

# PRELIMINARY OFFICIAL STATEMENT DATED MAY 8, 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.

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

## New Issue

**Credit Enhanced Rating: Moody's Investors Service, Inc. "Aa1"**  
**Underlying Rating: Moody's Investors Service, Inc. "A2"**

## INDEPENDENT SCHOOL DISTRICT NO. 297 (SPRING GROVE PUBLIC SCHOOLS), MINNESOTA (Houston County)

(Minnesota School District Credit Enhancement Program)

## \$1,210,000\* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2025A

**PROPOSAL OPENING:** May 19, 2025, 9:30 A.M., C.T.

**CONSIDERATION:** May 19, 2025, 7:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$1,210,000\* General Obligation Facilities Maintenance Bonds, Series 2025A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, including Section 123B.595, as amended, by Independent School District No. 297 (Spring Grove Public Schools), Minnesota (the "District"), to provide funds to finance health and safety projects included in the District's ten-year facility maintenance plan approved by the Commissioner of Education. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

### DATE OF BONDS:

June 12, 2025

### MATURITY:

February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2029	\$120,000	2032	\$145,000	2035	\$170,000
2030	135,000	2033	155,000	2036	180,000
2031	140,000	2034	165,000		

### \*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, 2033 and thereafter are subject to call for prior optional redemption on February 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

### MINIMUM PROPOSAL:

\$1,210,000.

### GOOD FAITH DEPOSIT:

A good faith deposit in the amount of \$24,200 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.

# TABLE OF CONTENTS

INTRODUCTORY STATEMENT.....	1	TAX RATES, LEVIES AND COLLECTIONS .....	18
		TAX LEVIES AND COLLECTIONS .....	18
		TAX CAPACITY RATES .....	18
THE BONDS .....	1	THE ISSUER .....	19
GENERAL .....	1	EMPLOYEES .....	19
OPTIONAL REDEMPTION .....	2	PENSIONS; UNIONS.....	19
AUTHORITY; PURPOSE .....	2	POST EMPLOYMENT BENEFITS.....	19
ESTIMATED SOURCES AND USES.....	2	STUDENT BODY .....	20
SECURITY.....	3	SCHOOL BUILDINGS.....	20
RATING .....	3	LITIGATION .....	20
STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS.....	3	MUNICIPAL BANKRUPTCY.....	20
CONTINUING DISCLOSURE.....	4	FUNDS ON HAND.....	21
LEGAL OPINION .....	5	SUMMARY GENERAL FUND INFORMATION.....	22
TAX CONSIDERATIONS .....	5	GENERAL INFORMATION .....	23
MUNICIPAL ADVISOR .....	8	LOCATION .....	23
MUNICIPAL ADVISOR AFFILIATED COMPANIES.....	8	LARGER EMPLOYERS .....	23
INDEPENDENT AUDITORS .....	8	U.S. CENSUS DATA .....	24
RISK FACTORS.....	9	EMPLOYMENT/UNEMPLOYMENT DATA.....	24
VALUATIONS .....	11	FINANCIAL STATEMENTS.....	A-1
OVERVIEW .....	11	FORM OF LEGAL OPINION .....	B-1
CURRENT PROPERTY VALUATIONS.....	12	BOOK-ENTRY-ONLY SYSTEM .....	C-1
2024/25 NET TAX CAPACITY BY CLASSIFICATION ..	12	FORM OF CONTINUING DISCLOSURE COVENANTS (EXPERTS FROM AWARD RESOLUTION).....	D-1
TREND OF VALUATIONS.....	13	TERMS OF PROPOSAL .....	E-1
LARGER TAXPAYERS.....	13	PROPOSAL FORM	
DEBT .....	14		
DIRECT DEBT .....	14		
DEBT PAYMENT HISTORY .....	14		
FUTURE FINANCING.....	14		
STATE AID FOR DEBT SERVICE.....	14		
BONDED DEBT LIMIT.....	15		
SCHEDULE OF BONDED INDEBTEDNESS .....	16		
OVERLAPPING DEBT .....	17		
DEBT RATIOS.....	17		

## **SPRING GROVE PUBLIC SCHOOLS SCHOOL BOARD**

		<u>Term Expires</u>
Stephanie Jaster	Board Chair	January 2029
Kelly Rohland	Vice Chair	January 2027
Rhan Flatin	Clerk	January 2027
Myriah Klug	Member	January 2029
Lisa Myhre	Member	January 2029
Vacant*	Member	January 2027

\*The District is in the process of appointing the Vacant seat to complete former Member Angie Solie's remaining term.

### **ADMINISTRATION**

Rachel Udstuen, Superintendent of Schools

Tanya Elton, District Accountant

### **PROFESSIONAL SERVICES**

Ratwik, Roszak & Maloney, P.A., District Attorney, St. Paul, 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. 297 (Spring Grove Public Schools), Minnesota (the "District") and the issuance of its \$1,210,000\* General Obligation Facilities Maintenance 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 May 19, 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](http://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 June 12, 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 2029 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

The District has selected Bond Trust Services Corporation, 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, 2033 are be subject to redemption and prepayment at the option of the District, in whole or in part, in such order as the District will determine and within a maturity by lot as selected by the Registrar in multiples of \$5,000, on February 1, 2032, 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 will 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, including Section 123B.595, as amended, by the District, to provide funds to finance health and safety projects included in the District's ten-year facility maintenance plan approved by the Commissioner of Education.

**ESTIMATED SOURCES AND USES\***

<b>Sources</b>		
Par Amount of Bonds	\$1,210,000	
Reoffering Premium	<u>91,072</u>	
<b>Total Sources</b>		<b>\$1,301,072</b>
<b>Uses</b>		
Total Underwriter's Discount (1.750%)	\$21,175	
Costs of Issuance	48,950	
Capitalized Interest	36,258	
Deposit to Construction Fund	<u>1,194,689</u>	
<b>Total Uses</b>		<b>\$1,301,072</b>

\*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 requested a credit enhanced rating from Moody's Investors Service, Inc. ("Moody's"). Moody's has a policy which assigns a minimum rating of "Aa1" to issuers participating in the MNCEP. The "Aa1" rating is based on the State of Minnesota's current "Aaa" rating from Moody's. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS" for further details.

The District received an "A2" underlying rating from Moody's on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

## **STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS**

By resolution adopted for this issue on December 16, 2024 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 the 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 to the 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 the Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of the 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 the 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 semiannual 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 such 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 such 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 basis for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder'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, or 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 the Bonds, unless the obligations are "qualified tax-exempt obligations". Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchaser of the Bonds.

The Bonds are "qualified tax exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Bonds is not subject to the disallowance under Section 265(b) of the Code, the deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds may be subject to reduction under Section 291 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. 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 CliftonLarsonAllen LLP, Rochester, 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

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 may affect the overall financial condition of the District, the taxable value of property within the District, and the ability of the District to levy and collect property taxes.

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

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

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

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

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

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

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

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

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

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

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

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

# VALUATIONS

## OVERVIEW

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

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

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

Type of Property	2022/23	2023/24	2024/25
Residential homestead <sup>1</sup>	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 <sup>1</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% <sup>2</sup> Over \$1,900,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,890,000 - 0.50% <sup>2</sup> Over \$1,890,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,150,000 - 0.50% <sup>2</sup> Over \$2,150,000 - 1.00% <sup>2</sup>
Agricultural non-homestead	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>
Seasonal recreational residential	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>
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 <sup>4</sup> - 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 <sup>4</sup> - 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 <sup>4</sup> - 1.25% Affordable Rental - 0.25%
Industrial/Commercial/Utility <sup>5</sup>	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%

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

<sup>2</sup> Applies to land and buildings. Exempt from referendum market value tax.

<sup>3</sup> Exempt from referendum market value tax.

<sup>4</sup> 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.

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

## CURRENT PROPERTY VALUATIONS

<b>2023/24 Economic Market Value<sup>1</sup></b>	<u><u>\$563,864,525<sup>2</sup></u></u>
<b>2024/25 Assessor's Estimated Market Value</b>	
Real Estate	\$540,248,600
Personal Property	4,656,700
Total Valuation	<u><u>\$544,905,300</u></u>
<b>2024/25 Net Tax Capacity</b>	
Real Estate	\$4,080,328
Personal Property	93,079
Net Tax Capacity	\$4,173,407
Less: Captured Tax Increment Tax Capacity <sup>3</sup>	(33,298)
Taxable Net Tax Capacity	<u><u>\$4,140,109</u></u>

## 2024/25 NET TAX CAPACITY BY CLASSIFICATION

	<b>2024/25 Net Tax Capacity</b>	<b>Percent of Total Net Tax Capacity</b>
Residential homestead	\$940,643	22.54%
Agricultural	2,492,473	59.72%
Commercial/industrial	359,074	8.60%
Public utility	1,921	0.05%
Non-homestead residential	253,083	6.06%
Commercial & residential seasonal/rec.	33,134	0.79%
Personal property	<u>93,079</u>	<u>2.23%</u>
Total	<u><u>\$4,173,407</u></u>	<u><u>100.00%</u></u>

<sup>1</sup> Most recent value available from Minnesota Department of Revenue.

<sup>2</sup> According to the Minnesota Department of Revenue, the 2023/24 Assessor's Estimated Market Value (the "AEMV") for the District was about 89.60% 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 \$563,864,525.

<sup>3</sup> The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts located in the District.



**TREND OF VALUATIONS**

<b>0Levy Year</b>	<b>Assessor's Estimated Market Value</b>	<b>Assessor's Taxable Market Value</b>	<b>Net Tax Capacity<sup>1</sup></b>	<b>Taxable Net Tax Capacity<sup>2</sup></b>	<b>Percent Increase/Decrease in Estimated Market Value</b>
2020/21	\$398,242,100	\$369,951,300	\$2,961,478	\$2,937,436	4.49%
2021/22	392,935,200	363,421,900	2,941,561	2,914,718	-1.33%
2022/23	439,952,300	385,935,300	3,161,694	3,131,570	11.97%
2023/24	505,064,500	470,625,800	3,884,152	3,848,684	14.80%
2024/25	544,905,300	506,373,000	4,173,407	4,140,109	7.89%

**LARGER TAXPAYERS**

<b>Taxpayer</b>	<b>Type of Property</b>	<b>2024/25 Net Tax Capacity</b>	<b>Percent of District's Total Net Tax Capacity</b>
Individual	Agricultural	\$69,061	1.65%
MN Energy Resources Corp.	Utility	51,228	1.23%
Individual	Agricultural	44,697	1.07%
Aqua Terra, LLC	Agricultural	44,662	1.07%
Individual	Agricultural	42,911	1.03%
Farmers Co-Op Elevator	Commercial	41,941	1.01%
Individual	Agricultural	40,512	0.97%
De-Su Holsteins, LLC	Agricultural	33,607	0.81%
Northern Natural Gas Company	Utility	33,235	0.80%
Mitchell Real Estate, LLC	Industrial Lands	<u>32,714</u>	<u>0.78%</u>
<b>Total</b>		<b>\$434,568</b>	<b>10.41%</b>

District's Total 2024/25 Net Tax Capacity \$4,173,407

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

<sup>1</sup> Net Tax Capacity includes tax increment values.

<sup>2</sup> Taxable Net Tax Capacity does not include tax increment values.

# DEBT

## DIRECT DEBT<sup>1</sup>

### General Obligation Debt (see schedule following)

Total G.O debt being paid from taxes and state aids<sup>2</sup> (includes the Bonds)\* \$13,455,000

\*Preliminary, subject to change

### Other Obligations - Cooperative District/Joint Governmental Obligations

The District is a member of Hiawatha Valley Education District No. 6013 (HVED). On April 16, 2024, HVED issued \$15,000,000 Taxable Certificates of Participation, Series 2024A. 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

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

## STATE AID FOR DEBT SERVICE

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

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

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<sup>1</sup> Outstanding debt is as of the dated date of the Bonds.

<sup>2</sup> Based upon the 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.

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 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 40.25% 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:

2023/24 Estimated Market Value	\$563,864,525
Multiply by 15%	<u>0.15</u>
Statutory Debt Limit	\$84,579,679
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	<u>(13,455,000)</u>
Unused Debt Limit*	<u><u>\$71,124,679</u></u>

\*Preliminary, subject to change.

**Independent School District No. 297 (Spring Grove Public Schools), Minnesota**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Secured by Taxes**  
**(As of 06/12/2025)**

	Facilities Maintenance Bonds Series 2016A		School Building Bonds Series 2024A		Facilities Maintenance Bonds Series 2025A							
Dated	07/14/2016		02/08/2024		06/12/2025							
Amount	\$1,000,000		\$12,195,000		\$1,210,000*							
Maturity	02/01		02/01		02/01							
Fiscal Year					Estimated							
Ending	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2026	75,000	10,850	440,000	547,450	0	36,258	515,000	594,558	1,109,558	12,940,000	3.83%	2026
2027	75,000	9,350	465,000	525,450	0	57,000	540,000	591,800	1,131,800	12,400,000	7.84%	2027
2028	80,000	7,850	525,000	502,200	0	57,000	605,000	567,050	1,172,050	11,795,000	12.34%	2028
2029	80,000	6,250	445,000	475,950	120,000	57,000	645,000	539,200	1,184,200	11,150,000	17.13%	2029
2030	85,000	4,250	460,000	453,700	135,000	51,000	680,000	508,950	1,188,950	10,470,000	22.19%	2030
2031	85,000	2,125	485,000	430,700	140,000	44,250	710,000	477,075	1,187,075	9,760,000	27.46%	2031
2032			510,000	406,450	145,000	37,250	655,000	443,700	1,098,700	9,105,000	32.33%	2032
2033			535,000	380,950	155,000	30,000	690,000	410,950	1,100,950	8,415,000	37.46%	2033
2034			560,000	354,200	165,000	22,250	725,000	376,450	1,101,450	7,690,000	42.85%	2034
2035			590,000	326,200	170,000	14,000	760,000	340,200	1,100,200	6,930,000	48.49%	2035
2036			620,000	296,700	180,000	7,200	800,000	303,900	1,103,900	6,130,000	54.44%	2036
2037			650,000	265,700			650,000	265,700	915,700	5,480,000	59.27%	2037
2038			685,000	233,200			685,000	233,200	918,200	4,795,000	64.36%	2038
2039			715,000	198,950			715,000	198,950	913,950	4,080,000	69.68%	2039
2040			755,000	163,200			755,000	163,200	918,200	3,325,000	75.29%	2040
2041			785,000	133,000			785,000	133,000	918,000	2,540,000	81.12%	2041
2042			815,000	101,600			815,000	101,600	916,600	1,725,000	87.18%	2042
2043			845,000	69,000			845,000	69,000	914,000	880,000	93.46%	2043
2044			880,000	35,200			880,000	35,200	915,200	0	100.00%	2044
	480,000	40,675	11,765,000	5,899,800	1,210,000	413,208	13,455,000	6,353,683	19,808,683			

\* Preliminary, subject to change.

**OVERLAPPING DEBT<sup>1</sup>**

<b>Taxing District</b>	<b>2024/25 Taxable Net Tax Capacity</b>	<b>% In District</b>	<b>Total G.O. Debt<sup>2</sup></b>	<b>District's Proportionate Share</b>
Houston County	\$30,237,090	13.6922%	\$7,175,000	\$982,415
City of Spring Grove	1,160,841	100.0000%	286,000	<u>286,000</u>
District's Share of Total Overlapping Debt				<u><u>\$1,268,415</u></u>

**DEBT RATIOS**

	<b>G.O. Debt</b>	<b>Debt/Economic Market Value \$563,864,525</b>	<b>Debt/ Current Population Estimate 2,060<sup>3</sup></b>
Direct G.O. Debt Secured by Taxes and State Aids*	\$13,455,000		
Less: Agricultural Credit <sup>4</sup>	<u>(5,415,638)</u>		
Tax Supported General Obligation Debt*	\$8,039,362	1.43%	\$3,902.60
District's Share of Total Overlapping Debt	<u>\$1,268,415</u>	<u>0.23%</u>	<u>\$615.74</u>
Total*	<u><u>\$9,307,777</u></u>	<u><u>1.65%</u></u>	<u><u>\$4,518.34</u></u>

\*Preliminary, subject to change.

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<sup>1</sup> 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.

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

<sup>3</sup> Estimated 2023 population.

<sup>4</sup> Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 40.25% 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 \$5,415,638.

## TAX RATES, LEVIES AND COLLECTIONS

### TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy <sup>1</sup>	Total Collected Following Year	Collected to Date	% Collected
2020/21	\$633,519	\$626,695	\$633,519	100.00%
2021/22	594,537	587,034	594,537	100.00%
2022/23	626,172	620,425	626,067	99.98%
2023/24	1,217,104	1,205,859	1,205,859	99.08%
2024/25	1,369,419	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.<sup>2</sup> 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.

### TAX CAPACITY RATES<sup>3</sup>

	2020/21	2021/22	2022/23	2023/24	2024/25
I.S.D. No. 297 (Spring Grove Public Schools)	6.607%	6.483%	6.128%	31.711%	31.541%
Houston County	59.147%	61.120%	53.266%	48.900%	49.100%
City of Spring Grove	92.394%	87.359%	85.300%	70.415%	60.301%
Town of Spring Grove <sup>4</sup>	19.525%	20.491%	18.980%	15.147%	14.487%

#### *Referendum Market Value Rates:*

I.S.D. No. 297 (Spring Grove Public Schools)	0.38995%	0.34229%	0.32825%	0.29008%	0.25222%
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**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by Houston County.

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

<sup>2</sup> Second half tax payments on agricultural property are due on November 15th of each year.

<sup>3</sup> After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

<sup>4</sup> Representative town rate.

# THE ISSUER

## EMPLOYEES

The District is governed by an elected school board and employs a staff of 59, including 22 non-licensed employees and 37 licensed employees (34 of whom are teachers). The District provides education for 331 students in grades kindergarten through twelve.

## PENSIONS; UNIONS

### Teachers' Retirement Association (TRA)

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

### 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.

### Recognized and Certified Bargaining Units

<b>Bargaining Unit</b>	<b>Expiration Date of Current Contract</b>
Spring Grove Education Association	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 \$156,952 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	24	157	175	356
2021/22	26	157	160	343
2022/23	29	166	154	349
2023/24	24	169	158	351
2024/25	19	161	165	345

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2025/26	25	154	152	331
2026/27	25	144	153	322
2027/28	18	142	159	319

## SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/Remodelings
Elementary	1954	--
Main	1922	2000
Lobby/Concessions/Practice Gym	1988	--
Media Center/Computer Labs/Elevator	1988	2017
Weight Room	1991	--

## 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 or otherwise questioning the validity of the.

## 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 January 31, 2025)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$2,387,248
Food Service	165,309
Community Service	179,818
Debt Service	10,034
Capital Projects	<u>12,771,386</u>
Total Funds on Hand	<u><u>\$15,513,794</u></u>

**SUMMARY GENERAL FUND INFORMATION**

The following are summaries of the revenues, expenditures and fund balances for the District's General Fund. These summaries are not purported to be the complete audited financial statements of the District, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the District. Copies of the complete statements are available upon request. Appendix A includes the District's 2024 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				2024-25 Revised Budget <sup>1</sup>
	2021 Audited	2022 Audited	2023 Audited	2024 Audited	
<b>Revenues</b>					
Local property taxes	\$561,630	\$612,370	\$578,107	\$579,141	\$624,378
Earnings on investments	16,859	10,421	48,521	69,766	80,000
Other	224,105	349,931	331,592	356,509	338,724
Revenues from state sources	3,816,574	3,671,132	3,743,069	4,215,852	4,280,096
Revenues from federal sources	408,460	268,000	162,510	195,816	121,994
Local sales, insurance recovery and judgements	0	0	0	0	15,000
<b>Total Revenues</b>	<b>\$5,027,628</b>	<b>\$4,911,854</b>	<b>\$4,863,799</b>	<b>\$5,417,084</b>	<b>\$5,460,192</b>
<b>Expenditures</b>					
Current:					
Administration	\$416,331	\$399,933	\$440,907	\$435,272	\$401,210
District support services	168,430	180,286	201,938	221,197	223,335
Elementary & secondary regular instruction	2,527,315	2,564,068	2,606,878	2,723,000	2,741,965
Vocational education instruction	62,006	66,008	75,212	70,455	70,970
Special education instruction	665,497	709,766	717,600	644,041	782,930
Instructional support services	291,974	208,403	254,988	189,366	225,285
Pupil support services	261,918	303,850	261,727	366,693	353,900
Sites and buildings	399,847	451,821	490,432	418,686	508,690
Fiscal and other fixed cost programs	49,702	53,382	84,054	82,701	95,000
Capital outlay	254,435	126,434	245,234	365,071	128,200
Debt service	4,712	6,094	24,954	6,409	6,000
<b>Total Expenditures</b>	<b>\$5,102,167</b>	<b>\$5,070,045</b>	<b>\$5,403,924</b>	<b>\$5,522,891</b>	<b>\$5,537,485</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(\$74,539)</b>	<b>(\$158,191)</b>	<b>(\$540,125)</b>	<b>(\$105,807)</b>	<b>(\$77,293)</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from insurance recovery	\$0	\$75	\$77,655	\$0	\$0
Capital lease proceeds	0	0	27,329	0	0
Proceeds from capital assets	0	0	1,250	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$0</b>	<b>\$75</b>	<b>\$106,234</b>	<b>\$0</b>	<b>\$0</b>
<b>Net changes in Fund Balances</b>	<b>(\$74,539)</b>	<b>(\$158,116)</b>	<b>(\$433,891)</b>	<b>(\$105,807)</b>	<b>(\$77,293)</b>
General Fund Balance July 1	\$2,817,531	\$2,742,992	\$2,584,876	\$2,150,985	
Prior Period Adjustment	0	0	0	0	
General Fund Balance June 30	\$2,742,992	\$2,584,876	\$2,150,985	\$2,045,178	
<b>DETAILS OF JUNE 30 FUND BALANCE</b>					
Nonspendable	\$3,387	\$5,395	\$5,422	\$46,295	
Restricted	1,547,398	1,658,409	1,556,631	1,641,627	
Assigned	350,000	350,000	288,682	51,092	
Unassigned	842,207	571,072	300,250	306,164	
<b>Total</b>	<b>\$2,742,992</b>	<b>\$2,584,876</b>	<b>\$2,150,985</b>	<b>\$2,045,178</b>	

Note:

Fund balance reductions in Fiscal Years 2022 and 2023 are partly the result of retroactive compensation attributed to prior-year contract settlements within the teacher's union. Additionally, the reductions in the assigned fund balance are due to a planned remodel of the science room in which one-third of the project occurred in Fiscal Year 2023 and the remainder in Fiscal Year 2024.

<sup>1</sup> The 2024-25 budget was revised on April 21, 2025.

## GENERAL INFORMATION

### LOCATION

The District, with a 2020 U.S. Census population of 2,109 and a 2023 population estimate of 2,060, and comprising an area of 90 square miles, is located approximately 153 miles south east of St. Paul, Minnesota.

### LARGER EMPLOYERS<sup>1</sup>

Larger employers in the District include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
Gunderson Tweeten Lutheran Healthcare	Nursing and convalescent homes	75
I.S.D. No. 297 (Spring Grove Public Schools)	Elementary and secondary education	59
City of Spring Grove	Municipal government and Services	52
New Age Tree Service of Minnesota Inc	Tree services and landscaping	49
LAX Fabricating LTD	Manufactures	30
Spring Grove Communications	Telecommunications	26
Red's Hometown Market IGA	Grocers - retail	25
Shooting Star Native Seeds	Seeds and bulbs - retail	25
Sons of Norway Valheim Lodge	Business center and lodge	25
Hidden Bluff Hills	Resort	24

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

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<sup>1</sup> 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.

## U.S. CENSUS DATA

### Population Trend: The District

2010 U.S. Census population	2,228
2020 U.S. Census population	2,109
Percent of Change 2010 - 2020	-5.34%
2023 State Demographer Estimate	2,060

### Income and Age Statistics

	The District	Houston County	State of Minnesota	United States
2023 per capita income	\$37,356	\$41,820	\$46,957	\$43,289
2023 median household income	\$61,786	\$77,087	\$87,556	\$78,538
2023 median family income	\$85,221	\$97,976	\$111,492	\$96,922
2023 median gross rent	\$1,015	\$881	\$1,235	\$1,348
2023 median value owner occupied units	\$181,100	\$226,300	\$305,500	\$303,400
2023 median age	47.1 yrs.	45.0 yrs.	38.6 yrs.	38.7 yrs.

	State of Minnesota	United States
District % of 2023 per capita income	79.55%	86.29%
District % of 2023 median family income	76.44%	87.93%

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

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Houston County	Houston County	Houston County	State of Minnesota
2021	9,564	3.1%	3.1%	3.7%
2022	9,638	2.2%	2.2%	2.5%
2023	9,702	2.6%	2.6%	2.8%
2024	9,755	2.7%	2.7%	3.0%
2025, March	9,846	3.5%	3.5%	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 change in the financial position or results of operations of the District, nor has the District incurred any material liabilities, which would make such financial statements misleading.

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

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2024**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2024**

**INTRODUCTORY SECTION**

<b>BOARD OF EDUCATION AND ADMINISTRATION</b>	<b>1</b>
--	----------

**FINANCIAL SECTION**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>2</b>
-------------------------------------	----------

**REQUIRED SUPPLEMENTARY INFORMATION**

<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>6</b>
---	----------

**BASIC FINANCIAL STATEMENTS**

<b>STATEMENT OF NET POSITION</b>	<b>16</b>
----------------------------------	-----------

<b>STATEMENT OF ACTIVITIES</b>	<b>17</b>
--------------------------------	-----------

<b>BALANCE SHEET – GOVERNMENTAL FUNDS</b>	<b>18</b>
---	-----------

<b>RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION</b>	<b>19</b>
---	-----------

<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS</b>	<b>20</b>
---	-----------

<b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES</b>	<b>21</b>
---	-----------

<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>22</b>
--------------------------------------	-----------

**REQUIRED SUPPLEMENTARY INFORMATION**

<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND</b>	<b>55</b>
--	-----------

<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – FOOD SERVICE FUND</b>	<b>56</b>
---	-----------

<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – COMMUNITY SERVICE FUND</b>	<b>57</b>
--	-----------

<b>SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS</b>	<b>58</b>
--	-----------

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2024**

<b>SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>	<b>59</b>
<b>SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS</b>	<b>60</b>
<b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>61</b>
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>70</b>
<b>INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE</b>	<b>72</b>
<b>SCHEDULE OF FINDINGS AND RESPONSES</b>	<b>73</b>
<b>UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE</b>	<b>78</b>



## **INTRODUCTORY SECTION**

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
BOARD OF EDUCATION AND ADMINISTRATION  
YEAR ENDED JUNE 30, 2024**

BOARD OF EDUCATION		Term Expires
Aaron Solum	Board Chair	12/31/24
Stephanie Jaster	Board Vice Chair	12/31/24
Kelly Rohland	Board Clerk	12/31/26
Rhan Flatin	Member	12/31/26
Aric Elton	Member	12/31/24
Angie Solie	Member	12/31/26

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ADMINISTRATION	
Rachel Udstuen	Superintendent

## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Board of Education  
Spring Grove Public Schools  
Independent School District No. 297  
Spring Grove, Minnesota

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Spring Grove Public Schools, Independent School District No. 297 (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the District, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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.

***Auditors' 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 auditors' 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, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the statement of revenues, expenditures and changes in fund balances—budget and actual—general fund, the statement of revenues, expenditures and changes in fund balances—budget and actual—food service fund, the statement of revenues, expenditures and changes in fund balances—budget and actual—community service fund, the Schedule of Changes in the District's Total OPEB Liability and Related Ratios, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Pension Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 Uniform Financial Accounting and Reporting Standards Compliance Table is presented for purposes of additional analysis and is 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 GAAS. In our opinion, the Uniform Financial Accounting and Reporting Standards Compliance Table is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

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

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

Board of Education  
Spring Grove Public Schools  
Independent School District No. 297

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Rochester, Minnesota  
December 23, 2024

**REQUIRED SUPPLEMENTARY INFORMATION**



**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

This section of Spring Grove Public Schools – Independent School District No. 297's 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 financial statements, which immediately follows this section.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2023-2024 fiscal year include the following:

- Overall General Fund revenues and other financing sources were \$5,417,084 and expenditures were \$5,522,891.
- The General Fund total fund balance decreased \$105,807, to \$2,045,178 in fiscal year 2024 compared to \$2,150,985 on June 30, 2023.
- Construction was completed during the 2023-24 school year on the on the long-anticipated science room renovation project.
- Voters approved a \$12,195,000 building bond project in November 2023 for replacements, upgrades and improvements to mechanical and electrical systems, roofing, windows, bathrooms, locker rooms and renovation to the kitchen and cafeteria, and the career and technical education space.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

### **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 the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

The two district-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources and 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 non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide 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 services, and community education. Property taxes and state aids finance most of these activities.

**Fund Financial Statements**

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has one kind of fund:

- *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* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or 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 at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position**

The District's *combined* net position was \$1,078,767 on June 30, 2024, an increase of \$130,624 from the prior fiscal year. (See Table A-1.)

**Table A-1  
The District's Net Position**

	Governmental Activities as of June 30,		Percentage Change
	2024	2023	
Current and Other Assets	\$ 17,565,702	\$ 3,760,417	367.12 %
Capital and Noncurrent Assets	3,082,699	2,315,918	33.11
Total Assets	<u>20,648,401</u>	<u>6,076,335</u>	239.82
Deferred Outflows of Resources	995,590	1,287,708	(22.69)
Current Liabilities	1,443,503	719,934	100.50
Long-Term Liabilities	17,013,571	4,209,361	304.18
Total Liabilities	<u>18,457,074</u>	<u>4,929,295</u>	274.44
Deferred Inflows of Resources	2,108,150	1,486,605	41.81
Net Position:			
Net Investment in Capital Assets	1,696,293	1,657,442	2.34
Restricted	2,139,814	1,842,615	16.13
Unrestricted	(2,757,340)	(2,551,914)	8.05
Total Net Position	<u>\$ 1,078,767</u>	<u>\$ 948,143</u>	13.78

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

**Changes in Net Position**

The District's total revenues were \$6,168,205 for the year ended June 30, 2024. Property taxes and unrestricted state formula aid accounted for 62% or \$3,840,995 of total revenue for the year. Another 27% or \$1,642,651 came from operating and capital grants. (See Figure A-1.)

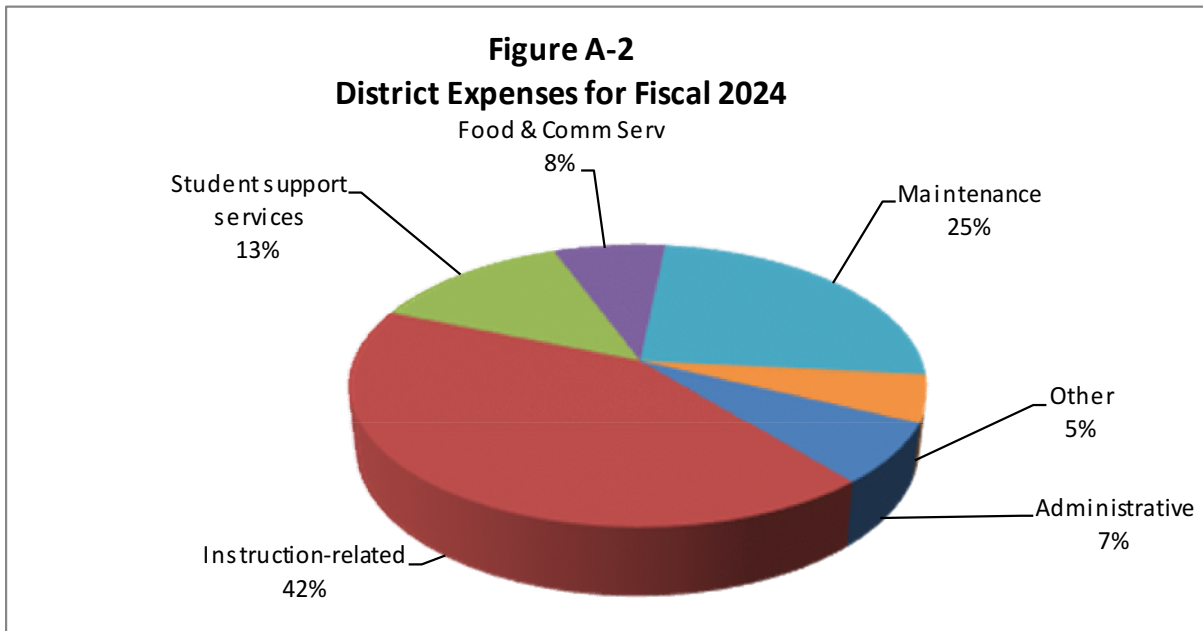
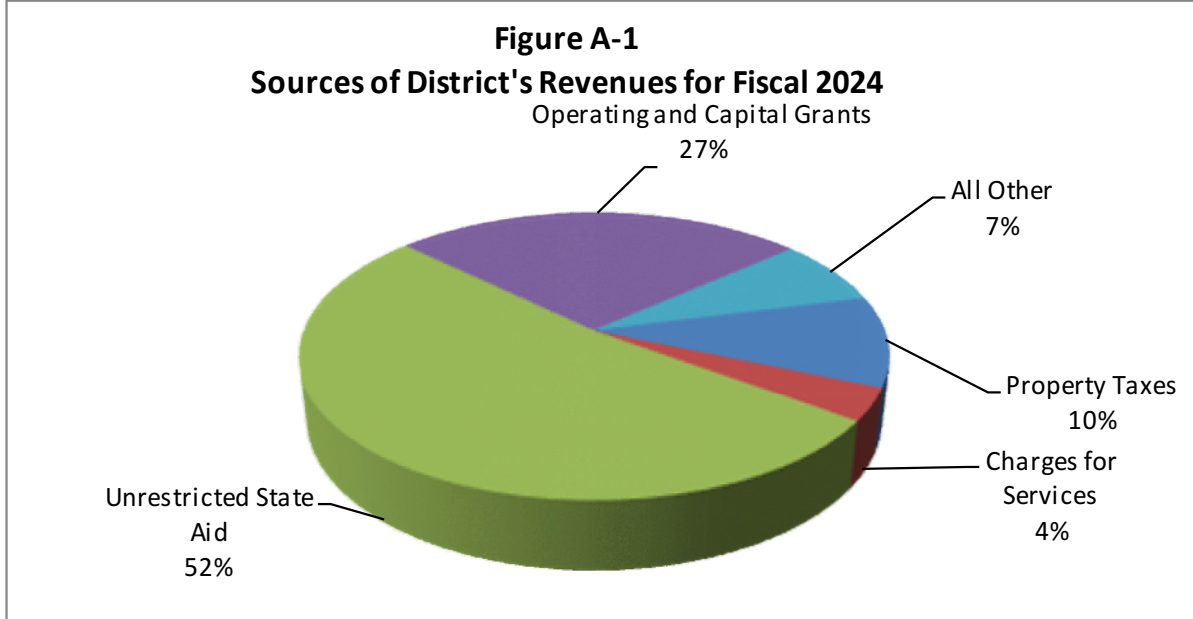
**Table A-2  
Change in Net Position**

	Governmental Activities for the Fiscal Year Ended June 30,		Total % Change
	2024	2023	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 225,200	\$ 292,597	(23.03)%
Operating Grants and Contributions	1,573,907	1,007,061	56.29
Capital Grants and Contributions	68,744	71,946	(4.45)
<u>General Revenues</u>			
Property Taxes	630,591	616,335	2.31
Unrestricted State Aid	3,210,404	3,125,977	2.70
Investment Earnings	278,837	56,479	393.70
Other	180,522	221,109	(18.36)
Total Revenues	<u>6,168,205</u>	<u>5,391,504</u>	14.41
<b>Expenses</b>			
Administration	423,194	354,764	19.29
District Support Services	227,931	213,070	6.97
Regular Instruction	1,856,568	2,077,288	(10.63)
Vocational Education Instruction	64,803	58,144	11.45
Special Education Instruction	620,996	606,748	2.35
Instructional Support Services	197,611	244,300	(19.11)
Pupil Support Services	370,658	280,468	32.16
Sites and Buildings	1,503,791	664,780	126.21
Fiscal and Other Fixed Cost Programs	82,701	84,054	(1.61)
Food Service	347,214	329,691	5.31
Community Service	100,673	131,050	(23.18)
Interest and Fiscal Charges on			
Long-Term Liabilities	241,441	14,624	1550.99
Total Expenses	<u>6,037,581</u>	<u>5,058,981</u>	19.34
<b>Increase in Net Position</b>	130,624	332,523	
Net Position - Beginning	948,143	615,620	
Net Position - Ending	<u>\$ 1,078,767</u>	<u>\$ 948,143</u>	

The total cost of all programs and services was \$6,037,581. Total revenues exceeded total expenses, increasing net position \$130,624 from last year.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**



Typically, the District does not include in an analysis of all governmental funds a breakout of expenditures as depicted in Figure A-2. To do so distorts the latitude available to the District to allocate resources to instruction. All governmental funds include not only funds received for the general operation of the district, which are used for classroom instruction, but also includes resources from the Food Service and Community Education Funds, and from resources for fiscal service transactions. 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 or for fiscal services to enhance classroom instruction resources.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$15,148,089, an increase of \$12,705,837, from last year's ending fund balance of \$2,442,252.

**GENERAL FUND**

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

General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

**Enrollment**

Enrollment is a critical factor in determining revenue with approximately 90% of General Fund revenue being determined by enrollment. The following chart shows that enrollment has been stable since enrollment dropped due to the COVID 19 pandemic.

**Table A-3  
Five-Year Enrollment Trend  
Average Daily Membership (ADM)**

<b>Grade</b>	<b>19-20</b>	<b>20-21</b>	<b>21-22</b>	<b>22-23</b>	<b>23-24</b>
Kdgt.	38	25	27	31	26
1-3	80	93	89	89	78
4-6	80	63	68	78	91
7-12	175	173	160	153	157
Total K-12	373	354	344	351	352
ADM Change	12	(19)	(10)	7	1
Percent Change	3.3%	-5.1%	-2.8%	2.0%	0.3%

Enrollment increased by two students from the 2022-2023 to the 2023-2024 school year. Enrollment is projected to remain stable at approximately 345-350 students K-12 in the following school years.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

**GENERAL FUND (CONTINUED)**

The following schedule presents a summary of General Fund Revenues.

**Table A-4  
General Fund Revenues**

	Year Ended		Change	
	June 30, 2024	June 30, 2023	Increase (Decrease)	Percent Change
Local Sources:				
Property Taxes	\$ 579,141	\$ 578,107	\$ 1,034	0.2 %
Earnings on Investments	69,766	48,521	21,245	43.8
Other	356,509	331,592	24,917	7.5
State Sources	4,215,852	3,743,069	472,783	12.6
Federal Sources	195,816	162,510	33,306	20.5
Total General Fund Revenue	<u>\$ 5,417,084</u>	<u>\$ 4,863,799</u>	<u>\$ 553,285</u>	11.4

Total General Fund Revenue increased \$553,285 or 11.4% from the previous year. The 2023 MN Legislature passed an education bill that invested a significant amount of dollars into school district budgets to aid in the loss of funding from the federal Covid Relief funds. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue including operating levy referendum and the property tax shift also involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change on total revenue.

The increase in revenue from Federal sources of \$33,306 can be attributed to spending down remaining Federal Covid Relief funds. The increase in revenue from State Sources and Earnings on Investments is directly attributed to the increase in state education funding, enrollment and interest rates, respectively.

The following schedule presents a summary of General Fund Expenditures.

**Table A-5  
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2024	June 30, 2023		
Salaries	\$ 2,949,066	\$ 2,863,904	\$ 85,162	3.0 %
Employee Benefits	982,993	938,030	44,963	4.8
Purchased Services	940,710	965,426	(24,716)	(2.6)
Supplies and Materials	209,186	283,354	(74,168)	(26.2)
Capital Expenditures	365,071	264,722	100,349	37.9
Other Expenditures	75,865	88,488	(12,623)	(14.3)
Total Expenditures	<u>\$ 5,522,891</u>	<u>\$ 5,403,924</u>	<u>\$ 118,967</u>	2.2

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

**GENERAL FUND (CONTINUED)**

Total General Fund Expenditures increased \$118,967 or 2.2% from the previous year. Capital expenditures increased 37.9% and are attributed to the science room renovation.

The General Fund also holds \$1,248,375 of fund balance Restricted for Scholarships.

General fund unassigned fund balance is the single best measure of overall financial health. The unassigned fund balance of \$306,165 (UFARS) at June 30, 2024 represents 5.5% of annual expenditures or about three weeks of operations. The District has a fund balance policy approved by the Board in June 2011 to maintain a minimum unassigned general fund balance of 13% of the annual budget.

**General Fund Budgetary Highlights**

Following approval of the budget prior to the beginning of the fiscal year, the District revises the annual operating budget in mid-year. These budget amendments fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over, and budgeting for clearing.
- Legislation passes subsequent to budget adoption, changes necessitated by collective bargaining agreements, changes in enrollment, and increases in appropriations for significant unbudgeted costs.

The District's final general fund results when compared to the revised budget for fiscal year 2024 are:

- Actual revenues were \$45,746 more than budgeted.
- Actual expenditures were \$173,869 under budget.

**OTHER MAJOR FUNDS**

The Food Service Fund balance increased \$19,656 to \$150,316 at June 30, 2024. Food Service revenue was \$366,870 compared to expenditures of \$347,214 in Fiscal 2024. Minnesota began the Universal Free Meals program as part of the significant investment in education for school year 2023-2024.

Community Service revenue was \$105,622 compared to expenditures of \$100,492 in fiscal 2024. The Community Service Fund includes Early Childhood Family Education and School Readiness programs. The restricted for ECFE fund balance was \$108,482 at year-end, compared to \$99,572 on June 30, 2023. The School Readiness fund balance decreased \$3,404 to \$42,653 on June 30, 2024 with the continuation of a 4-year-old preschool program. The restricted for Community Education decreased \$1,040 to \$15,352 on June 30, 2024.

From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, the Food Service and Community Service Funds continue to operate on a sound financial basis.



**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2024, the District had invested nearly \$6.7 million in a broad range of capital assets, including school buildings and improvements, technology equipment, and other types of equipment. (See Table A-6.) (More detailed information about capital assets can be found in Note 3 to the financial statements.) Total depreciation and amortization expense for the year was \$216,765.

**Table A-6  
Capital Assets**

	2024	2023	Percentage Change
Land	\$ 78,551	\$ 78,551	-
Construction in Progress	560,241	64,546	768.0
Land Improvements	230,920	230,920	-
Buildings and Improvements	4,324,846	4,025,968	7.4
Equipment	1,483,749	1,383,279	7.3
Right-to-Use Lease Asset	109,858	45,313	142.4
Less: Accumulated Depreciation and Amortization	(3,705,466)	(3,512,659)	5.5
Total	<u>\$ 3,082,699</u>	<u>\$ 2,315,918</u>	33.1

**Long-Term Liabilities**

The District had an estimated \$29,018 in Compensated Absences Payable at June 30, 2024, a decrease of \$1,314 from June 30, 2023. (See Table A-7.)

The District issued \$12,195,000 of General Obligation Building Bonds in 2024, with the proceeds funding replacements, upgrades and improvements to mechanical and electrical systems, roofing, windows, bathrooms, locker rooms and renovation to the kitchen and cafeteria, and career and technical education space. The principal balance due on all bonds was \$12,750,000 at June 30, 2024.

**Table A-7  
The District's Long-Term Liabilities**

	2024	2023	Percentage Change
General Obligation Bonds	\$ 12,750,000	\$ 630,000	1923.8 %
Bond Premium	1,203,283	6,613	18095.7
Lease Liability	15,872	21,863	(27.4)
Compensated Absences Payable	29,018	30,332	(4.3)
Total Long-Term Liabilities	<u>\$ 13,998,173</u>	<u>\$ 688,808</u>	1932.2
Long-Term Liabilities:			
Due Within One Year	\$ 510,172	\$ 80,991	
Due in More Than One Year	13,488,001	607,817	
Total	<u>\$ 13,998,173</u>	<u>\$ 688,808</u>	

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024**

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

With the exception of the voter-approved operating referendum, the District is dependent on the State of Minnesota for its revenue authority. The District and the Spring Grove Education Association negotiated a Quality Compensation Plan that was also approved by the Minnesota Department of Education to provide additional funding for teacher compensation thus adding additional revenue to the general fund. The Legislature has in recent years approved increases to the General Education Formula, an increase to the formula to fund All Day Kindergarten and simplified pupil weightings. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

The most significant factor influencing the financial position of the District are the increasing costs of maintenance, supplies, and personnel. The District plans to continue to work on conservative spending and providing high quality education for students.

The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office, Independent School District No. 297, 113 2nd Ave NW, Spring Grove, Minnesota, 55974.

## **BASIC FINANCIAL STATEMENTS**

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
STATEMENT OF NET POSITION  
JUNE 30, 2024**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 15,526,845
Receivables:	
Property Taxes	1,080,133
Other Governments	696,807
Other	108,903
Prepaid Items	46,295
Inventory	15,539
Patronage Capital	91,180
Capital Assets:	
Nondepreciable	638,792
Depreciable	2,342,583
Amortized	101,324
Total Assets	20,648,401
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Related	980,305
Other Postemployment Benefits Related	15,285
Total Deferred Outflows of Resources	995,590
<b>LIABILITIES</b>	
Salaries Payable	453,301
Accounts Payable	209,657
Accrued Interest	232,989
Due to Other Governmental Units	19,555
Unearned Revenue	2,544
Long-Term Liabilities:	
Portion Due Within One Year	510,172
Portion Due in More Than One Year	13,488,001
Net Pension Liability	3,383,903
Other Postemployment Benefits Liability - Due Within One Year	15,285
Other Postemployment Benefits Liability - Due in More Than One Year	141,667
Total Liabilities	18,457,074
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes Levied for Subsequent Year	1,633,332
Pension Related	388,935
Other Postemployment Benefits Related	85,883
Total Deferred Inflows of Resources	2,108,150
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,696,293
Restricted for:	
Operating Capital Purposes	189,198
State-Mandated Reserves	1,452,429
Food Service	150,316
Community Service	148,921
Capital Projects	198,950
Unrestricted	(2,757,340)
Total Net Position	\$ 1,078,767

See accompanying Notes to Financial Statements.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2024**

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Position
					Total Governmental Activities
<b>Governmental Activities</b>					
Administration	\$ 423,194	\$ -	\$ (2,091)	\$ -	\$ (425,285)
District Support Services	227,931	-	12	-	(227,919)
Regular Instruction	1,856,568	86,192	681,295	58,570	(1,030,511)
Vocational Education Instruction	64,803	1,792	7,452	-	(55,559)
Special Education Instruction	620,996	66,271	521,835	-	(32,890)
Instructional Support Services	197,611	-	(156)	171	(197,596)
Pupil Support Services	370,658	-	820	-	(369,838)
Sites and Buildings	1,503,791	39	(227)	10,003	(1,493,976)
Fiscal and Other Fixed Cost Programs	82,701	-	-	-	(82,701)
Food Service	347,214	39,579	322,475	-	14,840
Community Service	100,673	31,327	42,492	-	(26,854)
Interest and Fiscal Charges on Long-Term Liabilities	241,441	-	-	-	(241,441)
Total School District	<u>\$ 6,037,581</u>	<u>\$ 225,200</u>	<u>\$ 1,573,907</u>	<u>\$ 68,744</u>	<u>(4,169,730)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					585,492
Community Service					22,817
Debt Service					22,282
State Aid Not Restricted to Specific Purposes					3,210,404
Earnings on Investments					278,837
Miscellaneous					180,522
Total General Revenues					<u>4,300,354</u>
Change in Net Position					130,624
Net Position - Beginning of Year					<u>948,143</u>
Net Position - End of Year					<u>\$ 1,078,767</u>

See accompanying Notes to Financial Statements.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2024**

	Major Funds					Total Governmental Funds
	General	Food Service	Community Service	Capital Projects	Debt Service	2024
<b>ASSETS</b>						
Cash and Investments	\$ 2,151,029	\$ 138,099	\$ 161,839	\$ 12,748,690	\$ 327,188	\$ 15,526,845
Receivables:						
Current Property Taxes	296,055	-	9,910	-	766,124	1,072,089
Delinquent Property Taxes	7,480	-	288	-	276	8,044
Due from Other Minnesota School Districts	76,049	-	-	-	-	76,049
Due from Minnesota Department of Education	419,285	-	3,307	-	6,996	429,588
Due from Federal Through Minnesota Department of Education	160,654	-	328	-	-	160,982
Due from Federal Government Received Directly	21,764	-	-	-	-	21,764
Due from Other Governmental Units	8,424	-	-	-	-	8,424
Other Receivables	1,537	-	1,950	105,416	-	108,903
Prepaid Items	46,295	-	-	-	-	46,295
Inventory	-	15,539	-	-	-	15,539
Patronage Capital	91,180	-	-	-	-	91,180
Total Assets	<u>\$ 3,279,752</u>	<u>\$ 153,638</u>	<u>\$ 177,622</u>	<u>\$ 12,854,106</u>	<u>\$ 1,100,584</u>	<u>\$ 17,565,702</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Salaries and Payroll Deductions Payable	\$ 444,237	\$ 683	\$ 8,381	\$ -	\$ -	\$ 453,301
Accounts and Contracts Payable	136,414	95	741	72,407	-	209,657
Due to Other Governmental Units	19,555	-	-	-	-	19,555
Unearned Revenue	-	2,544	-	-	-	2,544
Total Liabilities	600,206	3,322	9,122	72,407	-	685,057
Deferred Inflows of Resources:						
Property Taxes Levied for Subsequent Year	535,708	-	19,579	-	1,078,045	1,633,332
Unavailable Revenue - Delinquent Property Taxes	7,480	-	288	-	276	8,044
Unavailable Revenue - Patronage Capital	91,180	-	-	-	-	91,180
Total Deferred Inflows of Resources	624,368	-	19,867	-	1,078,321	1,732,556
Fund Balances:						
Nonspendable:						
Inventory	-	15,539	-	-	-	15,539
Prepaid Items	46,295	-	-	-	-	46,295
Restricted for:						
Student Activities	62,383	-	-	-	-	62,383
Scholarships	1,248,375	-	-	-	-	1,248,375
School Library Aid	13,379	-	-	-	-	13,379
Literacy Incentive Aid	19,970	-	-	-	-	19,970
Operating Capital	189,198	-	-	-	-	189,198
Learning and Development	2,469	-	-	-	-	2,469
Long-Term Facilities Maintenance	17,267	-	-	-	-	17,267
Medical Assistance	5,757	-	-	-	-	5,757
Community Education Programs	-	-	15,352	-	-	15,352
Early Childhood and Family Education Programs	-	-	108,482	-	-	108,482
Basic Skills Programs	47,397	-	-	-	-	47,397
School Readiness	-	-	42,653	-	-	42,653
Safe Schools Levy	35,432	-	-	-	-	35,432
Restricted for Other Purposes	-	134,777	-	12,781,699	22,263	12,938,739
Assigned for:						
Facilities and Equipment	51,092	-	-	-	-	51,092
Unassigned	306,164	-	(17,854)	-	-	288,310
Total Fund Balances	<u>2,045,178</u>	<u>150,316</u>	<u>148,633</u>	<u>12,781,699</u>	<u>22,263</u>	<u>15,148,089</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,279,752</u>	<u>\$ 153,638</u>	<u>\$ 177,622</u>	<u>\$ 12,854,106</u>	<u>\$ 1,100,584</u>	<u>\$ 17,565,702</u>

See accompanying Notes to Financial Statements.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2024**

<b>Total Fund Balance for Governmental Funds</b>	<b>\$ 15,148,089</b>
Total net position reported for governmental activities in the Statement of Net Position is different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land	78,551
Construction in Progress	560,241
Land Improvements, Net of Accumulated Depreciation	139,194
Buildings and Improvements, Net of Accumulated Depreciation	1,551,420
Equipment, Net of Accumulated Depreciation	651,969
Right-to-Use Lease Asset, Net of Accumulated Amortization	101,324
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the funds.	
	8,044
Patronage Capital will not be available to pay for current period expenditures and is therefore, deferred in the funds.	
	91,180
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	
	(232,989)
The District's Other Postemployment Benefits Liability and related Deferred Outflows and Inflows of Resources are recorded only on the Statement of Net Position. Balances at year-end are:	
Other Postemployment Benefits Liability	(156,952)
Deferred Outflows of Resources - OPEB Related	15,285
Deferred Inflows of Resources - OPEB Related	(85,883)
The District's Net Pension Liability and related Deferred Outflows and Inflows of Resources are recorded only on the Statement of Net Position. Balances at year-end are:	
Net Pension Liability	(3,383,903)
Deferred Outflows of Resources - Pension Related	980,305
Deferred Inflows of Resources - Pension Related	(388,935)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position. Balances at year-end are:	
Bonds Payable	(12,750,000)
Unamortized Premiums	(1,203,283)
Leases Liability	(15,872)
Compensated Absences Payable	(29,018)
<b>Total Net Position of Governmental Activities</b>	<b>\$ 1,078,767</b>

See accompanying Notes to Financial Statements.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2024**

	Major Funds					Total
	General	Food Service	Community Service	Capital Projects	Debt Service	Governmental Funds 2024
<b>REVENUES</b>						
Local Sources:						
Property Taxes	\$ 579,141	\$ -	\$ 22,766	\$ -	\$ 22,257	\$ 624,164
Investment Income	69,766	3,475	5,370	198,950	3,119	280,680
Other	356,509	41,955	31,945	-	(1)	430,408
State Sources	4,215,852	168,339	45,213	-	69,959	4,499,363
Federal Sources	195,816	153,101	328	-	-	349,245
Total Revenues	<u>5,417,084</u>	<u>366,870</u>	<u>105,622</u>	<u>198,950</u>	<u>95,334</u>	<u>6,183,860</u>
<b>EXPENDITURES</b>						
Current:						
Administration	435,272	-	-	-	-	435,272
District Support Services	221,197	-	-	-	-	221,197
Elementary and Secondary						
Regular Instruction	2,723,000	-	-	-	-	2,723,000
Vocational Education Instruction	70,455	-	-	-	-	70,455
Special Education Instruction	644,041	-	-	-	-	644,041
Instructional Support Services	189,366	-	-	-	-	189,366
Pupil Support Services	366,693	-	-	-	-	366,693
Sites and Buildings	418,686	-	-	-	-	418,686
Fiscal and Other Fixed Cost Programs	82,701	-	-	-	-	82,701
Food Service	-	347,214	-	-	-	347,214
Community Service	-	-	100,492	-	-	100,492
Capital Outlay	365,071	-	-	810,291	-	1,175,362
Debt Service:						
Principal	5,991	-	-	-	75,000	80,991
Interest and Fiscal Charges	418	-	-	-	15,175	15,593
Total Expenditures	<u>5,522,891</u>	<u>347,214</u>	<u>100,492</u>	<u>810,291</u>	<u>90,175</u>	<u>6,871,063</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(105,807)	19,656	5,130	(611,341)	5,159	(687,203)
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of Bonds	-	-	-	12,195,000	-	12,195,000
Bond Premium	-	-	-	1,198,040	-	1,198,040
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,393,040</u>	<u>-</u>	<u>13,393,040</u>
Net Change in Fund Balances	(105,807)	19,656	5,130	12,781,699	5,159	12,705,837
Fund Balances - Beginning	<u>2,150,985</u>	<u>130,660</u>	<u>143,503</u>	<u>-</u>	<u>17,104</u>	<u>2,442,252</u>
Fund Balances - Ending	<u>\$ 2,045,178</u>	<u>\$ 150,316</u>	<u>\$ 148,633</u>	<u>\$ 12,781,699</u>	<u>\$ 22,263</u>	<u>\$ 15,148,089</u>

See accompanying Notes to Financial Statements.



**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2024**

**Net Change in Fund Balance - Total Governmental Funds** \$ 12,705,837

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

Governmental funds report capital outlays and acquisition of right-to-use assets as expenditures. However, in the Statement of Activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation or amortization expense.

Capital Outlays	983,546
Depreciation and Amortization Expense	(216,765)

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the governmental funds.	6,427
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The use of some capital assets are structured as leases. In governmental funds, a lease arrangement is considered a source of financing, and in the Statement of Net Position, the lease liability is reported. Repayment of lease principal is an expenditure in the governmental funds, but repayment reduces the lease liability in the Statement of Net Position.

Repayment of Lease Principal	5,991
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Revenue from patronage capital in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds.	(1,843)
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Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses in the Statement of Activities are measured by the change in Net Pension Liability and the related Deferred Outflows and Inflows of Resources.	192,067
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Other postemployment benefits expenditures in the governmental funds are measured by current year benefit payments. Other postemployment benefits expense on the Statement of Activities is measured by the change in the total OPEB liability and the related deferred inflows and outflows of resources.	(2,062)
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In the Statement of Activities, certain operating expenses - compensated absences payable - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).	1,314
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The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the Statement of Net Position; however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities; however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

General Obligation Bond Proceeds	(12,195,000)
Bond Premium or Discount	(1,198,040)
Repayment of Bond Principal	75,000
Change in Accrued Interest Liability	(227,218)
Amortization of Bond Premium	1,370
	1,370

<b>Change in Net Position of Governmental Activities</b>	<b>\$ 130,624</b>
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See accompanying Notes to Financial Statements.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Independent School District No. 297 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

**B. Financial Reporting Entity**

The District is an instrumentality of the state of Minnesota established to function as an education institution. The elected Board of Education (the Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting principles generally accepted in the United States of America (GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds of the District. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. The Board establishes broad policies and ensures that appropriate financial records are maintained for student activities, as well as controls and is financially accountable for these activities.

**C. Basic Financial Statement Presentation**

The District-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basic Financial Statement Presentation (Continued)**

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

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net assets are available. Depreciation/amortization expenses that can be specifically identified by function are included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the District-wide financial statements.

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

**D. Measurement Focus and Basis of Accounting**

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

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting (Continued)**

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

Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues are generally considered available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenue when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

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

**Description of Funds**

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of each fund included in this report is as follows:

*Major Governmental Funds*

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Special Revenue Fund are composed of user fees and reimbursements from the Federal and State governments. These revenues are restricted for the Food Service Special Revenue Fund.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting (Continued)**

Community Service Special Revenue Fund – The Community Service Special Revenue Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs, or other similar services. Revenues for the Community Service Special Revenue Fund are composed of user fees, local levy dollars, state tax credits, and aid from the State government. These revenues are restricted for the Community Service Special Revenue Fund.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

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

**E. Budgeting**

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

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

Total fund expenditures in excess of the budget require approval of the Board of Education. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item level.

**F. Cash and Investments**

Cash and investments consist of demand deposit accounts, time/savings accounts, Minnesota School District Liquid Assets Fund (MSDLAF), and nonnegotiable certificates of deposit. Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Receivables**

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

**H. Prepaid Items**

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

**I. Inventory**

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

**J. Property Taxes**

Property tax levies are established by the School Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as a deferred inflow of resources (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's combined 2000 Pay 2001 operating referendum levy (frozen at \$60,668) for the District. Certain other portions of the District's 2023 pay 2024 levy, normally revenue for the 2024-23 fiscal year, are also advance recognized at June 30, 2024 as required by State Statute to match revenue with the same fiscal year as the related expenditures.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Property Taxes (Continued)**

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is unavailable because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2024, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**K. Patronage Capital**

The District purchases telephone service from a cooperative which grants yearly patronage capital credit allocation to its customers. Capital credits represent the customer's share of ownership in the cooperative. They are held by the cooperative until retired by action of the cooperative's board of directors, at which time the customer will receive a capital credit refund check. Capital credit allocations are recognized in the year that they are received in the district-wide statements. In the fund statements, they are offset by unavailable revenue until they are paid out in cash.

**L. Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of \$1,000 for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statements, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Capital Assets (Continued)**

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful lives of the underlying IT assets.

**M. Deferred Outflows of Resources**

In addition to assets, the financial statements reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until that time. The District has two types of this item. They are pension related and other postemployment benefits related and are reported in the Statement of Net Position.

**N. Long-Term Obligations**

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period they are incurred.

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

**O. Accrued Employee Benefits**

**Vacation Pay**

Accrued vacation has not been accrued in any funds as these benefits do not vest to employees.

**Compensated Absences Payable**

Compensated absences payable consists of convertible sick leave payable to employees upon retirement.



**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Accrued Employee Benefits (Continued)**

**Compensated Absences Payable (Continued)**

Full-time employees who have completed five or more years of service with the District are eligible to receive severance pay. The amount of severance pay for teachers and other noncertified employees may be determined by multiplying the employee's unused sick leave days by the following rates:

<u>Years of Service With the District</u>	<u>Rate of Pay</u>
5-7	\$20
8-10	25
11+	50

The District budgets for payments of compensated absences payable for the ensuing year when it anticipates the retirement of personnel for a severance payment. The payment of compensated absences payable is recorded as a current expenditure in the year of the payment. At June 30, 2024, compensated absences payable totaling \$29,018 is recorded in the financial statements.

**Other Postemployment Benefits**

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense 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. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase on one year or less, which are reported at cost.

**P. Unearned Revenue**

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for school lunch deposits in the Food Service Special Revenue Fund.

**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.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q. Pensions (Continued)**

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis, and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association 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 in 2015.

PERA has a special funding situation created by direct aid contributions made by the state of Minnesota for the merger of the Minneapolis Employees Retirement Fund into GERF in fiscal year 2006.

**R. Deferred Inflows of Resources**

In addition to liabilities, the financial statements reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four types of these items. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflows of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. The third type, *pension related*, is reported in the Statement of Net Position. The fourth type is *other postemployment benefits* related.

**S. Fund Balance**

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned or unassigned fund balances. Nonspendable portions of fund balance are related to prepaid items and inventory. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Superintendent and Business Manager the ability to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts, usually in the General Fund only.

In accordance with the District's fund balance policy, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned fund balance is available, it is the District's policy to use committed first, then assigned, and finally unassigned fund balance.

The District has a minimum fund balance policy, which identifies a minimum unassigned fund balance in the General Fund of 13% of the annual budgeted expenditures.

The District's liabilities for compensated absences, severance, pension, and OPEB are generally liquidated by the General Fund.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**T. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the District-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization, 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 District-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

**NOTE 2 DEPOSITS AND INVESTMENTS**

**A. Deposits**

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Statement of Net Position and the Balance Sheet as "Cash and Investments." In accordance with Minnesota Statutes the District maintains deposits at financial institutions which are authorized by the School District's Board of Education.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits will not be returned in full. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

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

The District's deposits in financial institutions at June 30, 2024 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments**

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

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of 13 months or less.
- General obligations of a state or local government with taxing powers rated “A” or better; revenue obligations rated “AA” or better.
- General obligations of the Minnesota Housing Finance Agency rated “A” or better.
- Bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States bank, corporations, or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer, or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

At June 30, 2024, the District had the following external investment pool:

	<u>Amortized Cost</u>
Minnesota School District Liquid Asset Fund Plus (MSDLAF+) Liquid Class	\$ 876,156

The MSDLAF+ is an external investment pool that is managed to maintain a dollar-weighted-average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1.00. The MSDLAF+ elects to measure its investments at amortized cost.

The Liquid Class has no redemption requirements.

At June 30, 2024, the District had the following additional investments:

	<u>Fair Value</u>
United States Treasuries	\$ 12,779,317

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

**Custodial Credit Risk**

For an investment, custodial credit risk 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. At June 30, 2024 all investments and collateral were listed in the name of the District.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The MSDLAF+ pool is rated AAAM and the U.S. Treasuries are rated AA+, both by Standard & Poor's.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's investment policies do not limit the maturities of investments; however, when purchasing investments the District considers such things as interest rates and cash flow needs.

The maturities of the District's investments are as follows:

Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	No Maturity
United States Treasuries	\$ 12,779,317	\$ -	\$ 12,779,317	\$ -	\$ -
MSDLAF+	876,156	876,156	-	-	-
Total	<u>\$ 13,655,473</u>	<u>\$ 876,156</u>	<u>\$ 12,779,317</u>	<u>\$ -</u>	<u>\$ -</u>

**Concentration of Credit Risk** – The District places no limit on the amount that the District may invest in any one issuer. The investment officer is responsible for investment decisions and activities under the direction of the Board of Education. The District had no investments at June 30, 2024 which individually comprised more than 5% of total investments.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Fair Value Measurements**

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard which defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quotes prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

*Level 2* – Financial assets and liabilities are valued based on quoted prices for similar assets or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

*Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

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

	Level 1	Level 2	Level 3	Total
United States Treasuries	\$ 12,779,317	\$ -	\$ -	\$ 12,779,317
Total Investments at Fair Value	<u>\$ 12,779,317</u>	<u>\$ -</u>	<u>\$ -</u>	12,779,317
Investments at Amortized Cost				876,156
Total Investments				<u>\$ 13,655,473</u>

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 3 CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities</b>					
Capital Assets, Not Being Depreciated					
Land	\$ 78,551	\$ -	\$ -	\$ -	\$ 78,551
Construction in Progress	64,546	560,241	-	(64,546)	560,241
Total Capital Assets, Not Being Depreciated	<u>143,097</u>	<u>560,241</u>	<u>-</u>	<u>(64,546)</u>	<u>638,792</u>
Capital Assets, Being Depreciated					
Land Improvements	230,920	-	-	-	230,920
Buildings and Improvements	4,025,968	234,332	-	64,546	4,324,846
Equipment	1,383,279	124,428	(23,958)	-	1,483,749
Total Capital Assets, Being Depreciated	<u>5,640,167</u>	<u>358,760</u>	<u>(23,958)</u>	<u>64,546</u>	<u>6,039,515</u>
Accumulated Depreciation for:					
Land Improvements	(82,508)	(9,218)	-	-	(91,726)
Buildings and Improvements	(2,654,876)	(118,550)	-	-	(2,773,426)
Equipment	(771,906)	(83,832)	23,958	-	(831,780)
Total Accumulated Depreciation	<u>(3,509,290)</u>	<u>(211,600)</u>	<u>23,958</u>	<u>-</u>	<u>(3,696,932)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,130,877</u>	<u>147,160</u>	<u>-</u>	<u>64,546</u>	<u>2,342,583</u>
Capital Assets, Being Amortized:					
Right-to-Use Equipment	25,825	64,545	-	-	90,370
Right-to-Use Software	19,488	-	-	-	19,488
Total Capital Assets, Being Amortized	<u>45,313</u>	<u>64,545</u>	<u>-</u>	<u>-</u>	<u>109,858</u>
Accumulated Amortization for:					
Right-to-Use Equipment	(2,582)	(1,165)	-	-	(3,747)
Right-to-Use Software	(787)	(4,000)	-	-	(4,787)
Total Accumulated Amortization	<u>(3,369)</u>	<u>(5,165)</u>	<u>-</u>	<u>-</u>	<u>(8,534)</u>
Total Capital Assets, Being Amortized, Net	<u>41,944</u>	<u>59,380</u>	<u>-</u>	<u>-</u>	<u>101,324</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,315,918</u>	<u>\$ 766,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,082,699</u>

Depreciation and amortization expense was charged to functions of the District as follows:

<b>Governmental Activities</b>	
Administration	\$ 3,713
District Support Services	182
Regular Instruction	176,474
Vocational Education Instruction	268
Special Education Instruction	2,539
Instructional Support Services	5,914
Pupil Support Services	3,644
Sites and Buildings	19,966
Food Service	3,961
Community Service	104
Total Depreciation and Amortization Expense, Governmental Activities	<u>\$ 216,765</u>

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 4 LONG-TERM LIABILITIES**

**A. Components of Long-Term Liabilities**

Issue Date	Interest Rate	Original Issue	Maturities	Principal Outstanding	
				Due Within One Year	Total
7/14/2016	2.0% - 2.5%	\$ 1,000,000	2/1/2031	\$ 75,000	\$ 555,000
2/8/2024	4.00-5.00%	12,195,000	2/1/2044	430,000	12,195,000
Total General Obligation Bonds				505,000	12,750,000
Bond Premiums				-	1,203,283
Leases Payable				5,172	15,872
Compensated Absences Payable				-	29,018
				<u>\$ 510,172</u>	<u>\$ 13,998,173</u>

**B. Minimum Debt Payments**

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences payable, are as follows:

Year Ending June 30,	General Obligation Bonds Payable		Leases Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 505,000	\$ 570,237	\$ 5,172	\$ 294	\$ 510,172	\$ 570,531
2026	515,000	558,300	5,290	176	520,290	558,476
2027	540,000	534,800	5,410	56	545,410	534,856
2028	605,000	510,050	-	-	605,000	510,050
2029	525,000	482,200	-	-	525,000	482,200
2030-2034	2,720,000	2,032,375	-	-	2,720,000	2,032,375
2035-2039	3,260,000	1,320,750	-	-	3,260,000	1,320,750
2040-2044	4,080,000	502,000	-	-	4,080,000	502,000
Total	<u>\$ 12,750,000</u>	<u>\$ 6,510,712</u>	<u>\$ 15,872</u>	<u>\$ 526</u>	<u>\$ 12,765,872</u>	<u>\$ 6,511,238</u>

**C. Description of Long-Term Liabilities**

**General Obligation Facilities Maintenance Bonds, Series 2016A**

The District issued \$1,000,000 of General Obligation Facilities Maintenance Bonds, Series 2016A, dated July 14, 2016 with interest ranging from 2.00% to 2.50% and maturing February 1, 2031. The proceeds of this issue were used to finance various maintenance projects pursuant to the District's 10-year facility plan approved by the Commissioner of Education.

**General Obligation School Building Bonds, Series 2024A**

The District issued \$12,195,000 of General Obligation School Building Bonds, Series 2024A, dated February 8, 2024 with interest ranging from 4.00% to 5.00% and maturing February 1, 2044. The proceeds of this issue were used to finance various maintenance projects pursuant to the District's 10-year facility plan approved by the Commissioner of Education including but not limited to, replacements, upgrades and improvements to mechanical and electrical systems, roofing, windows, bathrooms, locker rooms and renovation to the kitchen and cafeteria, and career and technical education space.

**Lease Payable**

The District has entered into one GASB 87 lease for copiers.



**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 4 LONG-TERM LIABILITIES (CONTINUED)**

**C. Description of Long-Term Liabilities (Continued)**

**Compensated Absences Payable**

The amount of the estimated obligation at June 30, 2024 is \$29,018. The District's General Fund, Food Service Fund, and Community Service Fund finance compensated absences on a pay-as-you-go basis.

**D. Changes in Long-Term Liabilities**

	June 30, 2023	Additions	Retirements	June 30, 2024
General Obligation Bonds	\$ 630,000	\$ 12,195,000	\$ 75,000	\$ 12,750,000
Bond Premiums	6,613	1,198,040	1,370	1,203,283
Lease Payable	21,863	-	5,991	15,872
Compensated Absences Payable	30,332	-	1,314	29,018
Total	<u>\$ 688,808</u>	<u>\$ 13,393,040</u>	<u>\$ 83,675</u>	<u>\$ 13,998,173</u>

**NOTE 5 RESTRICTED FUND BALANCES**

**Fund Equity**

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. The following is a summary of the restricted fund balances for the governmental funds:

**A. Restricted for Student Activities**

In accordance with State Statute, this restriction represents available resources dedicated exclusively for student activities.

**B. Restricted for Scholarships**

In accordance with State Statute, this restriction represents available resources dedicated exclusively for scholarships.

**C. Restricted for School Library Aid**

In accordance with State Statute, this restriction represents available resources dedicated exclusively for library programming.

**D. Restricted for Literacy Incentive**

In accordance with State Statute, this restriction represents available resources dedicated exclusively for literacy programming.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 5 RESTRICTED FUND BALANCES (CONTINUED)**

**Fund Equity (Continued)**

**E. Restricted for Operating Capital**

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

**F. Restricted for Medical Assistance**

This restricted fund balance represents accumulated resources available to be used for Medical Assistance expenditures.

**G. Restricted for Learning and Development**

In accordance with State Statute, this restriction represents available resources dedicated exclusively for learning and development.

**H. Restricted for Long-Term Facility Maintenance (LTFM)**

The fund balance restriction represents resources to be used for LTFM projects in accordance with the 10 Year Plan.

**I. Restricted for Community Education Programs**

This restricted fund balance represents accumulated resources available to provide general community education programming.

**J. Restricted for Early Childhood and Family Education Programs**

This restricted fund balance represents accumulated resources available to provide services for early childhood family education programming.

**K. Restricted for Basic Skills Programs**

In accordance with State Statute, this restriction represents available resources dedicated exclusively for meeting the educational needs of pupils who enroll under-prepared for learners of their age.

**L. Restricted for School Readiness**

This restricted fund balance represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 5 RESTRICTED FUND BALANCES (CONTINUED)**

**Fund Equity (Continued)**

**M. Restricted for Safe School Crime – Crime Levy**

The District levies taxes to be used for the costs as allowed by State Statute for crime prevention, drug abuse, student, and staff safety, and violence prevention measures taken by the District. The cumulative excess of such revenues over expenditures is reported as a restriction of fund balance in the General Fund.

**N. Restricted for Other Purposes**

Represents amounts that can be spent only for specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

**NOTE 6 ASSIGNED FUND BALANCES**

Assigning of the fund balance indicates a tentative plan for future use of the funds. The following is a summary of the assigned fund balance.

**A. Assigned for Facilities and Equipment**

The District has assigned, in the General Fund, an amount to pay for future facilities and equipment purchases.

**NOTE 7 DEFINED BENEFIT PENSION PLANS**

**A. Plan Description**

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Fund (TRA). PERA and TRA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA and TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (GERF)

GERF covers certain full-time and certain part-time employees of the District, other than teachers. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**A. Plan Description (Continued)**

2. Teachers Retirement Fund (TRA)

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

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul 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 the state of Minnesota.

**B. Benefits Provided**

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

1. GERP 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 accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% of average salary 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.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

1. GERF Benefits (Continued)

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% 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.

2. TRA Benefits

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

Tier I	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:

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

or

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

2. TRA Benefits (Continued)

For years of service prior to July 1, 2006, a level formula of 1.7% per year for Coordinated members and 2.7% per year for Basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% per year for Basic members applies. 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 benefit 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.

**C. Contribution Rate**

1. GERF Contributions

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2024, were \$47,435. The District's contributions were equal to the required contributions for each year as set by State Statute.

2. TRA Contributions

Per *Minnesota Statutes*, Chapter 354 contribution rates for the fiscal year for the coordinated plan were 7.75% for the employee and 8.75% for the employer. Basic plan rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2024, were \$204,671. The District's contributions were equal to the required contributions for each year as set by State Statute.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs**

1. GERF Pension Costs

At June 30, 2024, the District reported a liability of \$452,943 for its proportionate share of the GERF's net pension liability. The District's net pension liability reflected a reduction 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 was \$12,601, for a total net pension liability of \$465,544 associated with the District. 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 .0081% at the end of the measurement period and .0088% for the beginning of the period.

District's Proportionate Share of the Net Pension Liability	\$ 452,943
State of Minnesota's Proportionate Share of the Net Liability Associated with the District	12,601
Total	\$ 465,544

For the year ended June 30, 2024, the District recognized pension expense of \$83,215 for its proportionate share of GERF's pension expense. It also recognized \$57 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's pension expense for the annual \$16 million contribution.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

1. GERF Pension Costs (Continued)

At June 30, 2024, the District reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**GERF Pension Costs**

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 14,874	\$ 3,120
Changes in Actuarial Assumptions	73,325	124,148
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	16,939
Changes in Proportion	18,203	31,714
District Contributions Subsequent to the Measurement Date	47,435	-
Total	<u>\$ 153,837</u>	<u>\$ 175,921</u>

The \$47,435 related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to GERF pensions will be recognized in pension expense as follows:

**General Employees Plan Pension Costs**

<u>Year Ending June 30,</u>	<u>Pension Expense Amounts</u>
2025	\$ 10,418
2026	(70,116)
2027	4
2028	(9,825)

2. TRA Pension Costs

At June 30, 2024, the District reported a liability of \$2,930,960 for its proportionate share of TRA's 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. The District's proportionate share was 0.0355% at the end of the measurement period and 0.0342% for the beginning of the period.



**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

2. TRA Pension Costs (Continued)

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:

<b>TRA Pension Costs</b>	
Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 2,930,960
State's Proportionate Share of the Net Pension Liability Associated with the District	205,310
Total	\$ 3,136,270

For the year ended June 30, 2024, the District recognized a decrease to pension expense of (\$26,237). It also recognized (\$20,296) as a decrease to pension expense and grant revenue for the support provided by direct aid.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 29,059	\$ 42,705
Changes in Actuarial Assumptions	341,441	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	10,868
Changes in Proportion	251,297	159,441
District Contributions Subsequent to the Measurement Date	204,671	-
Total	\$ 826,468	\$ 213,014

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

2. TRA Pension Costs (Continued)

Of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date, \$204,671 is reported as deferred outflows and 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 TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amounts
2025	\$ 87,626
2026	28,571
2027	338,381
2028	(58,105)
2029	12,310

3. Aggregate Pension Costs

At June 30, 2024, the District reported the following aggregate amounts related to pensions for all plans to which it contributes:

	PERA	TRA	Total
Net Pension Liability	\$ 452,943	\$ 2,930,960	\$ 3,383,903
Deferred Outflows of Resources	153,837	826,468	980,305
Deferred Inflows of Resources	175,921	213,014	388,935
Pension Expense	83,272	(46,533)	36,739

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions:

**GERF and TRA Assumptions**

Assumptions	GERF	TRA
Inflation	2.25% per year	2.50%
Active Member Payroll Growth	10.25% after one year of service to 3.00% after 27 years of service	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Investment Rate of Return	6.5% per year	7.00%

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**E. Actuarial Assumptions (Continued)**

PERA salary growth assumptions were based on a service-related table. PERA mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on Pub-2010 General Employee Mortality table. The tables are adjusted slightly to fit PERA's experience. PERA benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan. The assumption for long-term rate of return on pension plan investments 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 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

TRA pre-retirement mortality rates were based on 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. Post-retirement mortality rates were based on 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. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Actuarial assumptions used in the June 30, 2023, valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the PERA General Employees Plan was completed in 2022. The assumption changes were adopted and became effective with July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions for PERA occurred in 2023:

- The investment return and single discount rates were changed from 6.50% to 7.00%.

Changes in Plan Provisions

- A 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.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**F. Long-Term Expected Return on Investment**

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

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

**G. Discount Rate**

The discount rate used to measure the total GERS pension liability in 2022 was 7.00% (6.50% at the prior measurement date). The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Retirement Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the total TRA pension liability was 7.00%. There was no change 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).

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**H. Pension Liability Sensitivity**

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

**GENERAL EMPLOYEES PLAN AND TRA PENSION LIABILITY**

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>General Employees Plan Discount Rate</u>	6.00%	7.00%	8.00%
District's Proportionate Share of the General Employees Plan Net Pension Liability	\$ 801,292	\$ 452,943	\$ 166,412
<u>TRA Discount Rate</u>	6.00%	7.00%	8.00%
District's Proportionate Share of the TRA Net Pension Liability	\$ 4,674,665	\$ 2,930,960	\$ 1,503,524

**I. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary's net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org); by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota, 55103-4000; or by calling (651) 296-2409 or 1-800-657-3669.

**NOTE 8 DEFINED CONTRIBUTION PLAN**

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The amount of pension expense recognized by the employer in the reporting period ended June 30, 2024 and 2023 was \$31,892 and \$30,225, respectively.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN**

**A. Plan Description**

The District operates a single employer retiree defined benefit plan (the Plan) that provides health care benefits to eligible employees and their spouses. There are 51 active participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated at various times and provided through a third-party insurer.

**B. Benefits Provided**

Teachers who are age 55 and have been employed by the District for a minimum of 15 years are eligible to remain on the District's medical insurance until age 65. The District will pay the premium for single coverage.

**C. Actuarial Methods and Assumptions**

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

Inflation	2.50% (2.00% at the prior measurement date)
Salary Increases	4.00 %
Health Care Cost Trend Rates	6.50% decreasing to 5.00% over 6 years and then to 4.00% over the next 48 years (6.25% decreasing to 5.00% over 6 years and then to 4.00% over the next 54 years)

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale (MP-2020 Generational Improvement Scale at the previous measurement date).

Discount Rate

The discount rate used to measure the total OPEB liability was 3.90% (3.80% at the prior measurement date). The discount rate is based on the estimated yield of 20-year AA-rated municipal bonds.

Plan Changes

Certified/Licensed employees with 15 years of service and at least 55 years old were offered an Early Retirement Incentive of single medical insurance premiums paid with a maximum of \$707 per month for 13 months.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**D. Total OPEB Liability**

	Increase (Decrease)
	Total OPEB Liability
Balances at July 1, 2023	\$ 166,026
Changes for the Year:	
Service Cost	17,332
Interest on the Total OPEB Liability	6,745
Assumption Changes	2,856
Differences Between Expected and Actual Experience	(36,530)
Plan Changes	12,325
Benefit Payments	(11,802)
Net Changes	(9,074)
Balances at June 30, 2024	\$ 156,952

**E. Total OPEB Liability Sensitivity**

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

	1% Decrease 2.90%	Discount Rate 3.90%	1% Increase 4.90%
Total OPEB Liability	\$ 165,271	\$ 156,952	\$ 148,765

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 a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease (5.50%) Decreasing to 4.00% then 3.00%)	Healthcare Cost Trend Rates (6.50%) Decreasing to 5.00% then 4.00%)	1% Increase (7.50%) Decreasing to 6.00% then 5.00%)
Total OPEB Liability	\$ 142,389	\$ 156,952	\$ 173,714

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**F. OPEB Expense**

For the year ended June 30, 2024, the District recognized OPEB expense of \$4,952. 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
Differences Between Expected and Actual Experience	\$ -	\$ 64,020
Changes of Assumptions	7,794	8,418
Difference Between Projected and Actual Experience	-	13,445
District Payment of Benefits Subsequent to the Measurement	7,491	-
Total	\$ 15,285	\$ 85,883

District payment of benefits subsequent to the measurement date of \$7,491 will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2025	\$ (31,446)
2026	(16,804)
2027	(16,804)
2028	(7,417)
2029	(5,618)

**NOTE 10 FLEXIBLE BENEFIT PLAN**

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

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



**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 10 FLEXIBLE BENEFIT PLAN (CONTINUED)**

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

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

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

**NOTE 11 JOINTLY GOVERNED ORGANIZATION**

The Hiawatha Valley Education District No. 61-6013 was established by an act of the 1987 Legislature of the State of Minnesota. The primary objective of Hiawatha Valley Education District is to provide, by a cooperative effort, comprehensive educational programs and other related services as can be effectively operated by its 14 member districts and 3 member charter schools. Each member district shares in the cost of the programming, which is paid to the education district in the form of membership fees, reimbursements, and other charges for services. The education district is able to recover the cost of its programs through the previously mentioned revenue sources. The jointly governed organization's financial statements are audited and available for inspection.

**NOTE 12 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; error and omissions; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

The District has joined together with other school districts in southeastern Minnesota in the Southeast Service Cooperative Gross Self-Insured Health Insurance Plan, a public entity risk pool currently operating as a common risk management and insurance program for member districts. The District pays an annual premium to this plan for its health insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of the plan believe assessment to participating districts for future losses sustained is extremely remote.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024**

**NOTE 12 RISK MANAGEMENT (CONTINUED)**

The District continues to carry commercial insurance for all other risks of loss. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. In addition, there have been no settlements in excess of the District's insurance coverage in any of the prior three years.

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

**Federal and State Receivables**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 605,030	\$ 607,223	\$ 579,141	\$ (28,082)
Investment Income	50,025	60,400	69,766	9,366
Other	294,270	312,120	356,509	44,389
State Sources	4,078,584	4,159,440	4,215,852	56,412
Federal Sources	<u>190,244</u>	<u>232,155</u>	<u>195,816</u>	<u>(36,339)</u>
Total Revenues	5,218,153	5,371,338	5,417,084	45,746
<b>EXPENDITURES</b>				
Current:				
Administration	461,055	448,550	435,272	(13,278)
District Support Services	216,260	219,855	221,197	1,342
Elementary and Secondary Regular Instruction	2,670,880	2,763,450	2,723,000	(40,450)
Vocational Education Instruction	72,120	72,260	70,455	(1,805)
Special Education Instruction	674,100	702,020	644,041	(57,979)
Instructional Support Services	235,540	238,435	189,366	(49,069)
Pupil Support Services	285,285	353,890	366,693	12,803
Sites and Buildings	443,350	420,350	418,686	(1,664)
Fiscal and Other Fixed Cost Programs	88,000	90,000	82,701	(7,299)
Capital Outlay	337,000	382,550	365,071	(17,479)
Debt Service:				
Principal	5,400	4,800	5,991	1,191
Interest and Fiscal Charges	600	600	418	(182)
Total Expenditures	<u>5,489,590</u>	<u>5,696,760</u>	<u>5,522,891</u>	<u>(173,869)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(271,437)	(325,422)	(105,807)	219,615
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sales of Capital Assets	1,500	1,500	-	(1,500)
Insurance Recovery	5,000	5,000	-	(5,000)
Total Other Financing Sources (Uses)	<u>6,500</u>	<u>6,500</u>	<u>-</u>	<u>(6,500)</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ (264,937)</u>	<u>\$ (318,922)</u>	(105,807)	<u>\$ 213,115</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>2,150,985</u>	
End of Year			<u>\$ 2,045,178</u>	

See accompanying Notes to Required Supplementary Information.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
FOOD SERVICE FUND  
YEAR ENDED JUNE 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Investment Income	\$ 1,000	\$ 2,500	\$ 3,475	\$ 975
Other - Primarily Meal Sales	37,875	37,825	41,955	4,130
State Sources	136,625	165,800	168,339	2,539
Federal Sources	145,895	149,380	153,101	3,721
Total Revenues	<u>321,395</u>	<u>355,505</u>	<u>366,870</u>	<u>11,365</u>
<b>EXPENDITURES</b>				
Current:				
Food Service	339,175	341,840	347,214	5,374
Capital Outlay	10,000	10,000	-	(10,000)
Debt Service	850	-	-	-
Total Expenditures	<u>350,025</u>	<u>351,840</u>	<u>347,214</u>	<u>(4,626)</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u><u>\$ (28,630)</u></u>	<u><u>\$ 3,665</u></u>	19,656	<u><u>\$ 15,991</u></u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>130,660</u>	
End of Year			<u><u>\$ 150,316</u></u>	

See accompanying Notes to Required Supplementary Information.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
COMMUNITY SERVICE FUND  
YEAR ENDED JUNE 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 21,688	\$ 22,514	\$ 22,766	\$ 252
Investment Income	1,000	3,000	5,370	2,370
Other - Primarily Tuition and Fees	45,660	31,000	31,945	945
State Sources	32,027	48,510	45,213	(3,297)
Federal Sources	12,000	5,000	328	(4,672)
Total Revenues	<u>112,375</u>	<u>110,024</u>	<u>105,622</u>	<u>(4,402)</u>
<b>EXPENDITURES</b>				
Current:				
Community Service	130,510	105,900	100,492	(5,408)
Capital Outlay	1,000	1,000	-	(1,000)
Total Expenditures	<u>131,510</u>	<u>106,900</u>	<u>100,492</u>	<u>(6,408)</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ (19,135)</u>	<u>\$ 3,124</u>	5,130	<u>\$ 2,006</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>143,503</u>	
End of Year			<u>\$ 148,633</u>	

See accompanying Notes to Required Supplementary Information.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
LAST SEVEN MEASUREMENT PERIODS**

	2024	2023	2022	2021	2020	2019	2018
Measurement Date	July 1, 2023	July 1, 2022	July 1, 2021	July 1, 2020	July 1, 2019	July 1, 2018	July 1, 2017
<b>Total OPEB Liability</b>	\$ 17,332	\$ 18,600	\$ 22,402	\$ 22,329	\$ 21,679	\$ 24,472	\$ 23,759
Service Cost	6,745	3,826	6,847	6,278	9,222	8,970	9,053
Interest	2,856	(10,831)	10,829	-	(7,186)	-	-
Assumption Changes	(36,530)	-	(67,154)	-	(80,670)	-	-
Differences between Expected and Actual Experience	(11,802)	(18,270)	(13,267)	(7,431)	(17,311)	(29,045)	(42,801)
Benefit Payments	12,325	7,995	-	-	-	-	-
Plan Changes	(9,074)	(6,675)	(32,348)	21,176	(74,266)	4,397	(9,989)
Net Change in Total OPEB Liability	166,026	172,701	205,049	183,873	258,139	253,742	263,731
Total OPEB Liability - Beginning	\$ 156,952	\$ 166,026	\$ 172,701	\$ 205,049	\$ 183,873	\$ 258,139	\$ 253,742
Total OPEB Liability - Ending	\$ 2,750,324	\$ 2,669,487	\$ 2,591,735	\$ 2,485,089	\$ 2,412,708	\$ 2,120,263	\$ 2,058,508
Covered Employee Payroll							
District's Total OPEB Liability as a Percentage of the Covered Employee Payroll	5.71%	6.22%	6.66%	8.25%	7.62%	12.17%	12.33%

Note 1: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Note 2: No assets are accumulated in a trust.

See accompanying Notes to Required Supplementary Information.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST TEN MEASUREMENT PERIODS**

Fiscal Year Measurement Date	2024		2023		2022		2021		2020		2019		2018		2017		2016		2015		
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024	
<b>General Employees Plan</b>																					
District's Proportion of the Net Pension Liability	0.0081%	0.0088%	0.0082%	0.0081%	0.0071%	0.0073%	0.0074%	0.0073%	0.0071%	0.0071%	0.0073%	0.0074%	0.0074%	0.0074%	0.0073%	0.0073%	0.0073%	0.0071%	0.0071%	0.0078%	0.0078%
District's Proportionate Share of the Net Pension Liability	\$ 452,943	\$ 696,963	\$ 350,177	\$ 485,632	\$ 392,543	\$ 404,974	\$ 472,411	\$ 404,974	\$ 367,959	\$ 367,959	\$ 404,974	\$ 472,411	\$ 472,411	\$ 472,411	\$ 404,974	\$ 392,543	\$ 350,177	\$ 696,963	\$ 452,943	\$ 366,405	\$ 366,405
State's Proportionate Share of the Net Pension Liability																					
Associated with the District	12,601	20,302	10,756	15,065	12,166	13,391	5,940	13,391	8,165	8,165	13,391	5,940	5,940	13,391	12,166	10,756	20,302	12,601	-	-	-
Total	\$ 465,544	\$ 717,265	\$ 360,933	\$ 500,697	\$ 404,709	\$ 418,365	\$ 478,351	\$ 418,365	\$ 376,115	\$ 376,115	\$ 418,365	\$ 478,351	\$ 478,351	\$ 418,365	\$ 404,709	\$ 360,933	\$ 717,265	\$ 465,544	\$ 366,405	\$ 366,405	\$ 366,405
District's Covered Payroll	\$ 643,684	\$ 658,783	\$ 590,111	\$ 584,941	\$ 499,017	\$ 492,181	\$ 472,592	\$ 492,181	\$ 418,470	\$ 418,470	\$ 492,181	\$ 472,592	\$ 472,592	\$ 418,470	\$ 499,017	\$ 499,017	\$ 658,783	\$ 643,684	\$ 408,346	\$ 408,346	\$ 408,346
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	70.37%	105.80%	59.34%	83.02%	78.66%	82.28%	99.96%	82.28%	99.96%	99.96%	82.28%	99.96%	99.96%	87.93%	78.66%	59.34%	105.80%	70.37%	89.73%	89.73%	89.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.10%	76.67%	87.00%	79.06%	80.20%	79.50%	75.90%	79.50%	76.21%	76.21%	79.50%	75.90%	75.90%	78.20%	80.20%	76.67%	83.10%	76.42%	78.70%	78.70%	78.70%
<b>TRA</b>																					
District's Proportion of the Net Pension Liability	0.0355%	0.0342%	0.0365%	0.0350%	0.0329%	0.0322%	0.0318%	0.0322%	0.0329%	0.0329%	0.0322%	0.0318%	0.0325%	0.0322%	0.0329%	0.0329%	0.0342%	0.0355%	0.0355%	0.0355%	0.0355%
District's Proportionate Share of the Net Pension Liability	\$ 2,930,960	\$ 2,738,555	\$ 1,597,349	\$ 2,585,847	\$ 2,097,053	\$ 2,021,002	\$ 6,347,857	\$ 2,021,002	\$ 2,097,053	\$ 2,097,053	\$ 2,021,002	\$ 6,347,857	\$ 6,347,857	\$ 2,097,053	\$ 2,097,053	\$ 2,097,053	\$ 2,738,555	\$ 2,930,960	\$ 1,640,422	\$ 1,640,422	\$ 1,640,422
State's Proportionate Share of the Net Pension Liability																					
Associated with the District	205,310	203,088	134,717	216,702	185,583	189,879	614,084	189,879	185,583	185,583	189,879	614,084	614,084	185,583	185,583	134,717	203,088	205,310	115,388	115,388	115,388
Total	\$ 3,136,270	\$ 2,941,643	\$ 1,732,066	\$ 2,802,549	\$ 2,282,636	\$ 2,210,881	\$ 6,961,941	\$ 2,210,881	\$ 2,282,636	\$ 2,282,636	\$ 2,210,881	\$ 6,961,941	\$ 6,961,941	\$ 2,282,636	\$ 2,282,636	\$ 1,732,066	\$ 2,941,643	\$ 3,136,270	\$ 1,755,810	\$ 1,755,810	\$ 1,755,810
District's Covered Payroll	\$ 2,289,673	\$ 2,096,291	\$ 2,197,571	\$ 2,053,574	\$ 1,854,396	\$ 1,800,484	\$ 1,709,838	\$ 1,800,484	\$ 1,854,396	\$ 1,854,396	\$ 1,800,484	\$ 1,709,838	\$ 1,709,838	\$ 2,096,291	\$ 2,096,291	\$ 2,096,291	\$ 2,096,291	\$ 2,289,673	\$ 1,655,531	\$ 1,655,531	\$ 1,655,531
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	128.01%	130.64%	72.69%	125.92%	113.09%	112.25%	371.25%	112.25%	113.09%	113.09%	112.25%	371.25%	453.97%	122.37%	113.09%	72.69%	130.64%	128.01%	99.09%	99.09%	99.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.42%	76.17%	86.63%	75.48%	76.21%	78.07%	51.57%	78.07%	76.21%	76.21%	78.07%	51.57%	44.88%	76.80%	75.48%	76.17%	76.42%	76.42%	78.70%	78.70%	78.70%

See accompanying Notes to Required Supplementary Information.



**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS  
LAST TEN FISCAL YEARS**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>General Employees Plan</b>										
Contractually Required Contribution	\$ 47,435	\$ 48,276	\$ 49,409	\$ 44,259	\$ 43,871	\$ 37,426	\$ 36,914	\$ 35,445	\$ 36,026	\$ 30,934
Contributions in Relation to the Contractually Required Contribution	(47,435)	(48,276)	(49,409)	(44,259)	(43,871)	(37,426)	(36,914)	(35,445)	(36,026)	(30,934)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ (43,871)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 632,471	\$ 643,684	\$ 658,783	\$ 590,111	\$ 584,941	\$ 499,017	\$ 492,181	\$ 472,592	\$ 480,346	\$ 418,470
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.39%
<b>TRA</b>										
Contractually Required Contribution	\$ 204,671	\$ 196,390	\$ 175,414	\$ 179,287	\$ 163,243	\$ 144,301	\$ 135,620	\$ 128,246	\$ 128,077	\$ 124,735
Contributions in Relation to the Contractually Required Contribution	(204,671)	(196,390)	(175,414)	(179,287)	(163,243)	(144,301)	(135,620)	(128,246)	(128,077)	(124,735)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ (163,243)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 2,339,103	\$ 2,289,673	\$ 2,096,291	\$ 2,197,571	\$ 2,053,574	\$ 1,854,396	\$ 1,800,484	\$ 1,709,838	\$ 1,707,592	\$ 1,663,128
Contributions as a Percentage of Covered Payroll	8.75%	8.58%	8.37%	8.16%	7.95%	7.78%	7.53%	7.50%	7.50%	7.50%

See accompanying Notes to Required Supplementary Information.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2024**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS**

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

**2023**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 6.50% to 7.00%, for financial reporting purposes.

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.

**2022**

Changes in Actuarial Assumptions

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

**2021**

Changes in Actuarial Assumptions

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

**2020**

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2024**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

**2020 (Continued)**

Changes in Actuarial Assumptions (Continued)

- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**2019**

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, decreased from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

**2018**

Changes in Actuarial Assumption

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2024**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

**2018 (Continued)**

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017**

Changes in Actuarial Assumption

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed postretirement 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.

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 in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2024**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

**2015**

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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 on September 2015.

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

**2023**

Changes in Actuarial Assumptions

- There were no changes in actuarial assumptions for financial reporting purposes.

**2022**

Changes in Actuarial Assumptions

- There were no changes in actuarial assumptions for financial reporting purposes.

**2021**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 7.00%, for financial reporting purposes.

**2020**

Changes in Actuarial Assumptions

- The COLA was reduced from 2.0% each January to 1.0, effective January 2019. Beginning January 1, 2024, the COLA will increase .01% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for first COLA changes to normal retirement age (age 65 to 66, 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.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2024**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

**2020 (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 June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next two years (8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.5% to 7.75% on July 1, 2023. The state provides funding for the contribution rate through an adjustment in the school aid formula.

**2019**

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

**2018**

Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

Changes in Plan Provisions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2024**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

**2018 (Continued)**

**Changes in Plan Provisions (Continued)**

- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 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 is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next four years, (7.92% in 2019, 8.13% 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 in Actuarial Assumptions**

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustment 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 nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

**2016**

**Changes in Actuarial Assumptions**

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2024**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

**2016 (Continued)**

Changes in Actuarial Assumptions (Continued)

- 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 postretirement 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 adjustments.
- 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 forms of payment at retirement were made.

**2015**

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

Changes in Plan Provisions

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

**2014**

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.

Changes in Plan Provisions

- The increase in the postretirement benefit adjustment (COLA) will be made once the System is 90% funded (on a market value basis) in two consecutive years, rather than just one year.



**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2024**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

The following changes were reflected in the valuation performed on behalf of the District's other postemployment benefits plan for the year ended June 30:

**2023**

Changes in Actuarial Assumptions

- The discount rate was changed from 3.80% to 3.90%.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.

Changes in Plan Provisions

- Certified/Licensed employees with 15 years of experience and at least 55 years old were offered an Early Retirement Incentive of single medical insurance premiums paid with a maximum of \$707 per month for 13 months.

**2022**

Changes in Actuarial Assumptions

- The discount rate was changed from 2.10% to 3.80%.
- The inflation rate was changed from 2.00% to 2.50%.

**2021**

Changes in Actuarial Assumptions

- The discount rate was changed from 2.40% to 2.10%.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.

Changes in Plan Provisions

- Certified/Licensed employees with 15 years of service and at least 55 years old were offered an Early Retirement Incentive of single medical insurance premiums paid with a maximum of \$676 per month for one year.

**2020**

Changes in Actuarial Assumptions

- The discount rate was changed from 3.10% to 2.40%.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2024**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

**2019**

Changes in Actuarial Assumptions

- The discount rate was changed from 3.40% to 3.10%.
- 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-2016 Generational Improvement Scale to the Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates with vary by service and contract group.

**2018**

Changes in Actuarial Assumptions

- There were no changes in actuarial assumptions.

**2017**

Changes in Plan Provisions

- The subsidized post-retirement benefit for medical and life insurance was removed for principals and the superintendent.

Changes in Actuarial 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 Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.50% to 3.40%.

**NOTE 2 COMPLIANCE – BUDGET**

The budget and the actual amounts are both prepared on the modified accrual basis of accounting in accordance with GAAP.

In the following funds, expenditures exceeded the appropriations during the year ended June 30, 2024:

	Budget	Expenditures	Excess
Debt Service Fund	\$ 88,575	\$ 90,175	\$ 1,600

The overages above were considered by District management to be the result of necessary expenditures critical to operations.



**INDEPENDENT AUDITORS' 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**

Board of Education  
Spring Grove Public Schools  
Independent School District No. 297  
Spring Grove, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Spring Grove Public Schools, Independent School District No. 297 (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 23, 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 Spring Grove Public Schools' 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 identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 through 2024-003 that we consider to be material weaknesses.

***Report on Compliance and Other Matters***

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

***The District’s Response to Findings***

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

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.



**CliftonLarsonAllen LLP**

Rochester, Minnesota  
December 23, 2024



## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education  
Spring Grove Public Schools  
Independent School District No. 297  
Spring Grove, 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 respective financial position of the governmental activities and each major fund of Spring Grove Public Schools, Independent School District No. 297 (the District), as of and for the year ended June 30, 2024, and the related notes, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 23, 2024.

In connection with our audit, we noted that the District failed to comply with the miscellaneous provisions section of the *Minnesota Legal Compliance Audit Guide*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, in so far as they relate to accounting matters as described in the schedule of findings and responses as item 2024-004. Also, 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, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide*, pursuant to Minn. Stat. §6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provision, insofar as they relate to accounting matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the legal compliance findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Rochester, Minnesota  
December 23, 2024

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**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2024**

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***Section II – Financial Statement Findings***

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<b>FINDING: 2024-001</b>	<b>ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)</b>
<b>Type of Finding:</b>	Material weakness in internal control over financial reporting.
<b>Condition:</b>	The District has a control in place for the review of the drafted financial statements. However, the District does not have the expertise to ensure all disclosures required by accounting principles generally accepted in the United States of America are included in the annual financial statements.
<b>Criteria or Specific Requirement:</b>	The District should have controls in place to prevent or detect an omission of a material disclosure in the annual financial statements.
<b>Effect:</b>	The potential exists that a material disclosure could be omitted from the financial statements and not be prevented, or detected and corrected, by the District's internal controls.
<b>Cause:</b>	The District does not have the expertise to draft the notes to the financial statement; however, they have reviewed and approved the annual financial statement as prepared by the audit firm.
<b>Repeat Finding:</b>	Yes, 2023-001
<b>Recommendation:</b>	We recommend the District continue to evaluate their internal staff and expertise to determine if further controls over annual financial reporting are beneficial.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2024**

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***Section II – Financial Statement Findings (Continued)***

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**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The Business Manager reviews the drafted financial statements and notes. The District does not have the expertise to ensure all disclosures required by GAAP are included in the financial statements. Accordingly, the District will continue to engage the auditors to prepare the financial statements and related disclosures. However, the Business Manager will review the notes for accuracy and compare the balances to UFARS and other District reports prior to issuance of the statements.

**Official Responsible for Ensuring CAP:**

Tanya Elton, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

June 30, 2025

**Plan to Monitor Completion of CAP:**

Rachel Udstuen, Superintendent, will ensure the review by the Business Manager has been completed. She will do this through discussions with the Business Manager and reviewing the draft of the financial statements.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2024**

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***Section II – Financial Statement Findings (Continued)***

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**FINDING: 2024-002      CONTROL OVER CASH RECEIPTS**

**Type of Finding:** Material weakness in internal control over financial reporting.

**Condition:** The Business Manager currently enters the receipts in the system on a weekly basis. At month-end, the Business Manager also reconciles the bank statement.

**Criteria:** Generally, a system of internal controls contemplates separation of duties such that no individual has responsibility for recording and reconciling the cash receipts.

**Context:** As of June 30, 2024, the District did not have a process in place that segregated the role of entering receipts and the role of reconciling the bank statement.

**Effect:** It is more than reasonably possible that a material misstatement would not be prevented or detected in a timely manner by employees in the ordinary course of business.

**Cause:** One individual in the District is in charge of recording and reconciling the cash receipts.

**Repeat Finding:** Yes, 2023-002.

**Recommendation:** We recommend the District involve two individuals in the cash receipts procedures.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Finding**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding**

The District reviews and makes improvements to its internal controls on an ongoing basis and attempts to maximize the segregation of duties in all areas within the limits of the staff available.

**Official Responsible for Ensuring CAP**

Tanya Elton, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP**

June 30, 2025

**Plan to Monitor Completion of CAP**

Rachel Udstuen, Superintendent, will be monitoring this corrective action plan.



**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2024**

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***Section II – Financial Statement Findings (Continued)***

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**FINDING: 2024-003      TIMELY COMPLETION AND REVIEW OF CASH RECONCILIATIONS**

**Type of Finding:** Material weakness in internal control over financial reporting.

**Condition:** Bank reconciliations were not prepared in a timely manner throughout the fiscal year 2024. Additionally, the reconciliations were not consistently reviewed by other members of the District's management or governance.

**Criteria:** The District should have controls in place to prevent, or detect and correct, a material misstatement in the financial statements in a timely manner.

**Context:** The District's internal control indicated that these cash reconciliations should be prepared in a timely manner and reviewed by the Board of Education.

**Effect:** The potential exists that a material misstatement could occur in the financial statements and not be prevented, or detected and corrected, by the District's internal controls.

**Cause:** The District's controls were not properly implemented.

**Repeat Finding:** Yes, 2023-003.

**Recommendation:** We recommend the District follow its control of timely preparation and review of cash reconciliations.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Finding**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding**

Cash reconciliations will be done on a monthly basis. The Board of Education or other member of the management team will review the reconciliations upon completion.

**Official Responsible for Ensuring CAP**

Tanya Elton, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP**

June 30, 2025

**Plan to Monitor Completion of CAP**

Rachel Udstuen, Superintendent, will be monitoring this corrective action plan.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2024**

---

***Section II – Financial Statement Findings (Continued)***

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<b>FINDING: 2024-004</b>	<b>MINNESOTA LEGAL COMPLIANCE – REMITTING UNCLAIMED CHECKS TO THE STATE COMMISSIONER OF COMMERCE</b>
<b>Condition:</b>	The District has 24 outstanding checks that are listed on their outstanding check listing that are over three years old.
<b>Criteria:</b>	Minnesota State Statute 345.38-.43 states that unclaimed checks or other intangible property held for more than three years should be reported and paid to the State Commissioner of Commerce.
<b>Context:</b>	24 outstanding checks on the June 30, 2024 bank reconciliation were over three years old.
<b>Effect:</b>	The District is not in compliance with this State Statute.
<b>Cause:</b>	The District was unaware of the State Statute.
<b>Repeat Finding:</b>	Yes, 2023-004.
<b>Recommendation:</b>	We recommend the District be in compliance with the State Statute and follow the necessary steps to remit all unclaimed checks over three years old.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Finding**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding**

The District will remit unclaimed checks as per state statute.

**Official Responsible for Ensuring CAP**

Tanya Elton, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP**

June 30, 2025

**Plan to Monitor Completion of CAP**

Rachel Udstuen, Superintendent, will be monitoring this corrective action plan.

**SPRING GROVE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 297  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE  
YEAR ENDED JUNE 30, 2024**

	Audit	UFARS	Difference		Audit	UFARS	Difference
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$ 5,417,084	\$ 5,417,074	\$ 10	Total Revenue	\$ 198,950	\$ 198,950	\$ -
Total Expenditures	\$ 5,522,891	\$ 5,522,881	\$ 10	Total Expenditures	\$ 810,291	\$ 810,291	\$ -
460 Nonspendable Fund Balance	\$ 46,295	\$ 46,295	\$ -	460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
401 Student Activities	\$ 62,383	\$ 62,384	\$ (1)	407 Capital Projects Levy	\$ -	\$ -	\$ -
402 Scholarships	\$ 1,248,375	\$ 1,248,375	\$ -	413 Project Funded by COP	\$ -	\$ -	\$ -
403 Staff Development	\$ -	\$ -	\$ -	467 LTFM	\$ -	\$ -	\$ -
406 Health and Safety	\$ -	\$ -	\$ -	<i>Restricted:</i>			
407 Capital Project Levy	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 12,781,699	\$ 12,781,699	\$ -
408 Cooperative Revenue	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
412 Literacy Incentive Aid	\$ 19,970	\$ 19,970	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
414 Operating Debt	\$ -	\$ -	\$ -	<b>07 DEBT SERVICE</b>			
416 Levy Reduction	\$ -	\$ -	\$ -	Total Revenue	\$ 95,334	\$ 95,334	\$ -
417 Taconite Building Maint	\$ -	\$ -	\$ -	Total Expenditures	\$ 90,175	\$ 90,175	\$ -
423 Certain Teacher Programs	\$ -	\$ -	\$ -	460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
424 Operating Capital	\$ 189,198	\$ 189,198	\$ -	<i>Restricted/Reserved:</i>			
426 \$25 Taconite	\$ -	\$ -	\$ -	425 Bond Refunding	\$ -	\$ -	\$ -
427 Disabled Accessibility	\$ -	\$ -	\$ -	451 QZAB Payments	\$ -	\$ -	\$ -
428 Learning & Development	\$ 2,469	\$ 2,469	\$ -	467 LTFM	\$ -	\$ -	\$ -
434 Area Learning Center	\$ -	\$ -	\$ -	<i>Restricted:</i>			
435 Contracted Alt. Programs	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 22,263	\$ 22,263	\$ -
436 St. Approved Alt. Programs	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
438 Gifted & Talented	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
440 Teacher Development and Eval	\$ -	\$ -	\$ -	<b>08 TRUST</b>			
441 Basic Skills Programs	\$ 47,397	\$ 47,397	\$ -	Total Revenue	\$ -	\$ -	\$ -
443 School Library Aid	\$ 13,379	\$ 13,379	\$ -	Total Expenditures	\$ -	\$ -	\$ -
448 Achievement and Integration	\$ -	\$ -	\$ -	422 Net Assets	\$ -	\$ -	\$ -
449 Safe Schools Levy	\$ 35,432	\$ 35,432	\$ -	<b>20 INTERNAL SERVICE</b>			
450 Pre-Kindergarten	\$ -	\$ -	\$ -	Total Revenue	\$ -	\$ -	\$ -
451 QZAB Payments	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
452 OPEB Liab Not in Trust	\$ -	\$ -	\$ -	422 Net Assets	\$ -	\$ -	\$ -
459 Basic Skills Extended Time	\$ -	\$ -	\$ -	<b>25 OPEB REVOCABLE TRUST</b>			
467 LTFM	\$ 17,267	\$ 17,267	\$ -	Total Revenue	\$ -	\$ -	\$ -
472 Medical Assistance	\$ 5,757	\$ 5,757	\$ -	Total Expenditures	\$ -	\$ -	\$ -
<i>Restricted:</i>				<i>422 Net Assets</i>			
464 Restricted Fund Balance	\$ -	\$ -	\$ -	<b>45 OPEB IRREVOCABLE TRUST</b>			
<i>Committed:</i>				Total Revenue	\$ -	\$ -	\$ -
418 Committed for Separation	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
461 Committed Fund Balance	\$ -	\$ -	\$ -	422 Net Assets	\$ -	\$ -	\$ -
<i>Assigned:</i>				<b>47 OPEB DEBT SERVICE</b>			
462 Assigned Fund Balance	\$ 51,092	\$ 51,092	\$ -	Total Revenue	\$ -	\$ -	\$ -
<i>Unassigned:</i>				Total Expenditures	\$ -	\$ -	\$ -
422 Unassigned Fund Balance	\$ 306,164	\$ 306,163	\$ 1	460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
<b>02 FOOD SERVICE</b>				<i>Restricted:</i>			
Total Revenue	\$ 366,870	\$ 366,869	\$ 1	425 Bond Refunding	\$ -	\$ -	\$ -
Total Expenditures	\$ 347,214	\$ 347,214	\$ -	464 Restricted Fund Balance	\$ -	\$ -	\$ -
460 Nonspendable Fund Balance	\$ 15,539	\$ 15,539	\$ -	<i>Unassigned:</i>			
<i>Restricted/Reserved:</i>				463 Unassigned Fund Balance	\$ -	\$ -	\$ -
452 OPEB Liab Not in Trust	\$ -	\$ -	\$ -	<b>04 COMMUNITY SERVICE</b>			
<i>Restricted:</i>				Total Revenue	\$ 105,622	\$ 105,620	\$ 2
464 Restricted Fund Balance	\$ 134,777	\$ 134,777	\$ -	Total Expenditures	\$ 100,492	\$ 100,491	\$ 1
<i>Unassigned:</i>				460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
463 Unassigned Fund Balance	\$ -	\$ -	\$ -	<i>Restricted/Reserved:</i>			
<b>04 COMMUNITY SERVICE</b>				426 \$25 Taconite	\$ -	\$ -	\$ -
Total Revenue	\$ 105,622	\$ 105,620	\$ 2	431 Community Education	\$ 15,352	\$ 15,352	\$ -
Total Expenditures	\$ 100,492	\$ 100,491	\$ 1	432 E.C.F.E.	\$ 108,482	\$ 108,482	\$ -
460 Nonspendable Fund Balance	\$ -	\$ -	\$ -	440 Teacher Development & Eval	\$ -	\$ -	\$ -
<i>Restricted/Reserved:</i>				444 School Readiness	\$ 42,653	\$ 42,653	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -	447 Adult Basic Education	\$ -	\$ -	\$ -
431 Community Education	\$ 15,352	\$ 15,352	\$ -	452 OPEB Liab Not in Trust	\$ -	\$ -	\$ -
432 E.C.F.E.	\$ 108,482	\$ 108,482	\$ -	<i>Restricted:</i>			
440 Teacher Development & Eval	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ -	\$ -	\$ -
444 School Readiness	\$ 42,653	\$ 42,653	\$ -	<i>Unassigned:</i>			
447 Adult Basic Education	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ (17,854)	\$ (17,854)	\$ -
452 OPEB Liab Not in Trust	\$ -	\$ -	\$ -				
<i>Restricted:</i>							
464 Restricted Fund Balance	\$ -	\$ -	\$ -				
<i>Unassigned:</i>							
463 Unassigned Fund Balance	\$ (17,854)	\$ (17,854)	\$ -				



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**FORM OF LEGAL OPINION**

(See following pages)

## Form of Legal Opinion

Independent School District No. 297  
Spring Grove, Minnesota

[Purchaser]  
[City, State]

Re:    \$[PAR] General Obligation Facilities Maintenance Bonds, Series 2025A  
      Independent School District No. 297 (Spring Grove Public Schools)  
      Houston County, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Independent School District No. 297 (Spring Grove Public Schools), Houston County, Minnesota, of the obligations described above, dated, as originally issued, as of June [\_\_\_], 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.

6. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code

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, 5, and 6 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, or the Bonds failing to be qualified tax-exempt obligations, 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.

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.

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.

Dated this [ ]<sup>th</sup> day of June, 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](http://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  
(EXPERTS FROM AWARD RESOLUTION)**

(See following pages)

## FORM OF CONTINUING DISCLOSURE

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 successive 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**

**\$1,210,000\* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2025A  
INDEPENDENT SCHOOL DISTRICT NO. 297 (SPRING GROVE PUBLIC SCHOOLS), MINNESOTA**

Proposals for the purchase of \$1,210,000\* General Obligation Facilities Maintenance Bonds, Series 2025A (the "Bonds") of Independent School District No. 297 (Spring Grove Public Schools), 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](mailto:bondsale@ehlers-inc.com) or **PARITY**, in the manner described below, until 9:30 A.M., Central Time, on May 19, 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 7:00 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, including Section 123B.595, as amended, by the District, to provide funds to finance health and safety projects included in the District's ten-year facility maintenance plan approved by the Commissioner of Education. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged.

**DATES AND MATURITIES**

The Bonds will be dated June 12, 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>
2029	\$120,000	2032	\$145,000	2035	\$170,000
2030	135,000	2033	155,000	2036	180,000
2031	140,000	2034	165,000		

**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 2029 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

## BOOK-ENTRY-ONLY FORMAT

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

## PAYING AGENT

The District has selected Bond Trust Services Corporation, 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, 2033 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, 2032, 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 June 12, 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 \$1,210,000 plus accrued interest on the principal sum of \$1,210,000 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](mailto: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 \$24,200 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. The Deposit will be deducted from the purchase price at the closing for the Bonds.

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

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

## AWARD

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

## **BOND INSURANCE**

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

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

## **CUSIP NUMBERS**

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

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

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

## **CONTINUING DISCLOSURE**

In order to assist the Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "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](http://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. 297  
(Spring Grove Public Schools), Minnesota

# PROPOSAL FORM

The School Board  
Independent School District No. 297 (Spring Grove Public Schools), Minnesota (the "District")

May 19, 2025

RE: **\$1,210,000\* General Obligation Facilities Maintenance Bonds, Series 2025A (the "Bonds")**  
DATED: **June 12, 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 \$1,210,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2029	_____ % due	2032	_____ % due	2035
_____ % due	2030	_____ % due	2033	_____ % due	2036
_____ % due	2031	_____ % due	2034		

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

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2029 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) 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 \$24,200 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 June 12, 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 June 12, 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. 297 (Spring Grove Public Schools), Minnesota, on May 19, 2025.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_