 | 2042 | 5,525,000 |
| 2029 | 1,030,000 | 2036 | 2,975,000 | 2043 | 5,745,000 |
| 2030 | 1,635,000 | 2037 | 3,325,000 | 2044 | 9,735,000 |
| 2031 | 1,115,000 | 2038 | 5,975,000 | 2045 | 11,860,000 |
| 2032 | 2,430,000 | 2039 | 6,630,000 | 2046 | 12,235,000 |
| 2033 | 1,705,000 | 2040 | 5,090,000 | | |

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. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

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

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

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

DELIVERY

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

LEGAL OPINION

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

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$90,335,000 plus accrued interest on the principal sum of \$90,335,000 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 \$1,806,700 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

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

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

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

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

(1) the close of the fifth (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. 834
(Stillwater Area Public Schools), Minnesota

PROPOSAL FORM

The School Board
Independent School District No. 834 (Stillwater Area Public Schools), Minnesota (the "District")

February 17, 2026

RE: \$90,335,000* General Obligation School Building and Facilities Maintenance Bonds, Series 2026A (the "Bonds")
DATED: March 12, 2026

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$90,335,000) 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 | 2034 | _____ | % due | 2041 |
| _____ | % due | 2028 | _____ | % due | 2035 | _____ | % due | 2042 |
| _____ | % due | 2029 | _____ | % due | 2036 | _____ | % due | 2043 |
| _____ | % due | 2030 | _____ | % due | 2037 | _____ | % due | 2044 |
| _____ | % due | 2031 | _____ | % due | 2038 | _____ | % due | 2045 |
| _____ | % due | 2032 | _____ | % due | 2039 | _____ | % due | 2046 |
| _____ | % due | 2033 | _____ | % due | 2040 | | | |

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

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$1,806,700 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about March 12, 2026.

This proposal is subject to the District's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (Syndicate Manager), we agree to provide the District with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ___ NO: ___.

If the competitive sale requirements are not met, we elect to use either the: ___ 10% test, or the ___ hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
 Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from March 12, 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. 834 (Stillwater Area Public Schools), Minnesota, on February 17, 2026.

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