

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 18, 2025

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions. See "TAX CONSIDERATIONS" herein.

New Issue

Rating Application Made: S&P Global Ratings

INDEPENDENT SCHOOL DISTRICT NO. 47 (SAUK RAPIDS-RICE), MINNESOTA (Benton County)

(Minnesota School District Credit Enhancement Program)

\$14,850,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2025A

PROPOSAL OPENING: April 28, 2025, 9:30 A.M., C.T.

CONSIDERATION: April 28, 2025, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$14,850,000* General Obligation School Building Bonds, Series 2025A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held February 11, 2025, by Independent School District No. 47 (Sauk Rapids-Rice), Minnesota (the "District"), for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

DATE OF BONDS: May 22, 2025

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2027	\$825,000	2033	\$300,000	2039	\$425,000
2028	210,000	2034	325,000	2040	450,000
2029	225,000	2035	350,000	2041	3,450,000
2030	250,000	2036	365,000	2042	3,630,000
2031	250,000	2037	375,000	2043	2,745,000
2032	275,000	2038	400,000		

***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, 2026 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2034 and thereafter are subject to call for prior optional redemption on February 1, 2033 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM PROPOSAL: \$14,850,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$297,000 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL: Dorsey & Whitney LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

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

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

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SAUK RAPIDS-RICE SCHOOL BOARD

		<u>Term Expires</u>
Ryan Butkowski	Board Chair	January 2029
Mark Hauck	Vice Chair	January 2029
Lisa Loidolt	Clerk	January 2027
Robyn Holthaus	Treasurer	January 2027
Samantha Dwyer	Member	January 2027
Dan Johnson	Member	January 2029
Tracy Morse	Member	January 2029

ADMINISTRATION

Bradley Bergstrom, Superintendent of Schools

Tracey Fiereck, Director of Business Services

PROFESSIONAL SERVICES

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

Dorsey & Whitney LLP, Bond Counsel, Minneapolis, Minnesota

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 47 (Sauk Rapids-Rice), Minnesota (the "District") and the issuance of its \$14,850,000* General Obligation School Building Bonds, Series 2025A (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 April 28, 2025.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, 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 May 22, 2025. 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, 2026, 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, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The District will pay the charges for Paying Agent services. The District reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

The Bonds maturing on and after February 1, 2034 are be subject to redemption and prepayment at the option of the District, in whole or in part, in such order as the District shall determine and within a maturity by lot as selected by the Registrar in multiples of \$5,000, on February 1, 2033, and on any date thereafter, at a price equal to the principal amount thereof and accrued interest to the date of redemption.

The Clerk is required to cause notice of the call for redemption thereof to be published as required by law and, at least thirty (30) days prior to the designated redemption date, and cause notice of the call for redemption to be mailed, by first class mail, to the registered owners of any Bonds to be redeemed at their addresses as they appear on the bond register, but no defect in or failure to give such mailed notice of redemption will affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the District defaults in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held February 11, 2025, by the District, at which voters approved two ballot questions for the issuance of school building bonds in the total amount not to exceed \$54,900,000.

The first referendum question was approved by a vote of 1,815 - 1,266, and authorized the issuance of \$37,200,000. The second referendum question was approved by a vote of 1,661 to 1,416, and authorized the issuance of \$17,700,000.

Proceeds of the Bonds will be used to provide funds for the acquisition and betterment of school sites and facilities. The District plans to issue the remainder of the bonds authorized in the February election within the next 12 months.

ESTIMATED SOURCES AND USES*

Sources

Par Amount of Bonds	\$14,850,000	
Reoffering Premium	148,315	
Funds on Hand - Debt Service Funds	<u>453,716</u>	
Total Sources		\$15,452,031

Uses

Total Underwriter's Discount (1.000%)	\$148,500	
Costs of Issuance	123,825	
Capitalized Interest	453,716	
Deposit to Construction Fund	<u>14,725,990</u>	
Total Uses		\$15,452,031

*Preliminary, subject to change.

SECURITY

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

RATING

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

The District currently has an "A+"/Stable outlook underlying rating from S&P and will be requesting an underlying rating on this issue. Such rating, if any, 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 March 10, 2025 and the Award Resolution (collectively, the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, as amended, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

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

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

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

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

"As of June 30, 2024, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2054, is approximately \$19,750,000,000. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of June 30, 2024 is currently estimated at \$1,500,000,000, with the maximum amount of principal and interest payable in any one month being \$1,185,000,000. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.

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

CONTINUING DISCLOSURE

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

In the Award Resolution, 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.

During the previous five years, the District has not failed to comply, in all material respects, with any previous undertakings it has entered into with respect to the Rule. Ehlers is currently engaged as dissemination agent for the District.

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the District.

TAX CONSIDERATIONS

The following is a summary of certain U.S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the "Code") and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS"), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Bonds. The District has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

Prospective purchasers of Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Bonds based on their own particular circumstances.

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Bonds. It does not address the application of the alternative minimum tax imposed on noncorporate taxpayers and applicable corporations (as defined in Section 59(k) of the Code) or the additional tax on net investment income, nor does it address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent expressly specified herein. This summary is limited to consequences to U.S. holders that purchase Bonds for cash at original issue and hold the Bonds as "capital assets" (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as: holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies; brokers, dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations subject to the branch profits tax; holders receiving payments in respect of Bonds through foreign entities; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the "issue price" of a maturity of Bonds is the first price at which a substantial amount of Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

Tax-Exempt Interest

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Code, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of Bond proceeds and other amounts. The District has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

Original Issue Discount

Bonds may be issued with original issue discount ("OID"). A Bond will be treated as issued with OID (a "Discount Bond") if its "stated redemption price at maturity" (i.e., the sum of all amounts payable on the Bond other than payments of qualified stated interest) exceeds its issue price. OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder's federal and Minnesota tax bases. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

OID on a Discount Bond generally accrues pursuant to a constant-yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of OID that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For this purpose, the adjusted issue price is determined by adding to the issue price for such Discount Bonds the OID that is treated as having accrued during all prior accrual periods. If a Discount Bond is sold or otherwise disposed of between compounding dates, then the OID that would have accrued for that accrual period for federal income tax purposes is allocated ratably to the days in that accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued OID, the amount of OID that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of the Discount Bond. If the excess is greater than the amount of remaining OID, the basis reduction rules for amortizable bond premium may result in taxable gain upon sale or other disposition of the Bonds, even if the Bonds are sold, redeemed, or retired for an amount equal to or less than their cost.

It is possible under certain state and local income tax laws that OID on a Discount Bond may be taxable in the year of accrual and may be deemed to accrue differently than under federal law.

Market Discount

If a Bond is purchased for a cost that is less than the Bond's issue price (plus accrued OID, if any), the purchaser may be treated as having purchased the Bond with market discount (unless a statutory *de minimis* rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond).

Bond Premium

A holder that acquires a Bond for an amount in excess of its stated redemption price at maturity generally must, from time to time, reduce the holder's federal and Minnesota tax bases for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a Bond holder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates, and trusts.

Related Tax Considerations

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally, no deduction is allowed under Section 265(b) of the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as Bonds, unless the obligations are "qualified tax-exempt obligations." Indebtedness may be allocated to Bonds for this purpose even though not directly traceable to the purchase of the Bonds. The Bonds are not "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Income or loss on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations.

The ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may affect a holder's federal, state, or local tax liability in some additional circumstances. The nature and extent of these other tax consequences depends upon the particular tax status of the holder and the holder's other items of income or deduction.

Sale or Other Disposition

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Bond equal to the difference between (i) the amount realized less amounts attributable to any accrued but unpaid stated interest and (ii) the holder's adjusted tax basis in the Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Bond. A holder's adjusted tax basis in a Bond generally will be equal to the amount that the holder paid for the Bond, increased by any accrued OID with respect to the Bond and reduced by the amount of any amortized bond premium on the Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Bond for more than one year. Long-term capital gains recognized by certain non-corporate persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

Information Reporting and Backup Withholding

Payments of interest on the Bonds (including any allocable bond premium or accrued OID) and proceeds from the sale or other disposition of the Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

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, 2024, have been audited by BerganKDV, Ltd., St. Cloud, 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 bond 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 United States 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 - .75% Over \$174,000 - .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 - .75% Over \$100,000 - .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: .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

2023/24 Economic Market Value¹	<u><u>\$3,264,075,219²</u></u>
2024/25 Assessor's Estimated Market Value	
Real Estate	\$3,239,513,600
Personal Property	24,713,400
Total Valuation	<u><u>\$3,264,227,000</u></u>
2024/25 Net Tax Capacity	
Real Estate	\$34,010,979
Personal Property	488,128
Net Tax Capacity	<u>\$34,499,107</u>
Less:	
Captured Tax Increment Tax Capacity ³	(460,825)
Power Line Adjustment ⁴	(485)
Taxable Net Tax Capacity	<u><u>\$34,037,797</u></u>

¹ Most recent value available from the Minnesota Department of Revenue.

² According to the Minnesota Department of Revenue, the 2023/24 Assessor's Estimated Market Value (the "AEMV") for the District was about 97.87% 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 a 2023/24 Economic Market Value ("EMV") for the District of \$3,264,075,219.

³ The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the District.

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	\$17,824,778	51.67%
Agricultural	2,770,868	8.03%
Commercial/industrial	7,469,088	21.65%
Public utility	338,483	0.98%
Railroad operating property	277,910	0.81%
Non-homestead residential	4,997,093	14.48%
Commercial & residential seasonal/rec.	332,759	0.96%
Personal property	<u>488,128</u>	<u>1.41%</u>
 Total	 <u><u>\$34,499,107</u></u>	 <u><u>100.00%</u></u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity¹	Taxable Net Tax Capacity²	Percent Increase/Decrease in Estimated Market Value
2020/21	\$2,207,522,500	\$2,037,195,200	\$22,778,799	\$22,607,694	5.21%
2021/22	2,375,710,300	2,208,861,500	24,549,912	24,346,124	7.62%
2022/23	2,776,470,100	2,633,167,300	29,360,156	29,097,148	16.87%
2023/24	3,182,145,300	3,048,018,000	34,199,277	33,842,491	14.61%
2024/25	3,264,227,000	3,063,458,300	34,499,107	34,037,797	2.58%

¹ Net Tax Capacity includes tax increment and power line values.

² Taxable Net Tax Capacity 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	Utility	\$455,982	1.32%
Wildflower Terrace, LLC	Apartments	414,979	1.20%
BNSF Railway Company	Railroad	277,944	0.81%
Country Manor Campus, LLC	Residential/Commercial	246,968	0.72%
Performance Food Group, Inc.	Industrial	235,358	0.68%
Toppan Merrill 1, LLC	Industrial	213,374	0.62%
Great River Energy	Utility	210,951	0.61%
Dick Family Real Estate, LLC	Industrial	185,352	0.54%
Berd House Holdings, LLC	Industrial	160,216	0.46%
Virning Properties, LLC	Industrial	<u>136,574</u>	<u>0.40%</u>
Total		\$2,537,698	7.36%

District's Total 2024/25 Net Tax Capacity \$34,499,107

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

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids² (includes the Bonds)* \$59,815,000

*Preliminary, subject to change.

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

² Based upon the debt service equalization formula, Long Term Facilities Maintenance Revenue formula, the agricultural land valuation and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

Other Obligations - Cooperative District/Joint Governmental Obligations

The District is a member of Benton-Stearns Education District No. 6383 (BSED). On December 22, 2011, BSED issued Building Lease in the amount of \$1,223,983. The District has a contractual obligation to make a portion of the debt service payments along with other member districts. The allocation of the debt service payments is determined by agreement among the member districts and calculated annually by the education district.

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

District voters authorized the issuance of up to \$54,900,000 in bonds in the bond referendum election held on February 11, 2025. The District expects to issue the remaining authority of the voter-approved School Building Bonds in the spring of 2026.

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). Although the District expects to receive some Debt Service Equalization Aid in its debt service fund, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aid.

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

Some school districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minnesota Statutes, Section 273.1387). For taxes payable in 2023, and thereafter, the reimbursement percentage for each qualifying property is 70% of the property's eligible net tax capacity multiplied by the school debt tax rate determined under Minnesota Statutes, Section 275.08, subdivision 1b. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, and to rural vacant land and managed forest land. The amount of agricultural credit received in the debt service fund for taxes payable 2024 is approximately 3.88% of total annual debt service levies, based on the District's 2023/24 qualifying agricultural land valuation.

BONDED DEBT LIMIT

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

2024/25 Economic Market Value	\$3,264,227,000
Multiply by 15%	<u>0.15</u>
Statutory Debt Limit	<u>\$489,634,050</u>
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	<u>(59,815,000)</u>
Unused Debt Limit*	<u><u>\$429,819,050</u></u>

*Preliminary, subject to change.

Independent School District No. 47 (Sauk Rapids-Rice), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 05/22/2025)

	School Building Bonds Series 2020A		Facilities Maintenance Bonds Series 2020B		School Building Refunding Bonds Series 2024A		School Building Bonds Series 2025A									
Dated Amount	02/06/2020 \$35,810,000		07/16/2020 \$5,375,000		03/21/2024 \$9,220,000		05/22/2025 \$14,850,000*									
Maturity	02/01		02/01		02/01		02/01									
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending		
2026	0	981,181	305,000	115,400	4,640,000	232,000	0	453,716	4,945,000	1,782,297	6,727,297	54,870,000	8.27%	2026		
2027	2,015,000	981,181	365,000	103,200			825,000	655,975	3,205,000	1,740,356	4,945,356	51,665,000	13.63%	2027		
2028	2,175,000	900,581	385,000	88,600			210,000	614,725	2,770,000	1,603,906	4,373,906	48,895,000	18.26%	2028		
2029	2,260,000	813,581	400,000	73,200			225,000	604,225	2,885,000	1,491,006	4,376,006	46,010,000	23.08%	2029		
2030	2,350,000	723,181	410,000	61,200			250,000	592,975	3,010,000	1,377,356	4,387,356	43,000,000	28.11%	2030		
2031	2,425,000	652,681	420,000	53,000			250,000	580,475	3,095,000	1,286,156	4,381,156	39,905,000	33.29%	2031		
2032	2,500,000	579,931	425,000	44,600			275,000	567,975	3,200,000	1,192,506	4,392,506	36,705,000	38.64%	2032		
2033	2,545,000	529,931	440,000	36,100			300,000	554,225	3,285,000	1,120,256	4,405,256	33,420,000	44.13%	2033		
2034	2,600,000	479,031	445,000	27,300			325,000	539,225	3,370,000	1,045,556	4,415,556	30,050,000	49.76%	2034		
2035	2,655,000	420,531	455,000	18,400			350,000	522,975	3,460,000	961,906	4,421,906	26,590,000	55.55%	2035		
2036	2,720,000	357,475	465,000	9,300			365,000	505,475	3,550,000	872,250	4,422,250	23,040,000	61.48%	2036		
2037	2,785,000	292,875					375,000	490,875	3,160,000	783,750	3,943,750	19,880,000	66.76%	2037		
2038	2,855,000	223,250					400,000	475,875	3,255,000	699,125	3,954,125	16,625,000	72.21%	2038		
2039	2,925,000	151,875					425,000	459,875	3,350,000	611,750	3,961,750	13,275,000	77.81%	2039		
2040	3,000,000	78,750					450,000	442,875	3,450,000	521,625	3,971,625	9,825,000	83.57%	2040		
2041							3,450,000	424,425	3,450,000	424,425	3,874,425	6,375,000	89.34%	2041		
2042							3,630,000	277,800	3,630,000	277,800	3,907,800	2,745,000	95.41%	2042		
2043							2,745,000	123,525	2,745,000	123,525	2,868,525	0	100.00%	2043		
	35,810,000	8,166,038	4,515,000	630,300	4,640,000	232,000	14,850,000	8,887,216	59,815,000	17,915,554	77,730,554					

* Preliminary, subject to change.

OVERLAPPING DEBT¹

Taxing District	2024/25 Taxable Net Tax Capacity	% In District	Total G.O. Debt²	District's Proportionate Share
County of:				
Benton	\$54,657,313	3.3939%	\$1,600,000	\$54,302
Cities of:				
Sartell	25,047,692	7.1175%	43,980,000	3,130,277
Sauk Rapids	14,936,890	100.0000%	3,795,000	3,795,000
St. Cloud	69,374,814	1.8645%	79,290,000	1,478,362
Towns of:				
Langola	2,424,672	49.6152%	533,505	264,700
Minden	4,290,222	87.4017%	800,000	699,214
Watab	5,523,550	100.0000%	3,715,000	<u>3,715,000</u>
District's Share of Total Overlapping Debt				<u><u>\$13,136,854</u></u>

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$3,264,075,219	Debt/ Per Capita 24,882 ¹
Total G.O. debt secured Taxes and State Aids*	\$59,815,000		
Less: Agricultural Credit ²	<u>(2,320,822)</u>		
Tax Supported General Obligation Debt*	\$57,494,178	1.76%	\$2,310.67
District's Share of Total Overlapping Debt	<u>\$13,136,854</u>	<u>0.40%</u>	<u>\$527.97</u>
Total*	<u><u>\$70,631,032</u></u>	<u><u>2.16%</u></u>	<u><u>\$2,838.64</u></u>

*Preliminary, subject to change.

TAX LEVIES, COLLECTION AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ³	Total Collected Following Year	Collected to Date	% Collected
2020/21	\$10,219,593	\$10,142,584	\$10,212,707	99.93%
2021/22	10,565,688	10,462,388	10,546,269	99.82%
2022/23	11,124,906	11,036,625	11,091,067	99.70%
2023/24	11,454,360	11,352,993	11,352,993	99.12%
2024/25	11,862,453	In process of collection		

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

¹ Estimated 2023 population.

² Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 3.88% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is \$2,320,822.

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

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

TAX CAPACITY RATES¹

	2020/21	2021/22	2022/23	2023/24	2024/25
I.S.D. No. 47 (Sauk Rapids-Rice)	32.865%	32.177%	27.544%	23.969%	24.789%
Benton County	55.200%	54.690%	48.614%	43.991%	45.609%
City of Rice	33.773%	32.831%	29.715%	29.102%	32.079%
City of Sartell	41.507%	41.610%	41.507%	41.464%	41.606%
City of Sauk Rapids	40.911%	44.096%	41.111%	38.298%	42.760%
City of St. Cloud	50.271%	50.904%	51.634%	53.167%	53.972%
Town of Langola ²	22.928%	21.749%	18.477%	16.383%	17.198%
Metro Transit Comm.	3.346%	3.227%	2.998%	2.728%	2.925%
St. Cloud EDA	0.902%	0.907%	0.914%	0.897%	0.906%
St. Cloud HRA	0.898%	0.904%	0.826%	1.019%	1.045%
Watab Township Fire District 1 (Rice)	4.039%	2.820%	0.686%	0.615%	0.838%
Watab Township Fire District 2 (Sauk Rapids)	2.244%	2.046%	1.719%	1.464%	1.339%

Referendum Market Value Rates:

I.S.D. No. 47 (Sauk Rapids-Rice)	0.15623%	0.14279%	0.13790%	0.12759%	0.12863%
City of St. Cloud	0.05084%	0.04950%	0.04444%	0.04047%	0.04035%

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

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 714, including 367 non-licensed employees and 347 licensed employees (336 of whom are teachers). The District provides education for 4,195 students in grades kindergarten through twelve.

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

² Representative town rate.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

Public Employees' Retirement Association (PERA)

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

Recognized and Certified Bargaining Unit

Bargaining Unit	Expiration Date of Current Contract
Sauk Rapids-Rice Educators Association	June 30, 2025
Sauk Rapids-Rice Principals Association	June 30, 2026
SEIU Local 284 - Paraprofessionals	June 30, 2025
SEIU Local 284 - Clerical (Admin Assistants & Cashiers)	June 30, 2025
SEIU Local 284 - Custodial	June 30, 2025
SEIU Local 284 - Food Service	June 30, 2025

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent Audited Financial Statements (Audit) shows a total OPEB liability of \$2,264,981 as of June 30, 2024. The District has been funding these obligations on a pay-as-you-go basis.

Source: The District's most recent Audit.

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2020/21	333	2,018	2,013	4,364
2021/22	315	1,957	1,970	4,242
2022/23	302	1,970	1,984	4,256
2023/24	295	1,953	2,014	4,262
2024/25	312	1,900	1,983	4,195

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2025/26	310	1,863	1,993	4,166
2026/27	305	1,843	1,954	4,102
2027/28	305	1,847	1,906	4,058

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Mississippi Heights Elementary	1995	2000
Pleasantview Elementary	2023	--
Rice Elementary	1957	1963, 1970, 1974, 1977, 1980, 1985, 1994, 1995
Sauk Rapids-Rice Middle School	1959	1966, 1967, 1969, 1970, 1978, 1987, 2004
Sauk Rapids-Rice High School	2003	--
Early Childhood & Adult Basic Education	1928	1978, 1986
STEPS Alternative Learning Center	2003	--

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. There is litigation pending that has been determined, regardless of outcome, would not have a material effect on the District's General Fund. The District is currently involved in litigation regarding a construction project following their 2021 Election against Joe's Excavating, Inc. ("Joe's") regarding the demolition of the old Pleasantview Elementary school building and the discovery of asbestos containing material on the project site. District administration is optimistic that the case can be resolved through settlement, and hope that a settlement may be reached without any monetary compensation to Joe's. However, there is the possibility that a settlement would require the District to compensate Joe's, including the amount due to Joe's under the demolition contract.

MUNICIPAL BANKRUPTCY

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

Currently there is no statutory authority for Minnesota school districts to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

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

FUNDS ON HAND (as of March 31, 2025)

Fund	Total Cash and Investments
General	\$33,151,123
Food Service	2,866,929
Community Service	1,022,159
Debt Service	1,626,123
Building/Construction	538,119
Trust & Agency	<u>84,027</u>
Total Funds on Hand	<u><u>\$39,288,480</u></u>

SUMMARY GENERAL FUND INFORMATION

The following are summaries of the revenues and 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 District's 2024 audited financial statements.

FISCAL YEAR ENDING JUNE 30					
COMBINED STATEMENT	2021	2022	2023	2024	2024-25
	Audited	Audited	Audited	Audited	Revised
					Budget
Revenues					
Local property taxes	\$4,486,301	\$4,570,306	\$4,943,338	\$5,383,371	\$5,372,582
Other local and county revenues	1,781,682	2,758,712	3,563,756	3,438,301	2,634,014
Revenues from state sources	46,387,573	46,185,396	47,433,855	51,785,050	53,699,615
Revenues from federal sources	2,623,028	2,942,769	2,987,368	4,804,843	1,242,970
Sales and other conversion of assets	140,244	94,522	125,185	145,574	69,667
Total Revenues	<u>\$55,418,828</u>	<u>\$56,551,705</u>	<u>\$59,053,502</u>	<u>\$65,557,139</u>	<u>\$63,018,848</u>
Expenditures					
Current:					
Administration	\$1,980,649	\$2,116,805	\$2,118,570	\$2,209,118	\$2,304,288
District support services	2,251,960	1,995,558	2,108,706	1,661,346	1,837,584
Elementary & secondary regular instruction	22,852,905	23,404,657	23,423,555	24,821,863	23,261,407
Vocational education instruction	790,849	558,072	765,388	849,631	831,918
Special education instruction	12,610,183	13,407,235	13,767,053	14,397,570	15,494,119
Instructional support services	3,266,393	3,611,120	3,808,617	4,565,055	4,693,265
Pupil support services	4,637,000	5,218,444	5,328,070	5,663,084	5,884,119
Sites and buildings	5,210,265	5,197,583	5,360,551	5,162,750	5,576,878
Fiscal and other fixed cost programs	208,116	207,224	236,177	352,443	260,000
Capital outlay	2,782,222	3,731,306	3,619,921	6,894,524	3,737,460
Debt service	436,929	1,092,748	212,673	1,204,693	611,419
Total Expenditures	<u>\$57,027,471</u>	<u>\$60,540,752</u>	<u>\$60,749,281</u>	<u>\$67,782,077</u>	<u>\$64,492,457</u>
Excess of revenues over (under) expenditures	(\$1,608,643)	(\$3,989,047)	(\$1,695,779)	(\$2,224,938)	(\$1,473,609)
Other Financing Sources (Uses)					
Proceeds from sale of assets	\$6,931	\$9,320	\$178,212	\$202,504	\$66,000
Issuances of leases and financed purchases	0	1,761,335	551,172	438,700	0
Insurance recoveries	0	8,675	0	2,337	0
Transfers in	0	0	0	0	141,589
Transfers (out)	(36,646)	0	0	(310,799)	(510,617)
Total Other Financing Sources (Uses)	<u>(\$29,715)</u>	<u>\$1,779,330</u>	<u>\$729,384</u>	<u>\$332,742</u>	<u>(\$303,028)</u>
Net changes in Fund Balances	(\$1,638,358)	(\$2,209,717)	(\$966,395)	(\$1,892,196)	(\$1,776,637)
General Fund Balance July 1	\$33,918,606	\$32,280,248	\$30,070,531	\$29,104,136	
Prior Period Adjustment	0	0	0	0	
General Fund Balance June 30	\$32,280,248	\$30,070,531	\$29,104,136	\$27,211,940	
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	\$19,512	\$173,327	\$174,599	\$97,770	
Restricted	7,102,525	8,131,821	10,012,031	8,978,688	
Committed	2,087,662	2,087,662	2,087,662	2,087,662	
Assigned	3,738,043	3,061,563	2,296,544	2,207,542	
Unassigned	19,332,506	16,616,158	14,533,300	13,840,278	
Total	<u>\$32,280,248</u>	<u>\$30,070,531</u>	<u>\$29,104,136</u>	<u>\$27,211,940</u>	

¹ The 2024-25 budget was revised on February 18, 2025.

Note: The District's Policy 714, section 5 states "The District will strive to maintain a minimum unassigned general fund balance of fifteen (15) percent of the annual budget." For fiscal year ending 2021, the District's unassigned general fund balance was in excess of 37% of the annual budget. The School Board has since implemented a planned and controlled reduction in general unassigned fund balance to support one-time and some on-going expenditures. For the most recent fiscal year ending (2024), the unassigned general fund balance was approximately 25% of the annual budget for that year, materially higher than the established minimum level. The District will continue to manage the unassigned fund balance to maintain their established minimum level of unassigned general fund balance into the foreseeable future.

GENERAL INFORMATION

LOCATION

The District, with a 2020 U.S. Census population of 24,667 and a 2023 population estimate of 24,882, and comprising an area of about 137 square miles, is located approximately 67 miles northwest of St. Paul, Minnesota.

LARGER EMPLOYERS¹

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 47 (Sauk Rapids-Rice)	Elementary and secondary education	714
Knife River Corporation	Construction materials	650
Country Manor	Residential Care homes	500
Meduit	Collection agencies	300
J-Berd Mechanical Contractors, Inc.	General contractors	250
Coborn's Superstore & Holiday Station Stores	Grocery store and gas/convenience stores	200
Ferche Millwork Inc	Lumber manufacturers	200
Performance Foodservice	Frozen food- wholesale	200
Thermo-Tech Windows & Doors	Window manufacturers	125
Cherrywood Advanced Living, LLC	Nursing & convalescent homes	115

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

U.S. CENSUS DATA

Population Trend: The District

2010 U.S. Census population	23,781
2020 U.S. Census population	24,667
Percent of Change 2010 - 2020	3.73%
2023 State Demographer Estimate	24,882

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

Income and Age Statistics

	The District	Benton County	State of Minnesota	United States
2023 per capita income	\$38,845	\$36,935	\$46,957	\$43,289
2023 median household income	\$76,744	\$71,480	\$87,556	\$78,538
2023 median family income	\$101,868	\$95,017	\$111,492	\$96,922
2023 median gross rent	\$969	\$917	\$1,235	\$1,348
2023 median value owner occupied units	\$247,900	\$247,100	\$305,500	\$303,400
2023 median age	38.2 yrs.	36.7 yrs.	38.6 yrs.	38.7 yrs.

	State of Minnesota	United States
District % of 2023 per capita income	82.72%	89.73%
District % of 2023 median family income	91.37%	105.10%

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	Average Employment		Average Unemployment	
	Benton County	Benton County	Benton County	State of Minnesota
2021	20,512		4.6%	3.7%
2022	20,860		3.3%	2.5%
2023	21,039		3.6%	2.8%
2024	21,103		4.0%	3.0%
2025, February	22,073		5.2%	3.9%

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 changes in the financial position or results of operations of the District, nor has the District incurred any material liabilities, which would make such financial statements misleading.

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

**Independent School District No. 47
Sauk Rapids, Minnesota**

Basic Financial Statements

June 30, 2024

**Independent School District No. 47
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**Independent School District No. 47
Board of Education and Administration
June 30, 2024**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Ryan Butkowski	Chairperson	December 31, 2024
Mark Hauck	Vice Chairperson	December 31, 2024
Robyn Holthaus	Treasurer	December 31, 2026
Lisa Loidolt	Clerk	December 31, 2026
Tracy Morse	Director	December 31, 2024
Samantha Dwyer	Director	December 31, 2024
Dan Johnson	Director	December 31, 2026
 <u>Administration</u>		
Brad Bergstrom	Superintendent	
Tracey Fiereck	Director of Business Services	

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Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 47, Sauk Rapids, Minnesota, as of and for the year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 47, as of June 30, 2024, and the respective changes in financial position, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 47, Sau Rapids, Minnesota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 47 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information 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 Governmental Accounting Standards Board (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 Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also 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 accompanying supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Bergan KDV Ltd.

St. Cloud, Minnesota
October 3, 2024

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Independent School District No. 47 Management's Discussion and Analysis

This section of Independent School District No. 47, Sauk Rapids-Rice Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2024. Please read it in conjunction with the District's basic financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model required by GASB Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued in June 1999. GASB Statement No. 34 establishes reporting requirements that include basic financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

Comparative information between the current fiscal year and the prior fiscal year is presented in the MD&A.

Financial Summary

- ◆ The General Fund unassigned fund balance decreased by \$693,022.
- ◆ The total fund balance of the General Fund decreased by \$1,892,196.
- ◆ Net position increased by \$8,222,670.
- ◆ Overall governmental wide revenues were \$77,912,198 and expenditures were \$68,818,857.
- ◆ The school board approved a plan during the 2018-2019 school year to restrict and set limits on the admission of non-resident students to the school district. Since 2020-2021, the district has been conducting annual reviews of enrollment and adjusting caps on a per-grade basis to ensure optimal resource allocation in each school building, all the while keeping class sizes within the desired range.

Overview of the Basic Financial Statements

The financial section of the annual report consists of four parts - Independent Auditor's Report; required supplementary information, which includes the MD&A (this section); the basic financial statements and the supplementary information. The basic financial statements include several statements that present different views of the District:

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

Independent School District No. 47 Management's Discussion and Analysis

Overview of the Basic Financial Statements (Continued)

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

District-Wide Statements

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

The two district-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets, deferred outflows of resources, 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 is an indicator of whether its financial position is improving or deteriorating, respectively.
- ◆ To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

**Independent School District No. 47
Management's Discussion and Analysis**

Overview of the Basic Financial Statements (Continued)

Fund Financial Statements (Continued)

- ◆ **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Net Position

The District's combined net position was \$47,290,556 on June 30, 2024, (see details in Table A-1). This was an increase of \$8,222,670 from June 30, 2023. The increase is related to an increase in capital assets and also a decrease in long-term liabilities.

**Statement of Net Position
As of June 30, 2024
Table A-1**

	Governmental Activities 2024	2023	Percentage Change
Assets			
Total current assets	\$ 52,483,932	\$ 53,652,992	-2.18%
Total capital assets	106,915,510	105,492,360	1.35%
Total assets	<u>159,399,442</u>	<u>159,145,352</u>	<u>0.16%</u>
Deferred Outflows of Resources	<u>9,968,963</u>	<u>14,214,472</u>	<u>-29.87%</u>
Total assets and deferred outflows of resources	<u>\$ 169,368,405</u>	<u>\$ 173,359,824</u>	<u>-2.30%</u>
Liabilities			
Current liabilities	\$ 15,170,277	\$ 15,122,429	0.32%
Long-term liabilities	89,543,989	100,148,819	-10.59%
Total liabilities	<u>104,714,266</u>	<u>115,271,248</u>	<u>-9.16%</u>
Deferred Inflows of Resources	<u>17,363,583</u>	<u>19,020,690</u>	<u>-8.71%</u>
Net Position			
Net investment in capital assets	52,974,813	46,470,806	14.00%
Restricted amounts	13,415,915	13,319,501	0.72%
Unrestricted amounts	(19,100,172)	(20,722,421)	-7.83%
Total net position	<u>47,290,556</u>	<u>39,067,886</u>	<u>21.05%</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 169,368,405</u>	<u>\$ 173,359,824</u>	<u>-2.30%</u>

**Independent School District No. 47
Management's Discussion and Analysis**

Overview of the Basic Financial Statements (Continued)

Change in Net Position

In Table A-2, Change in Net Position, operations are reported on a district-wide basis with no reference to funds.

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

	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2024	2023	
Revenues			
Program revenues			
Charges for services	\$ 3,185,694	\$ 4,424,956	-28.01%
Operating grants and contributions	24,273,393	19,584,885	23.94%
Capital grants and contributions	4,512,999	2,232,888	102.11%
General revenues			
Property taxes	11,312,108	10,903,261	3.75%
State aid-formula grants	32,333,024	31,909,173	1.33%
Other	206,525	741,206	-72.14%
Investment income	1,914,433	1,487,021	28.74%
Gain on sale of assets	174,022	178,212	-2.35%
Total revenues	<u>77,912,198</u>	<u>71,461,602</u>	<u>9.03%</u>
Expenditures			
Administration	\$ 2,166,328	\$ 1,967,134	10.13%
District support services	1,696,862	2,241,105	-24.28%
Elementary and secondary regular education	23,966,628	20,124,552	19.09%
Vocational education instruction	805,326	644,611	24.93%
Special education instruction	13,936,093	12,508,835	11.41%
Instructional support services	5,284,410	3,710,832	42.40%
Pupil support services	5,611,270	5,080,040	10.46%
Sites and buildings	8,477,362	8,486,482	-0.11%
Fiscal and other fixed cost programs	352,443	236,177	49.23%
Food service	3,254,863	2,817,373	15.53%
Community service	2,165,279	1,561,798	38.64%
Unallocated depreciation	25,294	29,970	-15.60%
Interest and fiscal charges on long-term debt	1,076,669	1,069,472	0.67%
Total expenditures	<u>68,818,827</u>	<u>60,478,381</u>	<u>13.79%</u>
Change in net position	9,093,371	10,983,221	-17.21%
Beginning of year net position	39,067,886	28,084,665	39.11%
Accounting changes	764,032	-	N/A
Error correction	(1,634,733)	-	N/A
Beginning of year net position, as restated	<u>38,197,185</u>	<u>28,084,665</u>	<u>36.01%</u>
Ending of year net position	<u>\$ 47,290,556</u>	<u>\$ 39,067,886</u>	<u>21.05%</u>

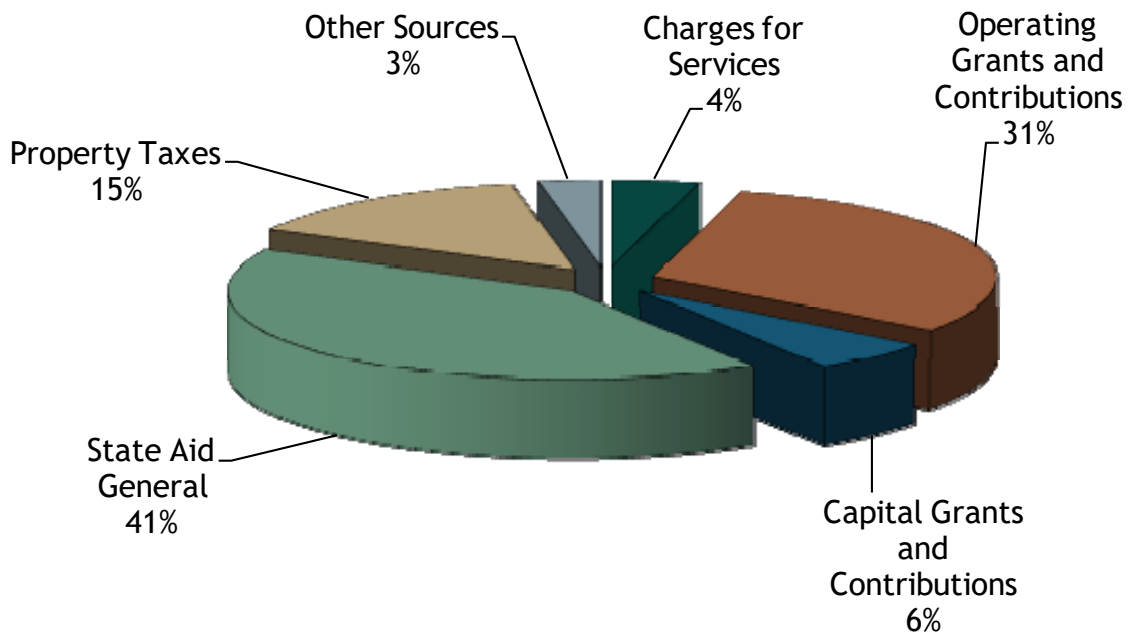
Independent School District No. 47
Management's Discussion and Analysis

Overview of the Basic Financial Statements (Continued)

Change in Net Position (Continued)

The District's total revenues were \$77,912,198 for the year ended June 30, 2024. Property taxes and state aids accounted for 15% and 41%, respectively, of total revenues. For the fiscal year ending June 30, 2024, the overall percentage of revenue funds received from state aid has remained similar to the previous year (see Figure A-1).

Figure A-1 Sources of District's Revenues for Fiscal 2024



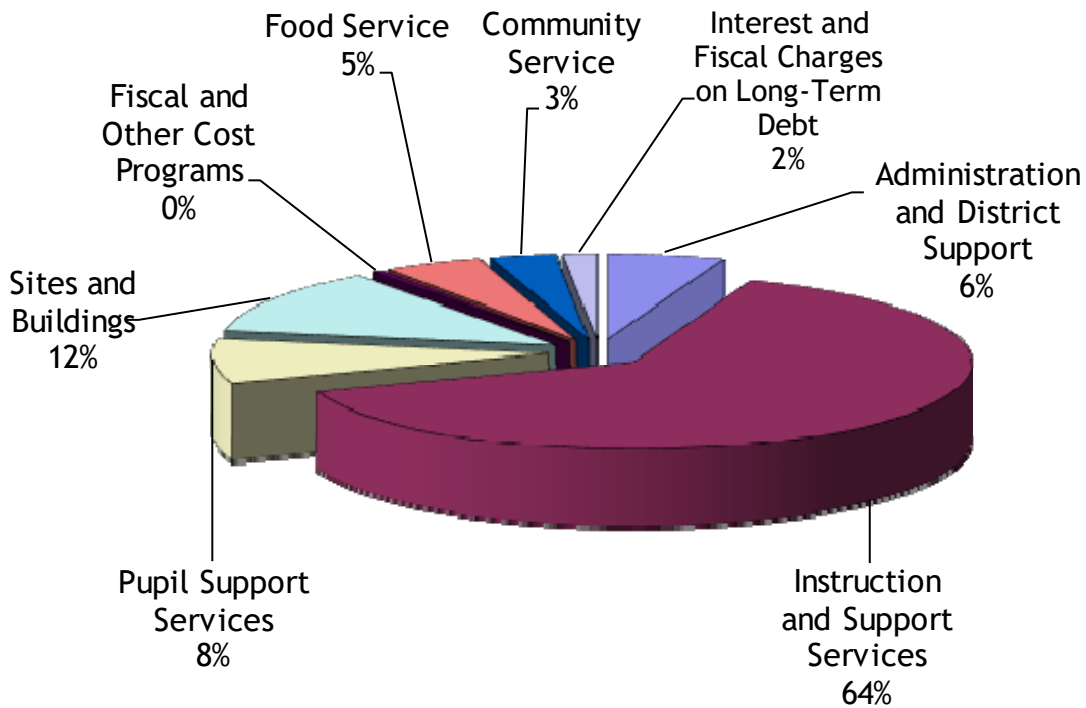
Independent School District No. 47
Management's Discussion and Analysis

Overview of the Basic Financial Statements (Continued)

Change in Net Position (Continued)

The total costs of all programs and services were \$68,818,827. Most of these costs are instruction and support services and pupil support services, 64% and 8%, respectively (see Figure A-2). The majority of District expenditures in operating areas are for human resources. Salaries and benefits make up approximately 72% of total expenditures. Many of the other operational costs are fixed costs, such as utilities and core supplies.

Figure A-2 District Expenses for Fiscal 2024



**Independent School District No. 47
Management's Discussion and Analysis**

Overview of the Basic Financial Statements (Continued)

Change in Net Position (Continued)

The net cost of governmental activities is the total cost less program revenues applicable to each category. All governmental activities include not only funds received for the general operation of the District, but also include resources from the entrepreneurial-type funds of Food Service and Community Education. Funding for the general operation of the District is controlled by the State and the District does not have the latitude to allocate money received in Food Service or Community Education for the fiscal services to enhance general operation resources. Table A-3 presents these costs.

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

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2024	2023	2024-2023	2024	2023	2024-2023
Administration	\$ 2,166,328	\$ 1,967,134	10.13%	\$ 2,166,328	\$ 1,967,134	10.13%
District Support Services	1,696,862	2,241,105	-24.28%	1,604,963	2,241,105	-28.39%
Elementary and Secondary						
Regular Education	23,966,628	20,124,552	19.09%	17,333,770	15,160,793	14.33%
Vocational Education Instruction	805,326	644,611	24.93%	751,398	572,475	31.25%
Special Education Instruction	13,936,093	12,508,835	11.41%	2,152,656	1,169,636	84.04%
Instructional Support Services	5,284,410	3,710,832	42.40%	3,550,297	2,861,901	24.05%
Pupil Support Services	5,611,270	5,080,040	10.46%	3,097,036	2,729,352	13.47%
Sites and Buildings	8,477,362	8,486,482	-0.11%	4,478,863	6,253,594	-28.38%
Fiscal and Other Fixed						
Cost Programs	352,443	236,177	49.23%	352,443	236,177	49.23%
Food Service	3,254,863	2,817,373	15.53%	(258,643)	(173,451)	49.12%
Community Service	2,165,279	1,561,798	38.64%	515,667	117,494	338.89%
Depreciation - Unallocated	25,294	29,970	-15.60%	25,294	29,970	-15.60%
Interest and Fiscal Charges on						
Long-Term Debt	1,076,669	1,069,472	0.67%	1,076,669	1,069,472	0.67%
Total	\$ 68,818,827	\$ 60,478,381	13.79%	\$ 36,846,741	\$ 34,235,652	7.63%

The increase of total cost of services and net cost of services is primarily due to increases to employment agreements.

Fund Balance

The financial performance of the District as a whole is reflected in its governmental funds. As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$32,171,256 an overall decrease of \$1,535,392. The General Fund decreased by \$1,882,196, as a result of increasing expenditures and revenue increases that are not keeping pace with inflation. The Food Service fund balance increased by \$382,961 this increase was the result of the MN Free School Meals Program, interest revenue and lack of staff to fill vacant positions. The Community Service fund had an increase to fund balance of \$90,738, due to increase participation in community ed and summer rec programming. The Debt Service fund was stable, ending the year with an increase in fund balance of \$39,104.

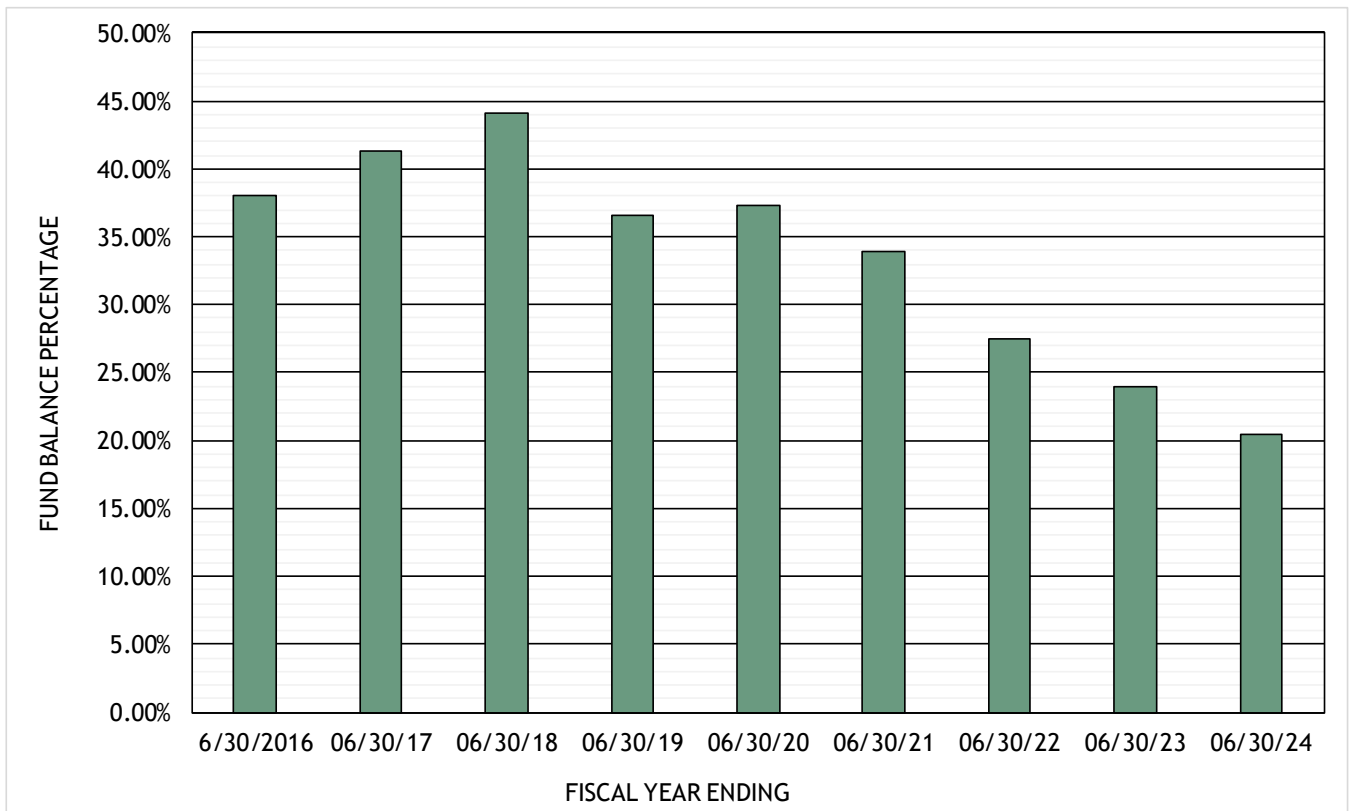
Independent School District No. 47
Management's Discussion and Analysis

Overview of the Basic Financial Statements (Continued)

Fund Balance (Continued)

We continue to monitor our general unassigned fund balance. These dollars are the least restrictive funds available to the school district. In the year ending June 30, 2024, the District's unassigned fund balance decreased by \$693,022. We currently have \$13,840,278 in our unassigned fund balance.

Figure A-3 Unassigned Fund Balance



**Independent School District No. 47
Management's Discussion and Analysis**

Overview of the Basic Financial Statements (Continued)

General Fund

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

General Fund Revenues are outlined in Table A-4 below:

**Summary of General Fund Revenues
Table A-4**

	June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2024	2023		
Local Sources				
Property taxes	5,383,371	4,943,338	\$ 440,033	8.90%
Other	3,438,301	3,563,756	(125,455)	-3.52%
State sources	51,785,050	47,433,855	4,351,195	9.17%
Federal sources	4,804,843	2,987,368	1,817,475	60.84%
Sales and other conversion of assets	145,574	125,185	20,389	16.29%
Total General Fund revenue	<u>\$ 65,557,139</u>	<u>\$ 59,053,502</u>	<u>\$ 6,503,637</u>	<u>11.01%</u>

Total General Fund revenue increased by \$6,503,637, or 11.01%, from the previous year.

General fund revenue is received in two major categories as follows:

1. State Education Finance Appropriations
 - a. General Education Aid - The largest share of the education finance appropriation, general education aid, is intended to provide the basic financial support for the education program and is enrollment driven.
 - b. Categorical Aids - Categorical revenue formulas are used to meet costs of that program (i.e., special education) or promote certain types of programs (i.e., career and technical aid, staff development, operating capital, long-term facilities maintenance).
2. Property Tax Levies
 - a. The largest share of the levy is from board-approved local optional revenue, which is also enrollment driven.

**Independent School District No. 47
Management's Discussion and Analysis**

Overview of the Basic Financial Statements (Continued)

General Fund (Continued)

General Fund Expenditures are itemized in Table A-5:

**Summary of General Fund Expenditures
Table A-5**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2024	June 30, 2023		
Salaries	\$ 36,238,206	\$ 34,327,115	\$ 1,911,091	5.57%
Employee benefits	12,589,607	11,319,777	1,269,830	11.22%
Purchased services	8,207,816	8,150,918	56,898	0.70%
Supplies, material, and equipment	2,256,031	2,781,017	(524,986)	-18.88%
Other expenditures	8,490,417	4,170,454	4,319,963	103.58%
 Total expenditures	 <u>\$ 67,782,077</u>	 <u>\$ 60,749,281</u>	 <u>\$ 7,032,796</u>	 <u>11.58%</u>

General Fund expenditures in the current fiscal year rose by \$7,032,796, representing a 11.58% increase compared to the previous year. The district experienced notable growth in expenses related to employment contract settlements. We also continue to strategically invest in maintaining our facilities which makes up the large increase in other expenditures.

Purchased services and expenses related to supplies, materials, and equipment cover a broad range of expenditures. This includes fees for services, postage, utility bills, diesel and gasoline costs, property insurance, maintenance and repairs, leasing expenses, travel expenses, telephone bills, tuition fees, contracted transportation, instructional supplies, textbooks, as well as capital investments in equipment, and technology.

Budgetary Highlights

During the year ended June 30, 2024, the District revised its operating budget one time. The original budget was adopted in March of 2023 (a budget must be in place prior to the beginning of the fiscal year on July 1). The final budget was adopted in January of 2024. The final budget encompasses known changes due to student enrollment, staffing levels, and other significant information items that are estimates. A similar revision is made each year for the same reasons.

**Independent School District No. 47
Management's Discussion and Analysis**

Capital Assets and Debt Administration

Capital Assets

The District investment in capital assets for its governmental activities equates to \$106,915,510 (net of accumulated depreciation/ amortization). This investment in capital assets includes land, buildings and systems, improvements, machinery, equipment and leased equipment (see Table A-6). Additional information on capital assets can be found in Note 4 of this report.

Capital Assets - Governmental Activities

Table A-6

	2024	2023	Percent Change 2024-2023
Land and land improvements	\$ 12,284,043	\$ 12,075,348	1.73%
Construction in progress	1,582,817	\$ 1,501,498	5.42%
Buildings	135,260,996	\$ 131,964,212	2.50%
Equipment	11,772,631	\$ 9,810,320	20.00%
Less accumulated depreciation/ amortization	(53,984,977)	(49,859,018)	8.28%
Total	\$ 106,915,510	\$ 105,492,360	1.35%

Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of \$52,686,050. Additional information on long-term debt can be found in Note 5 of this report.

Outstanding Long-Term Liabilities

Table A-7

	Total School District		Percent Change 2024-2023
	2024	2023	
G. O. Bonds payable	\$ 49,785,000	\$ 54,425,000	-8.53%
Financed purchases from direct borrowing	879,549	1,583,159	-44.44%
Lease liability	122,309	178,015	0.00%
Premium/issuance costs	1,638,689	3,248,087	-49.55%
Compensated absences and severance payable	260,503	258,551	0.75%
Total	\$ 52,686,050	\$ 59,692,812	-11.74%

Independent School District No. 47 Management's Discussion and Analysis

State Economic Factors and Next Year's Budget

- ◆ The budget for the 2024-2025 fiscal year was completed using the latest funding information available and based on estimates related to student counts that were available in March of 2024.
- ◆ Inflation continues to outpace funding increases.
- ◆ We continue to graduate classes larger than the new classes coming in, this will lead to several years of declining enrollment unless circumstances change.
- ◆ Interest revenue has provided significant revenue for the District in the last couple of years. We are starting to see a decrease in interest rates. This will have an impact on the budget going forward.
- ◆ Anticipated increases in the cost of operation of all facilities were taken into consideration in the budget development process.
- ◆ A budget revision will be done mid-year to reflect all known and anticipated changes to the budget as of that date.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Independent School District No. 47 Sauk Rapids-Rice Public Schools, Attention: Director of Business Services, 1833 Osauka Road, Sauk Rapids, Minnesota, 56379.

BASIC FINANCIAL STATEMENTS

Independent School District No. 47
Statement of Net Position
June 30, 2024

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 38,903,446
Current property taxes receivable	5,566,684
Delinquent property taxes receivable	164,471
Accounts receivable	21,675
Due from Department of Education	5,302,826
Due from Federal Government through Department of Education	1,478,317
Due from other Minnesota school districts	794,909
Due from other governmental units	98,813
Inventory	55,021
Prepaid items	97,770
Capital assets not being depreciated	
Land	2,473,698
Construction in progress	1,582,817
Capital assets less: accumulated depreciation	
Buildings	135,260,996
Land improvements	9,810,345
Equipment	11,492,992
Leased equipment	279,639
Less accumulated depreciation/ amortization	<u>(53,984,977)</u>
Total assets	<u>159,399,442</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	9,632,139
Deferred outflows of resources related to OPEB	<u>336,824</u>
Total deferred outflows of resources	<u>9,968,963</u>
 Total assets and deferred outflows of resources	 <u>\$ 169,368,405</u>
Liabilities	
Accounts payable	\$ 1,813,719
Contracts payable	78,241
Salaries and benefits payable	6,298,411
Interest payable	582,263
Due to other Minnesota school districts	450,000
Due to other governmental units	51
Unearned revenue	120,449
Bond principal payable, net of premium	
Payable within one year	4,820,000
Payable after one year	46,603,689
Lease liability	
Payable within one year	57,629
Payable after one year	64,680
Financed purchase from direct borrowing	
Payable within one year	550,523
Payable after one year	329,026
Compensated absences payable	
Payable within one year	203,506
Payable after one year	56,997
Total other post employment benefits (OPEB) liability	
Payable within one year	195,485
Payable after one year	2,069,496
Net pension liability	<u>40,420,101</u>
Total liabilities	<u>104,714,266</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	11,441,197
Deferred inflows of resources related to deferred charge on refunding	1,515,150
Deferred inflows of resources related to pensions	3,879,798
Deferred inflows of resources related to OPEB	<u>527,438</u>
Total deferred inflows of resources	<u>17,363,583</u>
Net Position	
Net investment in capital assets	52,974,813
Restricted for	
Debt service	987,620
Capital projects	472,293
Other purposes	11,956,002
Unrestricted	<u>(19,100,172)</u>
Total net position	<u>47,290,556</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 169,368,405</u>

See notes to basic financial statements.

Independent School District No. 47
Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental activities					
Administration	\$ 2,166,328	\$ -	\$ -	\$ -	\$ (2,166,328)
District support services	1,696,862	-	91,899	-	(1,604,963)
Elementary and secondary regular instruction	23,966,628	1,440,601	5,192,257	-	(17,333,770)
Vocational education instruction	805,326	18	53,910	-	(751,398)
Special education instruction	13,936,093	239,927	11,543,510	-	(2,152,656)
Instructional support services	5,284,410	-	1,219,613	514,500	(3,550,297)
Pupil support services	5,611,270	-	2,514,234	-	(3,097,036)
Sites and buildings	8,477,362	-	-	3,998,499	(4,478,863)
Fiscal and other fixed cost programs	352,443	-	-	-	(352,443)
Food service	3,254,863	285,061	3,228,445	-	258,643
Community education and services	2,165,279	1,220,087	429,525	-	(515,667)
Unallocated depreciation	25,294	-	-	-	(25,294)
Interest and fiscal charges on long-term debt	1,076,669	-	-	-	(1,076,669)
Total governmental activities	\$ 68,818,827	\$ 3,185,694	\$ 24,273,393	\$ 4,512,999	(36,846,741)
General revenues					
Taxes					
Property taxes, levied for general purposes					5,400,341
Property taxes, levied for community service					301,030
Property taxes, levied for debt service					5,610,737
State aid-formula grants					32,333,024
Other general revenues					206,525
Investment income					1,914,433
Gain of sale of assets					174,022
Total general revenues					<u>45,940,112</u>
Change in net position					9,093,371
Net position - beginning					39,067,886
Accounting changes (Note 11)					764,032
Error correction (Note 12)					<u>(1,634,733)</u>
Net position - beginning, as restated					38,197,185
Net position - ending					<u>\$ 47,290,556</u>

See notes to basic financial statements.

Independent School District No. 47
Balance Sheet - Governmental Funds
June 30, 2024

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 30,250,362	\$ 4,628,711	\$ 4,024,373	\$ 38,903,446
Current property taxes receivable	2,452,042	2,995,245	119,397	5,566,684
Delinquent property taxes receivable	75,211	84,270	4,990	164,471
Accounts receivable	3,800	-	17,875	21,675
Due from Department of Education	5,205,489	51,606	45,731	5,302,826
Due from Federal Government through Department of Education	1,478,317	-	-	1,478,317
Due from other Minnesota school districts	671,143	-	123,766	794,909
Due from other governmental units	98,813	-	-	98,813
Inventory	-	-	55,021	55,021
Prepaid items	97,770	-	-	97,770
Total assets	\$ 40,332,947	\$ 7,759,832	\$ 4,391,153	\$ 52,483,932
Liabilities				
Accounts payable	\$ 1,536,805	\$ -	\$ 276,914	\$ 1,813,719
Contracts payable	78,241	-	-	78,241
Salaries and benefits payable	5,949,851	-	348,560	6,298,411
Due to other Minnesota school districts	450,000	-	-	450,000
Due to other governmental units	51	-	-	51
Unearned revenue	61,676	-	58,773	120,449
Total liabilities	8,076,624	-	684,247	8,760,871
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	50,434	56,800	3,374	110,608
Property taxes levied for subsequent year's expenditures	4,993,949	6,189,949	257,299	11,441,197
Total deferred inflows of resources	5,044,383	6,246,749	260,673	11,551,805
Fund Balances				
Nonspendable	97,770	-	55,021	152,791
Restricted	8,978,688	1,513,083	3,391,212	13,882,983
Committed	2,087,662	-	-	2,087,662
Assigned	2,207,542	-	-	2,207,542
Unassigned	13,840,278	-	-	13,840,278
Total fund balances	27,211,940	1,513,083	3,446,233	32,171,256
Total liabilities, deferred inflows of resources, and fund balances	\$ 40,332,947	\$ 7,759,832	\$ 4,391,153	\$ 52,483,932

**Independent School District No. 47
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2024**

Total fund balances - governmental funds	\$ 32,171,256
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	160,900,487
Less accumulated depreciation	(53,984,977)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(49,785,000)
Lease payable	(122,309)
Financed purchase from direct borrowing payable	(879,549)
Unamortized premium	(1,638,689)
Compensated absences payable	(260,503)
Total OPEB liability	(2,264,981)
Net pension liability	(40,420,101)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds:	
Deferred outflows of resources related to pensions	9,632,139
Deferred inflows of resources related to pensions	(3,879,798)
Deferred outflows of resources related to OPEB	336,824
Deferred inflows of resources related to OPEB	(527,438)
Deferred charges are not recognized in the governmental funds but amortized over the life of the debt in the Statement of Activities.	(1,515,150)
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	110,608
Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.	<u>(582,263)</u>
Total net position - governmental activities	<u><u>\$ 47,290,556</u></u>

Independent School District No. 47
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2024

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Revenues				
Local property taxes	\$ 5,383,371	\$ 5,604,180	\$ 300,753	\$ 11,288,304
Other local and county revenues	3,438,301	228,247	1,437,540	5,104,088
Revenue from state sources	51,785,050	516,066	1,931,066	54,232,182
Revenue from federal sources	4,804,843	-	1,690,110	6,494,953
Sales and other conversion of assets	145,574	-	291,501	437,075
Total revenues	<u>65,557,139</u>	<u>6,348,493</u>	<u>5,650,970</u>	<u>77,556,602</u>
Expenditures				
Current				
Administration	2,209,118	-	-	2,209,118
District support services	1,661,346	-	-	1,661,346
Elementary and secondary regular instruction	24,821,863	-	-	24,821,863
Vocational education instruction	849,631	-	-	849,631
Special education instruction	14,397,570	-	-	14,397,570
Instructional support services	4,565,055	-	-	4,565,055
Pupil support services	5,663,084	-	-	5,663,084
Sites and buildings	5,162,750	-	-	5,162,750
Fiscal and other fixed cost programs	352,443	-	-	352,443
Food service	-	-	3,175,357	3,175,357
Community education and services	-	-	2,210,068	2,210,068
Capital outlay				
Elementary and secondary regular instruction	425,001	-	-	425,001
Vocational education instruction	10,920	-	-	10,920
Special education instruction	2,746	-	-	2,746
Instructional support services	507,115	-	-	507,115
Pupil support services	39,298	-	-	39,298
Sites and buildings	5,909,444	-	205,119	6,114,563
Food service	-	-	48,728	48,728
Community education and services	-	-	4,797	4,797
Debt service				
Principal	1,198,016	4,510,000	-	5,708,016
Interest and fiscal charges	6,677	1,930,168	-	1,936,845
Total expenditures	<u>67,782,077</u>	<u>6,440,168</u>	<u>5,644,069</u>	<u>79,866,314</u>
Excess of revenues over (under) expenditures	(2,224,938)	(91,675)	6,901	(2,309,712)
Other Financing Sources (Uses)				
Proceeds from sale of assets	202,504	-	-	202,504
Bond issuance	-	9,220,000	-	9,220,000
Bond premium	-	260,779	-	260,779
Issuance of financed purchase	438,700	-	-	438,700
Insurance Recoveries	2,337	-	-	2,337
Payments on refunded debt	-	(9,350,000)	-	(9,350,000)
Transfers in	-	-	310,799	310,799
Transfers out	(310,799)	-	-	(310,799)
Total other financing sources (uses)	<u>332,742</u>	<u>130,779</u>	<u>310,799</u>	<u>774,320</u>
Net change in fund balances	(1,892,196)	39,104	317,700	(1,535,392)
Fund Balances				
Beginning of year	<u>29,104,136</u>	<u>1,473,979</u>	<u>3,128,533</u>	<u>33,706,648</u>
End of year	<u>\$ 27,211,940</u>	<u>\$ 1,513,083</u>	<u>\$ 3,446,233</u>	<u>\$ 32,171,256</u>

See notes to basic financial statements.

**Independent School District No. 47
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2024**

Net change in fund balances - total governmental funds \$ (1,535,392)

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation or amortization expense.

Capital outlays	7,080,450
Depreciation and amortization expense	(4,758,117)
Disposal of capital assets	(28,482)

Compensated absences are recognized as paid in the governmental funds but recognized as the loss is incurred in the Statement of Activities. (1,952)

OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. 194,191

Principal payments on long-term debt are recognized as expenditures in the governmental funds but an increase in the net position in the Statement of Activities. 5,708,016

Principal refunding payments on long-term debt are recognized as an other financing use in the governmental funds but have no effect on the net position in the Statement of Activities. 9,350,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 139,274

Bond premiums and deferred charges on refunding's are amortized on the Statement of Activities, whereas governmental funds record the entire amount at the time of issuance. 460,123

Proceeds from the issuance of long-term debt are recognized as an other financing source in the governmental funds but as a liability on the Statement of Net Position. (9,658,700)

Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective. 2,120,156

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures, and, therefore, are deferred in the funds. 23,804

Change in net position - governmental activities \$ 9,093,371

Independent School District No. 47
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 5,345,932	\$ 5,471,027	\$ 5,383,371	\$ (87,656)
Other local and county revenues	2,207,689	2,408,524	3,438,301	1,029,777
Revenue from state sources	50,107,066	52,961,202	51,785,050	(1,176,152)
Revenue from federal sources	3,236,519	3,998,803	4,804,843	806,040
Sales and other conversion of assets	86,225	86,225	145,574	59,349
Total revenues	<u>60,983,431</u>	<u>64,925,781</u>	<u>65,557,139</u>	<u>631,358</u>
Expenditures				
Current				
Administration	2,195,431	2,216,881	2,209,118	(7,763)
District support services	2,217,508	1,654,246	1,661,346	7,100
Elementary and secondary regular instruction	23,248,614	24,489,021	24,821,863	332,842
Vocational education instruction	675,726	871,360	849,631	(21,729)
Special education instruction	13,970,186	14,373,242	14,397,570	24,328
Instructional support services	3,691,987	4,716,411	4,565,055	(151,356)
Pupil support services	5,490,344	5,765,000	5,663,084	(101,916)
Sites and buildings	6,251,520	5,791,316	5,162,750	(628,566)
Fiscal and other fixed cost programs	435,250	305,250	352,443	47,193
Capital outlay				
Elementary and secondary regular instruction	53,848	53,848	425,001	371,153
Vocational education instruction	-	-	10,920	10,920
Special education instruction	64,658	64,658	2,746	(61,912)
Instructional support services	100,000	100,000	507,115	407,115
Pupil support services	22,000	22,000	39,298	17,298
Sites and buildings	2,560,997	4,956,321	5,909,444	953,123
Debt service				
Principal	799,337	784,637	1,198,016	413,379
Interest and fiscal charges	6,678	6,678	6,677	(1)
Total expenditures	<u>61,784,084</u>	<u>66,170,869</u>	<u>67,782,077</u>	<u>1,611,208</u>
Excess of revenues under expenditures	(800,653)	(1,245,088)	(2,224,938)	(979,850)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	202,504	202,504
Issuances of leases and financed purchases	-	-	438,700	438,700
Insurance Recoveries	-	-	2,337	2,337
Transfers out	(400,000)	(400,000)	(310,799)	89,201
Total other financing sources (uses)	<u>(400,000)</u>	<u>(400,000)</u>	<u>332,742</u>	<u>732,742</u>
Net change in fund balances	<u>\$ (1,200,653)</u>	<u>\$ (1,645,088)</u>	(1,892,196)	<u>\$ (247,108)</u>
Fund Balances				
Beginning of year			<u>29,104,136</u>	
End of year			<u>\$ 27,211,940</u>	

See notes to basic financial statements.

**Independent School District No. 47
Statement of Fiduciary Net Position
June 30, 2024**

	Custodial Fund	Private Purpose Trust Fund
Assets		
Current		
Cash and cash equivalents	\$ 64,034	\$ 32,843
Net Position		
Restricted for student activities	11,299	-
Restricted for grants	30,835	-
Restricted scholarships	21,900	32,843
Total net position	\$ 64,034	\$ 32,843

**Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2024**

	Custodial Fund	Private Purpose Trust Fund
Additions		
Program revenues	\$ 9,539	\$ -
Contributions	23,660	-
Total additions	33,199	-
Deductions		
Program expense	10,241	-
Total deductions	10,241	-
Change in net position	22,958	-
Net Position		
Beginning of year	41,076	32,843
End of year	\$ 64,034	\$ 32,843

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Independent School District No. 47
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a 7-member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the basic financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are under board control and are reported in the General Fund.

B. Basic Financial Statement Information

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund financial statement level.

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

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Private Purpose Trust and Custodial Funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District; these funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner.

1. Revenue Recognition

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

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

The District applies resources in the following order when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available: restricted, committed, assigned, and unassigned.

The District applies resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds:

Major Funds:

General Fund - This fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond and state loan principal, interest, and related costs.

Nonmajor Funds:

Food Service Special Revenue Fund - This fund is used to account for food service revenues and expenditures.

Community Service Special Revenue Fund - This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services.

Capital Projects Fund - This fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue.

Fiduciary Funds:

Custodial Fund - This fund is used to account for resources received and held by the District for student activities, scholarships, and grants.

Trust Fund - This fund is used to account for resources received and held by the District in a trustee capacity to be used in making scholarship awards.

D. Deposits and Investments

Cash and 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 individual funds based on the average of month-end cash and investment balances.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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; Level 3 inputs are significant unobservable inputs. Investments held by investment pools are measured at amortized cost.

Cash and investments at June 30, 2024, were comprised of deposits, shares in the Minnesota School District Liquid Asset Fund (MSDLAF), shares in MNTrust, brokered cash, certificates of deposit, U.S. Government Bonds, municipal bonds, money markets, and U.S. Treasury securities. MSDLAF and MNTrust securities and mutual funds are valued at amortized cost, which approximates fair value.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

Minnesota Statutes require all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Minnesota Statutes authorizes the District to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities, and mutual funds are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF Liquid Shares, MNTrust shares, or the mutual funds. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represent uncollected taxes for the past six years and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

F. Property Taxes Levied for Subsequent Year's Expenditures

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

G. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Benton County is the collecting agency for the levy and remit(s) the collections to the District three times a year. The Tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

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

J. Capital Assets

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 or aggregate cost of more than \$25,000 for grouped assets and an estimated useful life in excess of one year. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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

K. Right-to-Use Lease Assets/Lease Liabilities

The District recorded right-to-use lease assets as a result of implementing GASB Statement No. 87, *Leases*. The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the lease liability plus any payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Key estimates and judgments related to leases include (1) the discount rate, (2) lease term, and (3) lease payments.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Right-to-Use Lease Assets/Lease Liabilities (Continued)

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District determines its estimated borrowing rate based on the applicable State and Local Government Securities rate. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a re-measurement of the leases and will remeasure the right-to-use lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liability.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. Deferred outflows of resources related to pensions, and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has five types of items which qualify for reporting in this category. The first item, 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 second item is 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 and is 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. 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. Deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to OPEB is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

N. Compensated Absences

The District compensates various full-time classified employees upon termination of employment for unused vacation time. The accumulated liability for unpaid vacation benefits was \$189,257 as of June 30, 2024. Vacation benefits expected to be paid within one year are recorded as a current obligation.

District classified employees are entitled to sick leave at various rates for each month of full-time service. Employees are not compensated for unused sick leave upon termination of employment, unless taken in conjunction with severance pay as described in Note 1.O.

Certain classified employees who have 15 years of continuous service of at least 1,000 work hours a year with the District and have attained the age of 55 years receive severance pay based on 50% of unused sick leave of the maximum of 120 days.

Certain clerical employees who have at least 15 years of continuous service of at least 1,000 work hours a year with the District receive severance pay equal to 50% of the maximum of 120 days of an employee's unused accumulated sick leave days.

Certain custodians who have at least 20 years of continuous service of at least 1,000 work hours a year with the District receive severance pay equal to 50% of the maximum of 120 days of an employee's unused accumulated sick leave days.

The accumulated liability for compensated absences based on sick leave was \$71,246 as of June 30, 2024.

O. Severance Benefits

Certain certified and classified employees, including school administration, are eligible for severance pay upon retirement.

Certain administrators who have nine years of continuous service in the District are entitled to severance pay equal to a percentage of one half of one year's pay.

During the year ended June 30, 2024, the District paid out a total of \$67,365 in severance benefits to the participants eligible to receive benefits.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the additions to/deductions have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms.

Q. Pensions

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

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 Teacher's Retirement Fund Association (DTRFA) in 2015.

R. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2024.

S. Fund Equity

In the fund financial statements, governmental funds report various levels of spending constraints.

- ◆ Nonspendable Fund Balances - These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include but are not limited to, prepaids and inventory.
- ◆ Restricted Fund Balances - These amounts are subject to externally enforceable legal restrictions.
- ◆ Committed Fund Balances - These amounts are constrained by formal action of the School Board. The government's highest level of decision-making authority is the School Board. The formal action to establish, modify, or rescind a commitment must be made by majority vote of the School Board.
- ◆ Assigned Fund Balances - These are amounts that are constrained by the District's intent to be used for specific purposes that are neither restricted nor committed. Assignments may be made by a majority vote of the School Board. The board also delegates the power to assign fund balances to the District's Business Manager.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Equity (Continued)

- ◆ Minimum Fund Balance Policy - The District will strive to maintain a minimum unassigned General Fund balance of 15% of the annual budget.
- ◆ Stabilization Arrangement - Fiscal stabilization funds in the amount of at least 3% of the prior year total General Fund expenditures shall be established by the Business Manager to protect the system from sudden shortfalls in revenue and to cover unanticipated expenditures. These stabilization funds may also be used to cover adverse financial or economic circumstances as they occur. These funds are reported as unassigned.

T. Net Position

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

U. Use of Estimates

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

V. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and Debt Service Funds. Budgetary control for the Capital Project Fund is accomplished through the use of project controls.
4. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a policy in place to address custodial credit risk for deposits, stating deposit type securities shall be collateralized as required by *Minnesota Statutes* § 118A. As of June 30, 2024, the District's bank balance was not exposed to custodial credit risk. It was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name. The District's deposits had a book balance as listed below.

As of June 30, 2024, the District had the following deposits:

Pooled deposits	
Certificates of deposit	\$ 280,000

B. Investments

As of June 30, 2024, the District had the following investments:

Pooled Investments	Credit Rating	Fair Value	Investment Maturities Less than 1 year
MN Trust Investment Shares		\$ 895	\$ 895
MDSLAF + Liquid Class	AAAm	11,749,446	11,749,446
MSDLAF + MAX Class	AAAm	15,146,275	15,146,275
Perishing - Cash	N/A	16,589	16,589
Brokered Certificate of Deposit	N/A	9,142,811	9,142,811
U.S. Treasury Securities	A-1+	1,176,317	1,176,317
U.S. Government Bonds	AA+	498,425	498,425
Municipal Bond	AA-	440,438	440,438
Total pooled investments		\$ 38,171,196	\$ 38,171,196
Non-Pooled Investments	Credit Rating	Fair Value	Investment Maturities Less than 1 year
Perishing - Cash	N/A	\$ 48,112	\$ 48,112
Money Market	AAAm	500,000	500,000
Total non-pooled investments		\$ 548,112	\$ 548,112

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 2 - DEPOSITS AND INVESTMENTS

B. Investments (Continued)

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* §§ 118A.04 and 118A.05 limit investments to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy indicates the District may invest in those instruments specified in those Statutes. As of June 30, 2024, the District's investments were rated as noted in the table on the previous page.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The District has an investment policy in place that addresses concentration of credit risk, stating the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, and maturities. However, it places no specific limit on the amount the District may invest in any one issuer.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District's investment policy addresses interest rate risk, stating investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles. Furthermore, investment maturities shall be scheduled to coincide with projected District cash flow needs and shall provide for stability of income and reasonable liquidity.

Custodial Credit Risk - Investments: This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy addresses custodial credit risk for investments, stating all investment securities shall be held in third party safekeeping by an institution designated as custodial agent.

The District has the following recurring fair value measurements as of June 30, 2024:

- ◆ \$564,701 of investments are valued using a quoted market price (Level 1 inputs)
- ◆ \$11,257,991 of investments are valued using a matrix pricing model (Level 2 inputs)

C. Deposits and Investments

The following is a summary of total deposits and investments:

Deposits (Note 2.A.)	\$ 280,000
Pooled investments (Note 2.B.)	38,171,196
Non-pooled investments (Note 2.B)	548,112
Petty cash	1,015
Total deposits and investments	\$ 39,000,323

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)

Deposits and investments are presented in the June 30, 2024, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 38,903,446
Statement of Fiduciary Net Position	
Cash and cash equivalents	
Custodial Fund	64,034
Private Purpose Trust Fund	<u>32,843</u>
Total deposits and investments	<u>\$ 39,000,323</u>

NOTE 3 - INTERFUND ACTIVITY

A. Interfund Transfers

The General Fund transferred \$310,799 to the Community Service Fund to cover deficit program activity in Community Education and School Readiness.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	\$ 2,473,698	\$ -	\$ -	\$ -	\$ 2,473,698
Construction in progress	1,501,498	-	4,719,208	4,637,889	1,582,817
Total capital assets not being depreciated	<u>3,975,196</u>	<u>-</u>	<u>4,719,208</u>	<u>4,637,889</u>	<u>4,056,515</u>
Other capital assets					
Buildings	131,964,212	(1,975,826)	5,272,610	-	135,260,996
Land improvements	9,601,650	(42,630)	251,325	-	9,810,345
Equipment	9,530,681	963,185	1,475,196	476,070	11,492,992
Leased equipment	279,639	-	-	-	279,639
Total other capital assets at historical cost	<u>151,376,182</u>	<u>(1,055,271)</u>	<u>6,999,131</u>	<u>476,070</u>	<u>156,843,972</u>
Less accumulated depreciation for					
Buildings	38,867,446	(441,763)	3,033,244	-	41,458,927
Land improvements	5,914,026	(8,392)	309,482	-	6,215,116
Equipment	4,993,654	265,585	1,359,464	447,588	6,171,115
Less accumulated amortization for					
Leased equipment	83,892	-	55,927	-	139,819
Total accumulated Depreciation and amortization	<u>49,859,018</u>	<u>(184,570)</u>	<u>4,758,117</u>	<u>447,588</u>	<u>53,984,977</u>
Total other capital assets, net	<u>101,517,164</u>	<u>(870,701)</u>	<u>2,241,014</u>	<u>28,482</u>	<u>102,858,995</u>
Governmental activities capital assets, net	<u>\$ 105,492,360</u>	<u>\$ (870,701)</u>	<u>\$ 6,960,222</u>	<u>\$ 4,666,371</u>	<u>\$ 106,915,510</u>

See Notes 11 and 12 for explanation of the adjustment column.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation and amortization expense of \$4,758,117 for the year ended June 30, 2024, was charged to the following governmental functions:

Administration	\$ 7,053
District support services	87,267
Elementary and secondary regular instruction	750,094
Special education	5,360
Instructional support services	305,591
Pupil support services	43,914
Food service	50,373
Sites and buildings	3,483,171
Unallocated	25,294
	<u>4,758,117</u>
Total depreciation/amortization	<u>\$ 4,758,117</u>

NOTE 5 - LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. Bonds						
2020A School Building Bonds	02/06/20	2.00%-4.00%	\$35,810,000	02/01/40	\$ 35,810,000	\$ -
2020B School Building Bonds	07/16/20	2.00%-4.00%	5,375,000	02/01/36	4,755,000	240,000
2024A School Building	03/21/24	5.00%	9,220,000	02/01/26	9,220,000	4,580,000
Refunding Bonds						
Financed purchase from direct borrowing					879,549	550,523
Lease liability					122,309	57,629
Unamortized Premium					1,638,689	-
Compensated absences Payable					260,503	203,506
Total all long-term liabilities					<u>\$ 52,686,050</u>	<u>\$ 5,631,658</u>

The long-term bond, financed purchases, and lease liabilities listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues. Other long-term liabilities, such as compensated absences payable, lease liabilities and financed purchase from direct borrowing are typically liquidated through the General Fund.

The District issued the 2024A G.O. School Building Refunding Bonds to refund the 2015A School Building Bonds on March 1, 2024. The refunding was undertaken to reduce future debt service payments. The refunding resulted in net cash flow savings of \$106,842 and a net present value benefit of \$110,086.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 5 - LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds and Loans

Minimum annual principal and interest payments required to retire bond and loan liabilities:

Year Ending June 30,	G.O. Bonds		
	Principal	Interest	Total
2025	\$ 4,820,000	\$ 1,503,153	\$ 6,323,153
2026	4,945,000	1,328,581	6,273,581
2027	2,380,000	1,084,381	3,464,381
2028	2,560,000	989,181	3,549,181
2029	2,660,000	886,782	3,546,782
2030-2034	14,560,000	3,186,957	17,746,957
2035-2039	14,860,000	1,473,706	16,333,706
2040	3,000,000	78,750	3,078,750
Total	<u>\$ 49,785,000</u>	<u>\$ 10,531,491</u>	<u>\$ 60,316,491</u>

Year Ending June 30,	Financed Purchases from			
	Direct Borrowing		Lease Liability	
	Principal	Interest	Principal	Interest
2025	\$ 550,523	\$ -	\$ 57,629	\$ 3,266
2026	109,675	-	59,619	1,279
2027	109,675	-	5,061	14
2028	109,676	-	-	-
Total	<u>\$ 879,549</u>	<u>\$ -</u>	<u>\$ 122,309</u>	<u>\$ 4,559</u>

C. Financed Purchases from Direct Borrowing

On March 1, 2022, the District entered into a financed purchase agreement for the acquisition of technology equipment. The agreement obligation and corresponding equipment totaled \$1,481,696. The agreement includes first year principal payment of \$600,000 and then annual principal payments of \$440,848.

On May 15, 2023, the District entered into a financed purchase agreement for the acquisition of technology equipment. The agreement obligation and corresponding equipment totaled \$551,172. The agreement includes annual principal and interest payments of \$137,793.

On June 15, 2024, the District entered into a financed purchase agreement for the acquisition of technology equipment. The agreement obligation and corresponding equipment totaled \$438,700. The agreement includes annual principal and interest payments of \$109,675.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 5 - LONG-TERM DEBT (CONTINUED)

D. Lease Liability

On July 21, 2021, the District entered into an agreement with MARCO for technology equipment. The lease agreement includes monthly principal and interest payments of \$5,075 for the term of the agreement. The lease agreement expires on July 22, 2026.

E. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	\$ 54,425,000	\$ 9,220,000	\$ 13,860,000	\$ 49,785,000
Financed purchases from direct borrowing	1,583,159	438,700	1,142,310	879,549
Lease liability	178,015	-	55,705	122,309
Premium	3,248,087	260,779	1,891,908	1,638,689
Compensated absences Payable	258,551	239,508	237,556	260,503
Total long-term liabilities	<u>\$ 59,692,812</u>	<u>\$ 10,158,987</u>	<u>\$ 17,187,479</u>	<u>\$ 52,686,050</u>

NOTE 6 - FUND BALANCES/NET POSITION

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities or as required by other outside parties.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 6 - FUND BALANCES/NET POSITION (CONTINUED)

Fund Balance

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service	Other Nonmajor Funds	Total
Nonspendable for				
Inventory	\$ -	\$ -	\$ 55,021	\$ 55,021
Prepaid items	97,770	-	-	97,770
Total nonspendable	<u>97,770</u>	<u>-</u>	<u>55,021</u>	<u>152,791</u>
Restricted/reserved for				
Student Activity	392,826	-	-	392,826
Scholarship	32,973	-	-	32,973
Staff Development	2,254	-	-	2,254
Teacher Development and Evaluation	20,320	-	-	20,320
Student Support Personnel Aid	56,073	-	-	56,073
English Learner	63,619	-	-	63,619
Literacy Incentive Aid	217,114	-	-	217,114
Operating Capital	6,055,239	-	-	6,055,239
Gifted and Talented	41,735	-	-	41,735
Achievement and Integration	22,813	-	-	22,813
Safe Schools - Crime Levy	115,822	-	-	115,822
Long-Term Facilities Maintenance	1,480,275	-	-	1,480,275
Medical Assistance	459,000	-	-	459,000
School Library Aid	18,625	-	-	18,625
Community Education	-	-	368,758	368,758
Early Childhood and Family Education	-	-	190,175	190,175
School Readiness	-	-	121,125	121,125
Adult Basic Education	-	-	100,965	100,965
Restricted for				
Food Service	-	-	2,029,890	2,029,890
Community Service	-	-	108,006	108,006
Debt Service	-	1,513,083	-	1,513,083
Capital Projects	-	-	472,293	472,293
Total restricted/reserved	<u>8,978,688</u>	<u>1,513,083</u>	<u>3,391,212</u>	<u>13,882,983</u>
Committed for				
Separation benefits	2,087,662	-	-	2,087,662
Assigned for				
Budget carryover	1,545,035	-	-	1,545,035
Capital	348,905	-	-	348,905
Student activities	313,602	-	-	313,602
Total assigned	<u>2,207,542</u>	<u>-</u>	<u>-</u>	<u>2,207,542</u>
Unassigned	<u>13,840,278</u>	<u>-</u>	<u>-</u>	<u>13,840,278</u>
Total fund balance	<u>\$ 27,211,940</u>	<u>\$ 1,513,083</u>	<u>\$ 3,446,233</u>	<u>\$ 32,171,256</u>

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 6 - FUND BALANCES/NET POSITION (CONTINUED)

Fund Balance (Continued)

Nonspendable for Inventory - A portion of the fund balance has been spent on inventory and is not available for other uses.

Nonspendable for Prepaid Items - A portion of the fund balance has been spent on prepaid items and is not available for other uses.

Restricted/Reserved for Student Activities - This balance represents available resources to be used for the extracurricular activity funds raised by the students.

Restricted/Reserved for Scholarships - This balance represents available resources for the scholarship funds.

Restricted/Reserved for Staff Development - This balance represents unspent staff development revenues set aside from general education revenue that were restricted/reserved for staff development related to Finance Code 316. Expenditures for staff development must equal at least 2% of the basic general education revenue, unless legal stipulations are met (*Minnesota Statutes* § 122A.61, subdivision 1).

Restricted/Reserved for Teacher Development and Evaluation - This balance represents resources available for teacher development and evaluation uses listed in *Minnesota Statutes* § 122A.40, subd. 8 or 122A.41, subd. 5.

Restricted/Reserved for Student Support Personnel Aid - This balance represents available resources to be used for student support personnel that are in addition to current staff levels.

Restricted/Reserved for English Learner - This balance represents resources available for English Learner students per *Minnesota Statutes* § 2023, 124D.59, subd. 2.

Restricted/Reserved for Literacy Incentive Aid - This balance represents the resources available to support implementation of evidence-based reading instruction.

Restricted/Reserved for Operating Capital - This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Gifted and Talented - The part of general education aid revenue for the gifted and talented program that is unspent at years end must be reserved in this Balance Sheet account.

Restricted/Reserved for Achievement and Integration Revenue - This balance represents unspent resources available from the achievement and integration program.

Restricted/Reserved for Safe Schools Revenue - The unspent resources available from the Safe Schools revenue must be restricted in this account for future use.

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) - This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* § 123B.595, subd. 12).

Restricted/Reserved for Medical Assistance - This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* § 125A.21, subd. 3).

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 6 - FUND BALANCES/NET POSITION (CONTINUED)

Fund Balance (Continued)

Restricted/Reserved for School Library Aid - This balance represents resources available for the school library aid uses listed in Minnesota Statute § 134.356, subd. 1.

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

Restricted/Reserved for Early Childhood and Family Education - This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted/Reserved for School Readiness - This balance represents the resources available to provide for services for school readiness programs. Related to Finance Code 344, School Readiness *Minnesota Statutes* § 124D.16.

Restricted/Reserved for Adult Basic Education - This account will represent the balance of carryover monies for all activity involving adult basic education.

Restricted for Food Service - This balance represents the accumulation of the activity to provide the food service program.

Restricted for Community Service - This balance represents the remaining aggregate resources for community service programs after other restrictions are removed.

Restricted for Debt Service - This balance represents the resources available for the payment of bond principal, interest, and related costs.

Restricted/Reserved for Capital Projects - This balance represents available resources in the Capital Projects Fund for projects.

Committed for Separation/Retirement Benefits - This balance represents resources segregated from the unassigned fund balance for retirement benefits, including compensated absences, pensions, OPEB and termination benefits (as defined in GASB Statement Nos. 16, 27, 45, 47, and 50 and *Minnesota Statutes* § 123B.79, subd. 7).

Assigned for Budget Carryover - This balance represents amounts segregated from unrestricted funds for unspent budget amounts.

Assigned for Capital - This balance represents amounts segregated from unrestricted funds for capital improvements.

Assigned for Student Activities - This balance represents the aggregate activity for student accounts under School Board control.

B. Net Position

Net position restricted for other purposes is comprised of the General Fund positive restricted balances and Special Revenue Funds balances adjusted to net position.

**Independent School District No. 47
Notes to Basic Financial Statements**

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

The District participates in various pension plans. Total pension expense for the year ended June 30, 2024, was \$1,388,130. The components of pension expense are noted in the following plan summaries.

The General Fund, Community Service Fund, and Food Service Fund typically liquidate the liability related to the pensions.

Teachers' Retirement Association

A. Plan Description

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

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those teachers employed by St. Paul Schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Defined Contribution Plan (DCP) administered by Minnesota State.

B. Benefits Provided

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by *Minnesota Statute* and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age and a formula multiplier based on years of credit at termination of service.

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

Tier 1 Benefits

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

With these provisions:

- ◆ Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- ◆ 3% per year early retirement reduction factor for all years under normal retirement age.

**Independent School District No. 47
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier 1 Benefits (Continued)

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

Or

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under *Minnesota Statute*. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Tier II Benefits

Members first employed after June 30, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age, for full Social Security retirement benefits, but not to exceed age 66.

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.

C. Contribution Rate

Per *Minnesota Statutes* Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2022, June 30, 2023, and June 30, 2024 were:

	<u>June 30, 2022</u>		<u>June 30, 2023</u>		<u>June 30, 2024</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	11.00 %	12.34 %	11.00 %	12.55 %	11.25 %	12.75 %
Coordinated	7.50	8.34	7.50	8.55	7.75	8.75

**Independent School District No. 47
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

The following is a reconciliation of employer contributions in TRA's fiscal year 2023 ACFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in *Schedule of Employer and Non-Employer Pension Allocations*. Amounts are reported in thousands.

Employer contributions reported in TRA's ACFR Statement of Changes in Fiduciary Net Position	\$ 508,764
Employer contributions not related to future contribution efforts	(87)
TRA's contributions not included in allocation	<u>(643)</u>
Total employer contributions	508,034
Total non-employer contributions	35,587
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u><u>\$ 543,621</u></u>

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. TRA has rounded percentage amounts to the nearest ten thousandths.

**Independent School District No. 47
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2023
Measurement date	June 30, 2023
Experience study	June 28, 2019 (demographic and economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028.
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028.
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumptions

Pre-retirement	RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

**Independent School District No. 47
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Private markets	25.0	5.9
Fixed income	25.0	0.75
Total	100.0 %	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2023 is six years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of six years in the schedule presented. The amortization period for "Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments" is five years as required by GASB 68.

Changes in actuarial assumptions since the 2022 valuation:

The 2023 Tax Finance and Policy Bill, effective July 1, 2025:

- ◆ The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
- ◆ The employee contribution rate will increase from 7.75% to 8.0% on July 1, 2025.
- ◆ The pension adjustment rate for school districts and the base budgets for Minnesota State Perpich Center for Arts Education and Minnesota Academies will increase to reflect the 0.75% employer contribution rate increase.

The 2024 Omnibus Pensions and Retirement Bill:

- ◆ The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.
- ◆ TRA's amortization date will remain the same at 2048.

**Independent School District No. 47
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

E. Discount Rate

The discount rate used to measure the total pension liability was 7.0%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2023 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. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

On June 30, 2024, the District reported a liability of \$33,379,914 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.4043% at the end of the measurement period and 0.4187% for the beginning of the year.

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

District's proportionate share of net pension liability	\$ 33,379,914
State's proportionate share of the net pension liability associated with the District	2,338,104

For the year ended June 30, 2024, the District recognized pension expense of \$282,137. Included in this amount, the District recognized \$329,223 as pension expense for the support provided by direct aid.

**Independent School District No. 47
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

On June 30, 2024, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 338,137	\$ 490,260
Net difference between projected and actual earnings on plan investments	-	64,658
Changes of assumptions	4,016,353	-
Changes in proportion	607,149	960,897
Contributions to TRA subsequent to the measurement date	2,396,602	-
Total	\$ 7,358,241	\$ 1,515,815

The \$2,396,602 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2025	\$ 581,329
2026	(133,530)
2027	3,843,632
2028	(592,341)
2029	(253,266)
Total	\$ 3,445,824

**Independent School District No. 47
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) and 1 percent higher (8.0%) than the current rate.

District proportionate share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
\$ 53,238,507	\$ 33,379,914	\$ 17,123,237

The District's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

H. Pension Plan Fiduciary Net Position

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

Public Employees' Retirement Association

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes* Chapters 353 and 356. PERA's defined benefit pension plan is tax qualified plan under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

The General Employees Retirement Plan covers certain full time and part time employees of the District. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

**Independent School District No. 47
Notes to Basic Financial Statements**

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

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan 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 PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1 the annuity accrual rate for a Coordinated Plan member is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

C. Contributions

Minnesota Statutes Chapter 353 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2024, were \$781,589. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2024, the District reported a liability of \$7,040,187 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$193,968.

**Independent School District No. 47
Notes to Basic Financial Statements**

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.1259% at the end of the measurement period and 0.1286% for the beginning of the period.

School's proportionate share of net pension liability	\$ 7,040,187
State of Minnesota's proportionate share of the net pension liability associated with the School	<u>193,968</u>
Total	<u><u>\$ 7,234,155</u></u>

For the year ended June 30, 2024, the District recognized pension expense of \$1,105,993 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$872 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2024, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 232,392	\$ 48,766
Changes in actuarial assumptions	1,146,766	1,929,655
Net difference between projected and actual investments earnings	-	225,182
Change in proportion	113,151	160,380
Contributions paid to PERA subsequent to the measurement date	<u>781,589</u>	<u>-</u>
Total	<u><u>\$ 2,273,898</u></u>	<u><u>\$ 2,363,983</u></u>

**Independent School District No. 47
Notes to Basic Financial Statements**

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The \$781,589 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expense Amount</u>
2025	\$ 224,698
2026	(1,073,898)
2027	130,250
2028	<u>(152,724)</u>
Total	<u><u>\$ (871,674)</u></u>

E. Long-Term Expected Return on Investment

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

<u>Asset Class</u>	<u>Final Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	33.5 %	5.10 %
International stocks	16.5	5.30
Fixed income	25.0	0.75
Private markets	<u>25.0</u>	5.90
Total	<u><u>100.0 %</u></u>	

**Independent School District No. 47
Notes to Basic Financial Statements**

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

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

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

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions

- ◆ The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

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, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position 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.

**Independent School District No. 47
Notes to Basic Financial Statements**

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

Public Employees' Retirement Association (Continued)

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 rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proportionate share of the PERA net pension liability	\$ 12,454,656	\$ 7,040,187	\$ 2,586,580

I. Pension Plan Fiduciary Net Position

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

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by Blue Cross Blue Shield. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees. No assets are acclimated in a trust.

B. Benefits Paid

Teachers who apply for early retirement shall remain eligible to receive certain health insurance benefits until the end of the school year in which the teacher becomes Medicare eligible. The first access eligible age is 55 years of age. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

C. Members

As of July 1, 2022, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Active employees	625
Total	640

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2024, the District contributed \$251,783 to the plan.

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount Rate	3.90%
Salary increases	Service graded table
Inflation	2.50%
Healthcare cost trend increases	6.25% as of July 1, 2023, grading to 5.00% over 5 years and then to 4.00% over the next 48 years.
Mortality assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables With MP-2021 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2022 through July 1, 2023.

The discount rate is based on the 20-year Municipal Bond Yield of 3.90%.

Changes in Assumptions

- ◆ The discount rate was changed from 3.80% to 3.90%.

F. Total OPEB Liability

The District's total OPEB liability of \$2,264,981 was measured as of July 1, 2023, and was determined by an actuarial valuation as of July 1, 2023.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at July 1, 2023	<u>\$ 2,230,132</u>
Changes for the year	
Service cost	193,138
Interest	87,646
Assumption changes	(10,158)
Benefit payments	<u>(235,777)</u>
Net changes	<u>34,849</u>
Balances at July 1, 2024	<u><u>\$ 2,264,981</u></u>

G. OPEB Liability Sensitivity

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

Total OPEB Liability/(Asset)		
1% Decrease in Discount Rate (2.9%)	Current Discount Rate (3.9%)	1% Increase in Discount Rate (4.9%)
\$ 2,397,312	\$ 2,264,981	\$ 2,137,275

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

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

Total OPEB Liability/(Asset)		
1% Decrease in Trend Rate (5.25% Decreasing to 4.0%)	Current Trend Rate (6.25% Decreasing to 5.0%)	1% Increase in Trend Rate (7.25% Decreasing to 6.0%)
\$ 2,032,968	\$ 2,264,981	\$ 2,539,487

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$125,896. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 40,182	\$ 122,931
Liability losses	44,859	-
Liability gains	-	404,507
Contributions made subsequent to the measurement date	251,783	-
Total	\$ 336,824	\$ 527,438

The \$251,783 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (Continued)**

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in OPEB expense as follows:

Year Ending June 30,	Total
2025	\$ (78,479)
2026	(78,479)
2027	(78,490)
2028	(100,307)
2029	(105,196)
Thereafter	(1,446)
Total	<u>\$ (442,397)</u>

NOTE 9 - COMMITMENTS

Project	Contractor	Contract Amount	Expensed to Date	Commitment
Rice Playground	Various	\$ 433,559	\$ 388,873	\$ 44,686
Rice Brick and Windows	Various	495,642	202,888	292,754
MS Wall Phase #4	Various	122,340	13,734	108,606
HS Theatrical Lighting	Various	663,091	264,937	398,154
HS Parking Lot Lighting	Various	377,285	94,491	282,794
HS Parking Lot	Various	924,975	614,900	310,075
Total commitments		<u>\$ 3,016,892</u>	<u>\$ 1,579,823</u>	<u>\$ 1,437,069</u>

NOTE 10 - CONTINGENCY

The District is a defendant in a lawsuit. The likelihood of loss is unknown. The resolution of this matter should not have a material adverse effect on the financial condition of the District.

NOTE 11 - ACCOUNTING CHANGES

The Governmental Accounting Standards Board (GASB) has issued Implementation Guide No. 2021-1, Implementation Guidance Update - 2021. The implementation guide contains new questions and answers that address the application of GASB standards. The guide also amends certain questions and answers issued in previous implementation guides. The answer to Question 5.1 in Implementation Guide 2021-1 has been amended to state that a government should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 11 - ACCOUNTING CHANGES (CONTINUED)

Due to that change, the District had an adjustment to capital assets of \$764,032 to account for the capitalization of grouped assets from prior periods.

NOTE 12 - ERROR CORRECTIONS

During fiscal year 2024, the District determined that building improvement capital assets related to a previously disposed building were not disposed. Therefore, capital assets, net of depreciation, were overstated by \$1,634,733 for the fiscal year ended June 30, 2023. The effect of correcting that error is shown in the adjustment column of the capital asset footnote.

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REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 47
Schedule of Changes in Total OPEB Liability
and Related Ratios

	<u>June 30, 2019</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Total OPEB Liability				
Service cost	\$ 169,713	\$ 164,965	\$ 169,914	\$ 237,465
Interest	79,222	82,468	72,765	79,128
Differenced between expected and actual experience	-	(464,939)	-	104,679
Changes of assumptions	-	6,505	-	48,099
Plan changes	-	-	-	362,967
Benefit payments	(143,798)	(153,718)	(127,090)	(229,766)
Net change in total OPEB liability	<u>105,137</u>	<u>(364,719)</u>	<u>115,589</u>	<u>602,572</u>
Beginning of year	<u>2,231,655</u>	<u>2,336,792</u>	<u>1,972,073</u>	<u>2,087,662</u>
End of year	<u>\$ 2,336,792</u>	<u>\$ 1,972,073</u>	<u>\$ 2,087,662</u>	<u>\$ 2,690,234</u>
Covered payroll	\$ 24,683,536	\$ 27,747,444	\$ 28,579,867	\$ 32,053,466
Total OPEB liability as a percentage of covered-employee payroll	9.5%	7.1%	7.3%	8.4%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>
\$ 255,075	\$ 190,212	\$ 193,138
67,763	60,155	87,646
-	(566,311)	-
34,250	(159,915)	(10,158)
-	160,877	-
<u>(245,120)</u>	<u>(257,088)</u>	<u>(235,777)</u>
<u>111,968</u>	<u>(572,070)</u>	<u>34,849</u>
<u>2,690,234</u>	<u>2,802,202</u>	<u>2,230,132</u>
<u>\$ 2,802,202</u>	<u>\$ 2,230,132</u>	<u>\$ 2,264,981</u>
\$ 33,015,070	\$ 32,718,546	\$ 33,700,102
8.5%	6.8%	6.7%

Independent School District No. 47
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1105%	\$ 5,190,736	\$ -	\$ 5,190,736	\$ 5,802,469	89.46%	78.75%
2015	0.1073%	5,560,843	-	5,560,843	6,200,133	89.69%	78.19%
2016	0.1065%	8,647,272	112,946	8,760,218	6,610,693	130.81%	68.91%
2017	0.1188%	7,584,114	95,394	7,679,508	7,655,773	99.06%	75.90%
2018	0.1150%	6,379,729	209,139	6,588,868	7,727,947	82.55%	79.53%
2019	0.1221%	6,750,635	209,824	6,960,459	8,644,427	78.09%	80.23%
2020	0.1219%	7,308,462	225,261	7,533,723	8,690,467	84.10%	79.06%
2021	0.1266%	5,406,387	165,143	5,571,530	9,113,200	59.32%	87.00%
2022	0.1286%	10,185,162	298,666	10,483,828	9,634,600	105.71%	76.67%
2023	0.1259%	7,040,187	193,968	7,234,155	10,009,693	70.33%	83.10%

Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years TRA Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.3506%	\$ 16,155,396	\$ 1,136,619	\$ 17,292,015	\$ 16,002,214	100.96%	81.50%
2015	0.3383%	20,927,201	2,566,950	23,494,151	17,170,227	121.88%	76.77%
2016	0.3499%	83,459,499	8,376,703	91,836,202	18,202,280	458.51%	44.88%
2017	0.3734%	74,537,413	7,205,374	81,742,787	20,099,040	370.85%	51.57%
2018	0.3878%	24,357,470	2,288,270	26,645,740	21,424,627	113.69%	78.07%
2019	0.4028%	25,674,557	2,271,879	27,946,436	22,870,558	112.26%	78.21%
2020	0.4110%	30,365,231	2,544,449	32,909,680	23,882,689	127.14%	75.48%
2021	0.4176%	18,275,425	1,541,259	19,816,684	24,987,737	73.14%	86.63%
2022	0.4187%	33,527,281	2,486,311	36,013,592	25,880,731	129.55%	76.17%
2023	0.4043%	33,379,914	2,338,104	35,718,018	25,708,819	129.84%	76.42%

**Independent School District No. 47
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years**

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$ 465,010	\$ 465,010	\$ -	\$ 6,200,133	7.50%
2016	495,802	495,802	-	6,610,693	7.50%
2017	574,183	574,183	-	7,655,773	7.50%
2018	579,596	579,596	-	7,727,947	7.50%
2019	648,332	648,332	-	8,644,427	7.50%
2020	651,785	651,785	-	8,690,467	7.50%
2021	683,490	683,490	-	9,113,200	7.50%
2022	722,595	722,595	-	9,634,600	7.50%
2023	750,727	750,727	-	10,009,693	7.50%
2024	781,589	781,589	-	10,421,187	7.50%

**Schedule of District Contributions
TRA Retirement Funds
Last Ten Years**

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$ 1,287,767	\$ 1,287,767	\$ -	\$ 17,170,227	7.50%
2016	1,365,171	1,365,171	-	18,202,280	7.50%
2017	1,507,428	1,507,428	-	20,099,040	7.50%
2018	1,606,847	1,606,847	-	21,424,627	7.50%
2019	1,763,320	1,763,320	-	22,870,558	7.71%
2020	1,891,509	1,891,509	-	23,882,689	7.92%
2021	2,031,503	2,031,503	-	24,987,737	8.13%
2022	2,158,453	2,158,453	-	25,880,731	8.34%
2023	2,198,104	2,198,104	-	25,708,819	8.55%
2024	2,396,602	2,396,602	-	27,389,737	8.75%

Independent School District No. 47
Notes to the Required Supplementary Information

TRA Retirement Fund

2023 Changes

Changes of Benefit Terms

The 2023 Tax Finance and Policy Bill, effective July 1, 2025:

- ◆ The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
- ◆ The employee contribution rate will increase from 7.75% to 8.0% on July 1, 2025.
- ◆ The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75% employer contribution rate increase.

The 2024 Omnibus Pensions and Retirement Bill:

- ◆ The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.
- ◆ TRA's amortization date will remain the same at 2048.

2022 Changes

Changes in Actuarial Assumptions

- ◆ None

2021 Changes

Changes in Actuarial Assumptions

- ◆ The investment return assumption was changed from 7.5% to 7.0%.

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- ◆ None

2018 Changes

Changes in Actuarial Assumptions

- ◆ The discount rate was increased to 7.5% from 5.12%.
- ◆ The cost-of-living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% 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 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

Independent School District No. 47
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2018 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- ◆ Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 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 0.0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- ◆ The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

- ◆ The discount rate was increased to 5.12% from 4.66%.
- ◆ The cost-of-living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- ◆ The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- ◆ Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- ◆ The investment return assumption was changed from 8.0% to 7.5%.
- ◆ The price inflation assumption was lowered from 2.75% to 2.5%.
- ◆ The payroll growth assumption was lowered from 2.5% to 3.0%.
- ◆ The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- ◆ The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes

Changes in Actuarial Assumptions

- ◆ The discount rate was decreased to 4.66% from 8.0%.
- ◆ The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- ◆ The price inflation assumption was lowered from 3% to 2.75%.
- ◆ The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- ◆ Minor changes as some durations for the merit scale of the salary increase assumption.
- ◆ The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- ◆ The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- ◆ The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.

Independent School District No. 47
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- ◆ Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- ◆ Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- ◆ A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes

Changes of Benefit Terms

- ◆ The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

- ◆ The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

Independent School District No. 47
Notes to the Required Supplementary Information

General Employees Fund

2023 Changes

Changes in Actuarial Assumptions

- ◆ The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

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, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- ◆ There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions

- ◆ The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- ◆ The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- ◆ There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- ◆ The price inflation assumption was decreased from 2.5% to 2.25%.
- ◆ The payroll growth assumption was decreased from 3.25% to 3.0%.
- ◆ Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- ◆ Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- ◆ Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- ◆ Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- ◆ The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- ◆ The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- ◆ The assumed spouse age difference was changed from two years older for females to one year older.

Independent School District No. 47
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- ◆ The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- ◆ The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- ◆ The mortality projection scale was changed from MP-2015 to MP-2017.
- ◆ The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- ◆ The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- ◆ Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- ◆ Deferred augmentation was changed to 0.0%, 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 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- ◆ For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. This does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- ◆ Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- ◆ The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- ◆ The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Independent School District No. 47
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2017 Changes (Continued)

Changes in Plan Provisions

- ◆ The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- ◆ The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- ◆ There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Independent School District No. 47
Notes to the Required Supplementary Information

Other Post Employment Benefit

2023 Changes

Changes in Assumptions

- ◆ The discount rate was changed from 3.80% to 3.90%.

2022 Changes

Changes in Assumptions

- ◆ The health care trend rates, mortality tables, salary increase rates for non-teachers, and withdrawal rates were updated.
- ◆ The discount rate was changed from 2.10% to 3.80%.

Changes in Benefits

- ◆ An Early Retirement Incentive was added for teachers who retire after January 1, 2023 and prior to July 1, 2024 who have attained age 55 with at least 25 years of service. Eligible retirees receive a lump sum of \$17,900 less the annual Article XXV Section 25.3 HCSP catch-up contribution made to their health care savings plan.

2021 Changes

Changes in Assumptions

- ◆ The discount rate was changed from 2.40% to 2.10%.

2020 Changes

Changes in Assumptions

- ◆ The health care 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 increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- ◆ The discount rate was changed from 3.50% to 2.40%.

Changes in Benefits

- ◆ An Early Retirement Incentive was offered to teachers who retire after January 1, 2020, and prior to July 1, 2022, who have attained age 55 with at least 25 years of service. Eligible retirees receive a lump sum of \$20,000 paid to a Health Care Savings Plan.

2019 Changes

Changes in Assumptions

- ◆ The health care trend rates were changed to better anticipate short term and long-term medical increases.
- ◆ The mortality tables were updated from 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 discount rate was changed from 3.40% to 3.50%.

SUPPLEMENTARY INFORMATION

Independent School District No. 47
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2024

	Special Revenue Funds			Total Nonmajor Funds
	Food Service	Community Service	Capital Projects	
Assets				
Cash and investments	\$ 2,302,832	\$ 1,129,609	\$ 591,932	\$ 4,024,373
Current property taxes receivable	-	119,397	-	119,397
Delinquent property taxes receivable	-	4,990	-	4,990
Accounts receivable	17,875	-	-	17,875
Due from Department of Education	-	45,731	-	45,731
Due from other Minnesota school districts	-	123,766	-	123,766
Inventory	55,021	-	-	55,021
	<u>55,021</u>	<u>-</u>	<u>-</u>	<u>55,021</u>
Total assets	<u><u>\$ 2,375,728</u></u>	<u><u>\$ 1,423,493</u></u>	<u><u>\$ 591,932</u></u>	<u><u>\$ 4,391,153</u></u>
Liabilities				
Accounts payable	\$ 146,689	\$ 10,586	\$ 119,639	\$ 276,914
Salaries and benefits payable	85,355	263,205	-	348,560
Unearned revenue	58,773	-	-	58,773
Total liabilities	<u>290,817</u>	<u>273,791</u>	<u>119,639</u>	<u>684,247</u>
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	-	3,374	-	3,374
Property taxes levied for subsequent year's expenditures	-	257,299	-	257,299
Total deferred inflows of resources	<u>-</u>	<u>260,673</u>	<u>-</u>	<u>260,673</u>
Fund Balances				
Nonspendable	55,021	-	-	55,021
Restricted	2,029,890	889,029	472,293	3,391,212
Total fund balances	<u>2,084,911</u>	<u>889,029</u>	<u>472,293</u>	<u>3,446,233</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 2,375,728</u></u>	<u><u>\$ 1,423,493</u></u>	<u><u>\$ 591,932</u></u>	<u><u>\$ 4,391,153</u></u>

Independent School District No. 47
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2024

	Special Revenue Funds			Total Nonmajor Funds
	Food Service	Community Service	Capital Projects	
Revenues				
Local property taxes	\$ -	\$ 300,753	\$ -	\$ 300,753
Other local and county revenues	93,540	1,294,880	49,120	1,437,540
Revenue from state sources	1,538,335	392,731	-	1,931,066
Revenue from federal sources	1,690,110	-	-	1,690,110
Sales and other conversion of assets	285,061	6,440	-	291,501
Total revenues	3,607,046	1,994,804	49,120	5,650,970
Expenditures				
Current				
Food service	3,175,357	-	-	3,175,357
Community education and services	-	2,210,068	-	2,210,068
Capital outlay				
Sites and buildings	-	-	205,119	205,119
Food service	48,728	-	-	48,728
Community education and services	-	4,797	-	4,797
Total expenditures	3,224,085	2,214,865	205,119	5,644,069
Excess of revenues over (under) expenditures	382,961	(220,061)	(155,999)	6,901
Other Financing Sources				
Transfers in	-	310,799	-	310,799
Net change in fund balances	382,961	90,738	(155,999)	317,700
Fund Balances				
Beginning of year	1,701,950	798,291	628,292	3,128,533
End of year	\$ 2,084,911	\$ 889,029	\$ 472,293	\$ 3,446,233

Independent School District No. 47
Uniform Financial Accounting And Reporting Standards
Compliance Table
Year Ended June 30, 2024

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	\$ 65,557,139	\$ 65,557,140	\$ (1)	Total revenue	\$ 49,120	\$ 49,118	\$ 2
Total expenditures	67,782,077	67,782,078	(1)	Total expenditures	205,119	205,119	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	97,770	97,770	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	392,826	392,826	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	32,973	32,973	-	4.13 Building Projects Funded by COP/LP	-	-	-
4.03 Staff Development	2,254	2,255	(1)	4.67 LTFM	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Programs	-	-	-	4.64 Restricted fund balance	472,293	472,293	-
4.12 Literacy Incentive Aid	217,114	217,114	-	<i>Unassigned:</i>			
4.14 Operating Debt	-	-	-	4.63 Unassigned fund balance	-	-	-
4.16 Levy Reduction	-	-	-				
4.17 Taconite Building Maintenance	-	-	-	07 DEBT SERVICE FUND			
4.20 American Indian Ed Aid	-	-	-	Total revenue	\$ 6,348,493	\$ 6,348,494	\$ (1)
4.24 Operating Capital	6,055,239	6,055,240	(1)	Total expenditures	6,440,168	6,440,168	-
4.26 \$25 Taconite	-	-	-	<i>Nonspendable:</i>			
4.27 Disabled Accessibility	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.28 Learning and Development	-	-	-	<i>Restricted/reserved:</i>			
4.34 Area Learning Center	-	-	-	4.25 Bond refunding	-	-	-
4.35 Contracted Alternative Programs	-	-	-	4.33 Maximum effort loan aid	-	-	-
4.36 State Approved Alternative Program	-	-	-	4.51 QZAB payments	-	-	-
4.38 Gifted and Talented	41,735	41,735	-	4.67 LTFM	-	-	-
4.39 English Learner	63,619	63,619	-	<i>Restricted:</i>			
4.40 Teacher Development and Evaluation	20,320	20,320	-	4.64 Restricted fund balance	1,513,083	1,513,084	(1)
4.41 Basic Skills Programs	-	-	-	<i>Unassigned:</i>			
4.43 School Library Aid	18,625	18,625	-	4.63 Unassigned fund balance	-	-	-
4.45 Career Technical Programs	-	-	-				
4.48 Achievement and Integration Revenue	22,813	22,813	-	08 TRUST FUND			
4.49 Safe School Crime	115,822	115,822	-	Total revenue	\$ -	\$ -	\$ -
4.51 QZAB payments	-	-	-	Total expenditures	-	-	-
4.52 OPEB liabilities not held in trust	-	-	-	4.01 Student Activities	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-	4.02 Scholarships	32,843	32,843	-
4.59 Basic Skills Extended Time	-	-	-	4.22 Net Position	-	-	-
4.67 Long-term Facilities Maintenance	1,480,275	1,480,275	-				
4.71 Student Support Personnel	56,073	56,073	-	18 CUSTODIAL FUND			
4.72 Medical Assistance	459,000	459,000	-	Total revenue	\$ 33,199	\$ 33,198	\$ 1
<i>Restricted:</i>				Total expenditures	10,241	10,241	-
4.64 Restricted fund balance	-	-	-	4.01 Student Activities	11,299	11,299	-
4.75 Title VII - Impact Aid	-	-	-	4.02 Scholarships	21,900	21,900	-
4.76 Payments in Lieu of Taxes	-	-	-	4.48 Achievement & Integration	-	-	-
<i>Committed:</i>				4.64 Restricted Fund Balance	30,835	30,834	1
4.18 Separation benefits	2,087,662	2,087,662	-				
4.61 Committed	-	-	-	20 INTERNAL SERVICE FUND			
<i>Assigned:</i>				Total revenue	\$ -	\$ -	\$ -
4.62 Assigned fund balance	2,207,542	2,207,542	-	Total expenditures	-	-	-
<i>Unassigned</i>				<i>Unassigned:</i>			
4.22 Unassigned fund balance (net position)	13,840,278	13,840,277	1	4.22 Net Position	-	-	-
02 FOOD SERVICES FUND				25 OPEB REVOCABLE TRUST			
Total revenue	\$ 3,607,046	\$ 3,607,047	\$ (1)	Total revenue	\$ -	\$ -	\$ -
Total expenditures	3,224,085	3,224,086	(1)	Total expenditures	-	-	-
<i>Nonspendable:</i>				<i>Unassigned:</i>			
4.60 Nonspendable fund balance	55,021	55,021	-	4.22 Net Position	-	-	-
<i>Restricted/reserved:</i>							
4.52 OPEB Liabilities not Held in Trust	-	-	-	45 OPEB IRREVOCABLE TRUST			
<i>Restricted:</i>				Total revenue	\$ -	\$ -	\$ -
4.64 Restricted fund balance	2,029,890	2,029,889	1	Total expenditures	-	-	-
<i>Unassigned:</i>				<i>Unassigned:</i>			
4.63 Unassigned fund balance	-	-	-	4.22 Net Position	-	-	-
04 COMMUNITY SERVICE FUND				47 OPEB DEBT SERVICE			
Total revenue	\$ 1,994,804	\$ 1,994,803	\$ 1	Total revenue	\$ -	\$ -	\$ -
Total expenditures	2,214,865	2,214,865	-	Total expenditures	-	-	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	-	-	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted:</i>			
4.26 \$25 Taconite	-	-	-	4.25 Bond refundings	-	-	-
4.31 Community Education	368,758	368,758	-	4.64 Restricted fund balance	-	-	-
4.32 ECFE	190,175	190,175	-	<i>Unassigned:</i>			
4.40 Teacher Development and Evaluation	-	-	-	4.63 Unassigned fund balance	-	-	-
4.44 School Readiness	121,125	121,125	-				
4.47 Adult Basic Education	100,965	100,965	-				
4.52 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted fund balance	108,006	108,003	3				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				

Independent School District No. 47
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Grant Name	Federal Assistance Listing Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
Commodities Programs	10.555	\$ 311,591
School Breakfast	10.553	210,940
Special Milk	10.556	4,597
COVID 19 - Supply Chain Assistance	10.555C	112,702
National School Lunch	10.555	1,050,280
Total Child Nutrition Cluster and U.S. Department of Agriculture		<u>1,690,110</u>
U.S. Federal Communications Commission		
Through Universal Service Administrative Co.		
COVID-19 -Emergency Connectivity Fund Program	32.009	514,500
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A	84.010	411,713
Title II, Part A - Improving Teacher Quality	84.367	78,648
Title IV, Part A	84.186	24,576
Education Stabilization Fund		
COVID 19 - Elementary and Secondary School Education Relief (ESSER II) Fund	84.425D	425,471
COVID 19 - Elementary and Secondary School Education Relief (ESSER III) Fund	84.425U	2,379,368
COVID 19 - Elementary and Secondary School Education Relief (ESSER III) Learning Loss	84.425U	292,397
COVID 19 - Learning Recovery - Lost Instructional Time	84.425U	32,358
COVID 19 - American Rescue Plan (ARP) - Homeless II	84.425W	10,636
Total Education Stabilization Fund		<u>3,140,230</u>
Through Benton-Stearns Education District		
Special Education Cluster		
Special Education	84.027	507,787
Early Childhood Special Education	84.173	9,952
IDEA Part B Section 611 Mandatory Coordinated Early Intervening Services (cluster)	84.027	77,343
Total Special Education Cluster		<u>595,082</u>
Through Wright Technical Center		
Carl Perkins	84.048A	40,874
Total U.S. Department of Education		<u>4,291,123</u>
Total Federal Expenditures		<u><u>\$ 6,495,733</u></u>

Independent School District No. 47
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes of net assets, or cash flows of the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same Assistance Listing numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 4 - INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

NOTE 5 - INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.



**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
with *Government Auditing Standards***

Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 47, Sauk Rapids, Minnesota, as of and for the year ending June 30, 2024, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 3, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Finding and Questioned Costs in Accordance with the Uniform Guidance as item Audit Finding 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

District's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response(s) to the findings identified in our audit and described in the accompanying Schedule of Finding and Questioned Costs in Accordance with the Uniform Guidance. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Bergan KDV Ltd.

St. Cloud, Minnesota
October 3, 2024



**Report on Compliance for Each Major Federal Program
and Report on Internal Control over Compliance in Accordance with
the Uniform Guidance**

Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 47's, Sauk Rapids, Minnesota, compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- ◆ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- ◆ Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bergan KDV Ltd.

St. Cloud, Minnesota
October 3, 2024

**Independent School District No. 47
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal control over financial reporting:
 ◆ Material weakness(es) identified? Yes, Audit Finding 2024-001
 ◆ Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:
 ◆ Material weakness(es) identified? No
 ◆ Significant deficiency(ies) identified? None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516? No

Identification of Major Programs

Federal Assistance Listing No.: 32.009
 Name of Federal Program or Cluster: Emergency Connectivity Funds

Federal Assistance Listing No.: 84.425D, 84.425U, 84.425W
 Name of Federal Program or Cluster: Education Stabilization Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low risk auditee? Yes

**Independent School District No. 47
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II - BASIC FINANCIAL STATEMENT FINDINGS:

Audit Finding 2024-001

Criteria or Specific Requirement:

Internal control that supports the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:

The District does not have adequate segregation of accounting duties.

Context:

This finding impacts the internal control for all significant accounting functions.

Effect or Potential Effect:

The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Cause:

There are a limited number of office employees.

Recommendation:

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Views of the Responsible Officials and Planned Corrective Actions:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

Administration will examine current segregation of accounting duties and identify areas of concern. As these areas are identified, Administration will develop practices that will address and mitigate such potential problems while working within current financial constraints. Specific areas of greatest concern will be identified first and then addressed, followed up by policies with a plan to reduce the risk of problems. Specifics will be noted in the policies as they are brought before the School Board. An individual who is responsible for the implementation of the specific control will be named as well as information on how the control added will potentially reduce risk of possible misstatement in the basic financial statements. As areas are addressed, other areas will be examined and corrected whenever possible.

**Independent School District No. 47
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II - BASIC FINANCIAL STATEMENT FINDINGS: (CONTINUED)

Audit Finding 2024-001 (Continued)

Views of the Responsible Officials and Planned Corrective Actions: (Continued)

CORRECTIVE ACTION PLAN (CAP): (CONTINUED)

3. Official Responsible for Ensuring CAP
Brad Bergstrom, Superintendent, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is ongoing.
5. Plan to Monitor Completion of CAP
The School Board will be responsible to monitor the ongoing progress towards the completion of the CAP by approving the policies brought forth by Administration and review of the annual audit.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV - PRIOR YEAR FINDINGS AND QUESTIONED COSTS:

Audit Finding 2023-002

Criteria or Specific Requirement:

Internal controls that assure all construction contracts entered into with federal awards have prevailing wage requirements.

Condition:

We selected a construction contract to test for prevailing wage requirements noting that this project had not met these requirements as prevailing wage verbiage was not included in the contract.

Context:

Construction contracts not following prevailing wage requirements could have been accepted.

Effect or Potential Effect:

Prevailing wage requirements could have not been met and would impact the amount of federal funding the District receives or the use of it on projects.

Cause:

The District did not oversee that prevailing wage requirements were included in contracts.

Recommendation:

Ensure the prevailing wage requirement are included in all construction contracts paid for with federal funds.

**Independent School District No. 47
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION IV - PRIOR YEAR FINDINGS AND QUESTIONED COSTS:

Audit Finding 2023-002

CORRECTIVE ACTION TAKEN (CAT):

This audit finding has been resolved.

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Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 47, Sauk Rapids, Minnesota, as of and for the year ended June 30, 2024, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 3, 2024.

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

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

Bergan KDV Ltd.

St. Cloud, Minnesota
October 3, 2024

FORM OF LEGAL OPINION

(See following pages)

Form of Bond Counsel Opinion

Independent School District No. 47
Sauk Rapids, Minnesota

[Purchaser]
[City, State]

Re: \$[PAR] General Obligation School Building Bonds, Series 2025A
 Independent School District No. 47 (Sauk Rapids-Rice)
 Benton County, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Independent School District No. 47 (Sauk Rapids-Rice), Benton County, Minnesota, of the obligations described above, dated, as originally issued, as of May [], 2025 (the Bonds), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the District in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds are valid and binding general obligations of the District, enforceable in accordance with their terms.
2. The principal of and interest on the Bonds are payable from ad valorem taxes heretofore duly levied on all taxable property in the District, but if necessary for payment thereof, additional ad valorem taxes are required by law to be levied on all such property, which taxes are not subject to any limitation as to rate or amount.
3. The resolution authorizing the issuance of the Bonds obligates the District to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of such law against the State of Minnesota in the absence of legally appropriated and available funds to pay the obligations of the State thereunder.
4. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the Code) and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code.

5. Interest on the Bonds (a) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, estates, and trusts.

The opinions expressed in paragraphs 1, 2, and 3 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 4 and 5 above are subject to the compliance by the District with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that interest on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

In providing this opinion, we have relied upon representations of the District and its officers as to (i) the intended application of the proceeds of the Bonds, (ii) the nature, use, cost, and economic life of the facilities and equipment financed by the Bonds, and (iii) other matters relating to the exemption of the interest on the Bonds from federal income taxation.

This opinion is given as of the date hereof, and we assume no obligation to 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 occur after the date hereof and which may be retroactive.

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

Dated this [] day of May, 2025.

Very truly yours,

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 COVENANTS
(EXCERPTS FROM AWARD RESOLUTION)**

(See following pages)

FORM OF CONTINUING DISCLOSURE COVENANTS

Excerpt from Resolution

Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the District hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the outstanding Bonds. The District is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the District fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The District will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the District, the following information at the following times:

- (1) on or before twelve (12) months after the end of each fiscal year of the District, commencing with the fiscal year ending June 30, 2025, the following financial information and operating data in respect of the District (the Disclosure Information):
 - (A) the audited financial statements of the District for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such

generally accepted accounting principles for reasons beyond the reasonable control of the District, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the District; and

- (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: “VALUATIONS – Current Property Valuations;” “DEBT – Direct Debt;” “TAX LEVIES, COLLECTION AND RATES – Tax Levies and Collections;” “THE ISSUER – Student Body; and” “GENERAL INFORMATION – Employment/Unemployment Data;” which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the District shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the District shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board (the MSRB) through its Electronic Municipal Market Access System (EMMA) or the SEC. The District shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the District have materially changed or been discontinued, such Disclosure Information need no longer be provided if the District includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other District operations in respect of which data is not included in the Disclosure Information and the District determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the District shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner, not in excess of 10 business days, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a “Material Fact,” as hereinafter defined):
 - (A) principal and interest payment delinquencies;
 - (B) non-payment related defaults, if material;
 - (C) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (D) unscheduled draws on credit enhancements reflecting financial difficulties;

- (E) substitution of credit or liquidity providers, or their failure to perform;
- (F) 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 Bonds or other material events affecting the tax status of the Bonds;
- (G) modifications to rights of Bond holders, if material;
- (H) Bond calls, if material and tender offers;
- (I) defeasances;
- (J) release, substitution, or sale of property securing repayment of the Bonds if material;
- (K) rating changes;
- (L) bankruptcy, insolvency, receivership, or similar event of the obligated person;
- (M) 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;
- (N) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (O) 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; “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 debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule; and
- (P) 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.

As used herein, for those events that must be reported if material, a “Material Fact” is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a Material Fact is also a fact that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

For purposes of the events identified in paragraphs (O) and (P) above, the term “financial obligation” means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). 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.

- (3) In a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:
 - (A) the failure of the District to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
 - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the District under subsection (d)(2);
 - (C) the termination of the obligations of the District under this section pursuant to subsection (d);
 - (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
 - (E) any change in the fiscal year of the District.

(c) Manner of Disclosure.

- (1) The District agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the District in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the

obligations of the District under this section shall terminate and be without further effect as of any date on which the District delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the District to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the District from time to time, without notice to (except as provided in paragraph (c)(2) hereof) or the consent of the Owners of any Bonds, by a resolution of this Board filed in the office of the recording officer of the District accompanied by an opinion of Bond Counsel, who may rely on certificates of the District and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the District or the type of operations conducted by the District, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the District agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

- (3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

TERMS OF PROPOSAL

**\$14,850,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2025A
INDEPENDENT SCHOOL DISTRICT NO. 47 (SAUK RAPIDS-RICE), MINNESOTA**

Proposals for the purchase of \$14,850,000* General Obligation School Building Bonds, Series 2025A (the "Bonds") of Independent School District No. 47 (Sauk Rapids-Rice), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 9:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via bondsale@ehlers-inc.com or **PARITY**, in the manner described below, until 9:30 A.M., Central Time, on April 28, 2025, at which time they will be opened, read and tabulated. The proposals will be presented to the School Board for consideration for award by resolution at a meeting to be held at 6:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held February 11, 2025, by the District, for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated May 22, 2025, 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	\$825,000	2033	\$300,000	2039	\$425,000
2028	210,000	2034	325,000	2040	450,000
2029	225,000	2035	350,000	2041	3,450,000
2030	250,000	2036	365,000	2042	3,630,000
2031	250,000	2037	375,000	2043	2,745,000
2032	275,000	2038	400,000		

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, 2026, 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, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The District will pay the charges for Paying Agent services. The District reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

The Bonds maturing on and after February 1, 2034 are be subject to redemption and prepayment at the option of the District, in whole or in part, in such order as the District shall determine and within a maturity by lot as selected by the Registrar in multiples of \$5,000, on February 1, 2033, and on any date thereafter, at a price equal to the principal amount thereof and accrued interest to the date of redemption.

The Clerk is required to cause notice of the call for redemption thereof to be published as required by law and, at least thirty (30) days prior to the designated redemption date, and cause notice of the call for redemption to be mailed, by first class mail, to the registered owners of any Bonds to be redeemed at their addresses as they appear on the bond register, but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the District shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

DELIVERY

On or about May 22, 2025, 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 in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the District.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$14,850,000 plus accrued interest on the principal sum of \$14,850,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

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

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

A good faith deposit ("Deposit") in the amount of \$297,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. The Deposit will be deducted from the purchase price at the closing for the Bonds.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

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 "Rule"), in the Award Resolution, 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. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

In order to establish the issue price of the Bonds for federal income tax purposes, the District requires bidders to agree to the following, and by submitting a proposal, each bidder agrees to the following.

If a proposal is submitted by a potential underwriter, the bidder confirms that (i) the underwriters have offered or reasonably expect to offer the Bonds to the public on or before the date of the award at the offering price (the "initial offering price") for each maturity as set forth in the proposal and (ii) the bidder, if it is the winning bidder, shall require any agreement among underwriters, selling group agreement, retail distribution agreement or other agreement relating to the initial sale of the Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Bonds with a separate CUSIP number constitute a separate "maturity", and the public does not include underwriters (including members of a selling group or retail distribution group) or persons related to underwriters.

If, however, a proposal is submitted for the bidder's own account in a capacity other than as an underwriter of the Bonds, and the bidder has no current intention to sell, reoffer, or otherwise dispose of the Bonds, the bidder shall notify the District to that effect at the time it submits its proposal and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the winning bidder intends to act as an underwriter, the District shall advise the winning bidder at or prior to the time of award whether (i) the competitive sale rule or (ii) the "hold-the-offering price" rule applies.

If the District advises the Purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the Purchaser will be required to deliver to the District at or prior to closing a certification, in a form reasonably acceptable to bond counsel, as to the reasonably expected initial offering price as of the award date.

If the District advises the Purchaser that the requirements for a competitive sale have not been satisfied and that the hold-the-offering-price rule applies, the Purchaser shall (1) upon the request of the District confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the District a certification as to such matters, in a form reasonably acceptable to bond counsel, together with a copy of the pricing wire.

Any action taken or documentation to be received by the District pursuant hereto may be taken or received on behalf of the District by Ehlers & Associates, Inc.

Bidders should prepare their proposals on the assumption that the Bonds will be subject to the "hold-the-offering-price" rule. Any proposal submitted pursuant to the Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, and Bonds submitted will not be subject to cancellation or withdrawal.

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 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the School Board

Independent School District No. 47
(Sauk Rapids-Rice), Minnesota

PROPOSAL FORM

The School Board
Independent School District No. 47 (Sauk Rapids-Rice), Minnesota (the "District")

April 28, 2025

RE: \$14,850,000* General Obligation School Building Bonds, Series 2025A (the "Bonds")
DATED: May 22, 2025

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 \$14,850,000) 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	2033	_____	% due	2039
_____	% due	2028	_____	% due	2034	_____	% due	2040
_____	% due	2029	_____	% due	2035	_____	% due	2041
_____	% due	2030	_____	% due	2036	_____	% due	2042
_____	% due	2031	_____	% due	2037	_____	% due	2043
_____	% due	2032	_____	% due	2038			

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 \$297,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. The Deposit will be deducted from the purchase price at the closing for the Bonds. 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 May 22, 2025.

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 May 22, 2025 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. 47 (Sauk Rapids-Rice), Minnesota, on April 28, 2025.

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