

Refunding Issue

Rating Application Made: S&P Global Ratings

**ADDENDUM DATED MARCH 3, 2026
TO PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 26, 2026**

**INDEPENDENT SCHOOL DISTRICT NO. 345
(NEW LONDON-SPICER SCHOOLS), MINNESOTA
(Kandiyohi County)**

**\$8,270,000* GENERAL OBLIGATION SCHOOL BUILDING
REFUNDING BONDS, SERIES 2026A**

PROPOSAL OPENING: March 9, 2026, 9:30 AM C.T.

The Continuing Disclosure and Debt sections have been revised. Following is the revised Preliminary Official Statement.

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 26, 2026

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

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

Refunding Issue

Rating Application Made: S&P Global Ratings

INDEPENDENT SCHOOL DISTRICT NO. 345 (NEW LONDON-SPICER SCHOOLS), MINNESOTA (Kandiyohi County)

(Minnesota School District Credit Enhancement Program)

\$8,270,000* GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS, SERIES 2026A

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

CONSIDERATION: March 9, 2026, 4:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$8,270,000* General Obligation School Building Refunding Bonds, Series 2026A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, including Minnesota Statutes, Section 475.67, as amended, by Independent School District No. 345 (New London-Spicer Schools), Minnesota (the "District"), for the purpose of effecting a partial current refunding of certain outstanding general obligations of the District as more fully described herein. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: April 2, 2026

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2027	\$1,095,000	2030	\$1,185,000	2033	\$1,320,000
2028	1,080,000	2031	1,195,000		
2029	1,135,000	2032	1,260,000		

***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: August 1, 2026 and semiannually thereafter.

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

MINIMUM PROPOSAL: \$8,187,300.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$165,400 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

ESCROW AGENT: Zions Bancorporation, National Association.

BOND COUNSEL: Kennedy & Graven, Chartered.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

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

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

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NEW LONDON-SPICER SCHOOLS SCHOOL BOARD

		<u>Term Expires</u>
Mark Peterson	Board Chair	January 2027
Darryl Nelson	Vice Chair	January 2027
Laura Nelson	Clerk	January 2027
Del Brouwer	Treasurer	January 2027
Kristi Barber	Member	January 2029
Karen Nelson	Member	January 2029
Margo Wookey	Member	January 2029

ADMINISTRATION

Jamie Boelter, Superintendent of Schools
Pam Harrington, Director of Business Services

PROFESSIONAL SERVICES

Kennedy & Graven, Chartered, Bond Counsel and Attorney to the District, Minneapolis, Minnesota

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 345 (New London-Spicer Schools), Minnesota (the "District") and the issuance of its \$8,270,000* General Obligation School Building Refunding Bonds, Series 2026A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the School Board on March 9, 2026.

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

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of April 2, 2026. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 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"). All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

*Preliminary, subject to change.

OPTIONAL REDEMPTION

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

AUTHORITY; PURPOSE

The Bonds are authorized pursuant to Minnesota Statutes, Chapter 475, as amended, including Minnesota Statutes, Section 475.67, as amended, by the District, for the purpose of effecting a partial current refunding of the 2027 through 2033 maturities of the District's General Obligation School Building Bonds, Series 2016A, dated February 11, 2016 (the "Series 2016A Bonds") as follows:

Issue Being Refunded	Date of Refunded Issue		Maturity	Interest Rates	Principal to be Paid by the District	CUSIP Base 646666
Series 2016A Bonds	2/11/16	Paid at maturity	2034	3.00%	\$1,435,000	MB0
		Paid at maturity	2035	3.00%	1,480,000	MC8
		Paid at maturity	2036	3.00%	<u>1,525,000</u>	MD6
Total Maturities Being Paid by the District					<u>\$4,440,000</u>	
			Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 646666
	5/7/26	Par	2027	4.00%	\$1,115,000	LU9
			2028	4.00%	1,160,000	LV7
			2029	4.00%	1,205,000	LW5
			2030	4.00%	1,250,000	LX3
			2031	4.00%	1,300,000	LY1
			2033 (term)	3.00%	<u>2,750,000</u>	MA2
Total Maturities Being Refunded					<u>\$8,780,000</u>	

A portion of the proceeds of the Bonds will be used to redeem and prepay the 2027 through 2033 maturities of the Series 2016A Bonds described above and to pay all or most of the costs of issuance. The District will continue to pay the principal of and interest due on the 2034 through 2036 maturities of the Series 2016A Bonds through February 1, 2036.

ESTIMATED SOURCES AND USES*

Sources

Par Amount of Bonds	\$8,270,000	
Reoffering Premium	<u>735,553</u>	
Total Sources		\$9,005,553

Uses

Total Underwriter's Discount (0.800%)	\$66,160	
Costs of Issuance	102,000	
Deposit to Current Refunding Fund	8,834,552	
Rounding Amount	<u>2,841</u>	
Total Uses		\$9,005,553

*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. In the event funds on hand for payment of principal and interest are at any time insufficient, the District is required to levy additional taxes upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

RATING

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

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

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

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE

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

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

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

The District did not timely file notice of the incurrence of a financial obligation that was incurred in January of 2026. Except to the extent that the proceeding is deemed to be material, the District believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The District has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the District.

LEGAL OPINION

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

TAX EXEMPTION

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

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

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

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

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

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

Legislative proposals

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

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

RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

Type of Property	2022/23	2023/24	2024/25
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,890,000 - 0.50% ² Over \$1,890,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,150,000 - 0.50% ² Over \$2,150,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$3,500,000 - 0.50% ² Over \$3,500,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$174,000 - 0.75% Over \$174,000 - 0.25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$100,000 - 0.75% Over \$100,000 - 0.25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental - 0.25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

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

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

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

CURRENT PROPERTY VALUATIONS

2024/25 Economic Market Value	<u>\$2,655,920,061¹</u>
2024/25 Assessor's Estimated Market Value	
Real Estate	\$2,407,347,000
Personal Property	<u>6,540,200</u>
Total Valuation	<u><u>\$2,413,887,200</u></u>
2024/25 Net Tax Capacity	
Real Estate	\$24,275,513
Personal Property	<u>128,275</u>
Net Tax Capacity	\$24,403,788
Less:	
Captured Tax Increment Tax Capacity ²	(309,762)
Power Line Adjustment ³	<u>(315)</u>
Taxable Net Tax Capacity	<u><u>\$24,093,711</u></u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District was about 90.92% of the actual selling prices of property sold in the District. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the District of \$2,655,920,061.

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

³ Ten percent of the net tax capacity of certain high voltage transmission lines is removed when setting local tax rates. However, taxes are paid on the full value of these lines. The taxes attributable to 10% of value of these lines are used to fund a power line credit. Certain property owners receive a credit when the high voltage transmission line runs over their property.

2024/25 NET TAX CAPACITY BY CLASSIFICATION

	2024/25 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$12,571,619	51.52%
Agricultural	2,453,803	10.06%
Commercial/industrial	1,465,931	6.01%
Public utility	58,408	0.24%
Railroad operating property	1,770	0.01%
Non-homestead residential	1,607,224	6.59%
Commercial & residential seasonal/rec.	6,116,758	25.06%
Personal property	<u>128,275</u>	<u>0.53%</u>
 Total	 <u><u>\$24,403,788</u></u>	 <u><u>100.00%</u></u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity¹	Taxable Net Tax Capacity²	Percent Increase/Decrease in Estimated Market Value
2020/21	\$1,626,809,400	\$1,561,807,773	\$16,049,076	\$15,883,707	2.41%
2021/22	1,724,172,600	1,661,958,141	17,106,023	16,936,590	5.98%
2022/23	2,046,967,000	1,993,062,840	20,605,180	20,279,222	18.72%
2023/24	2,256,426,400	2,205,297,181	22,873,520	22,546,931	10.23%
2024/25	2,413,887,200	2,342,033,366	24,403,788	24,093,711	6.98%

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

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

LARGEST TAXPAYERS

Taxpayer	Type of Property	2024/25 Net Tax Capacity	Percent of District's Total Net Tax Capacity
HSP Farms, LP & RDP Farms, LP	Agriculture	\$166,181	0.68%
Duinink Bros, Inc.	Agriculture	147,987	0.61%
Bethesda	Apartments	133,646	0.55%
Kandiyohi Power Cooperative	Commercial	116,660	0.48%
Xcel Energy, Inc.	Utility	89,268	0.37%
Realco New London, Minnesota, LLC	Apartments	66,375	0.27%
Individual	Residential	59,050	0.24%
Glacial Ridge Hospitality, LLC	Commercial	57,198	0.23%
Individual	Seasonal Rec. Residential	54,164	0.22%
H-GRR, LLC	Commercial	<u>50,210</u>	<u>0.21%</u>
Total		\$940,739	3.85%

District's Total 2024/25 Net Tax Capacity \$24,403,788

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

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedule following)

Total G.O. debt secured by tax abatement revenues and state aids ²	\$875,000
Total G.O. debt secured by taxes and state aids ² (includes the Bonds)*	<u>36,020,000</u>
Total General Obligation Debt*	<u><u>\$36,895,000</u></u>

*Preliminary, subject to change.

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

² 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.

Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations¹ \$96,074

Other Debt

Issue Date	Original Amount	Purpose	Final Maturity	Principal Outstanding
1/23/26	\$1,000,000	Line of Credit Promissory Note	1/15/27	<u>\$800,000</u>

Other Obligations - Cooperative District/Joint Governmental Obligations

The District is a member of the Southwest West Central Service Cooperative ("SWWC"). The City of Montevideo Economic Development Authority issued \$5,295,000 Lease Revenue Refunding Bonds (Southwest West Central Service Cooperative, Lease with Option to Purchase Project), Series 2020A (the "Series 2020A Bonds") on September 23, 2020. The District has a contractual obligation to provide a proportional amount of financial support for a Level 4 special education space operated by SWWC on behalf of its members. The District has a contractual obligation to make a portion of the debt service payments on the Series 2020A Bonds along with other member school districts. The allocation of the debt service payments is determined by agreement among the member school districts and calculated annually by SWWC.

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

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

STATE AID FOR DEBT SERVICE

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

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

¹ Non-general obligation debt has not been included in the debt ratios.

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

Some school districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minnesota Statutes, Section 273.1387). The reimbursement percentage for each qualifying property is 70% of the property's eligible net tax capacity multiplied by the school debt tax rate determined under Minnesota Statutes, Section 275.08, subdivision 1b. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, and to rural vacant land and managed forest land. The amount of agricultural credit received in the debt service fund for taxes payable 2025 is approximately 5.71% of total annual debt service levies, based on the District's 2024/25 qualifying agricultural land valuation.

BONDED DEBT LIMIT

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

2024/25 Economic Market Value	\$2,655,920,061
Multiply by 15%	<u>0.15</u>
Statutory Debt Limit	\$398,388,009
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	<u>(36,020,000)</u>
Unused Debt Limit*	<u><u>\$362,368,009</u></u>

*Preliminary, subject to change.

Independent School District No. 345 (New London-Spicer Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 04/02/2026)

	Tax Abatement Bonds Series 2018A		Tax Abatement Bonds 1) Series 2025A					Principal Outstanding	% Paid	Fiscal Year Ending
Dated Amount	09/06/2018 \$1,320,000		06/26/2025 \$400,000							
Maturity	02/01		02/01							
Fiscal Year Ending	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I			
2027	150,000	23,750	70,000	20,000	220,000	43,750	263,750	655,000	25.14%	2027
2028	160,000	16,250	75,000	16,500	235,000	32,750	267,750	420,000	52.00%	2028
2029	165,000	8,250	80,000	12,750	245,000	21,000	266,000	175,000	80.00%	2029
2030			85,000	8,750	85,000	8,750	93,750	90,000	89.71%	2030
2031			90,000	4,500	90,000	4,500	94,500	0	100.00%	2031
	475,000	48,250	400,000	62,500	875,000	110,750	985,750			

1) This represents the \$400,000 Tax Abatement portion of the \$11,685,000 General Obligation Facilities Maintenance and Tax Abatement Bonds, Series 2025A.

Independent School District No. 345 (New London-Spicer Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 04/02/2026)

	School Building Bonds Series 2016A		Facilities Maintenance Bonds Series 2023A		Facilities Maintenance Bonds 1) Series 2025A		School Building Refunding Bonds 2) Series 2026A							
Dated Amount	02/11/2016 \$20,390,000		12/14/2023 \$14,380,000		06/26/2025 \$11,200,000		04/02/2026 \$8,270,000*							
Maturity	02/01		02/01		02/01		02/01							
Fiscal Year							Estimated					Principal		Fiscal Year
Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Outstanding	% Paid	Ending
2027	0	133,200	205,000	564,250	675,000	484,238	1,095,000	343,435	1,975,000	1,525,122	3,500,122	34,045,000	5.48%	2027
2028	0	133,200	375,000	554,000	525,000	450,488	1,080,000	358,750	1,980,000	1,496,438	3,476,438	32,065,000	10.98%	2028
2029	0	133,200	435,000	535,250	555,000	424,238	1,135,000	304,750	2,125,000	1,397,438	3,522,438	29,940,000	16.88%	2029
2030	0	133,200	620,000	513,500	595,000	396,488	1,185,000	248,000	2,400,000	1,291,188	3,691,188	27,540,000	23.54%	2030
2031	0	133,200	650,000	482,500	280,000	366,738	1,195,000	188,750	2,125,000	1,171,188	3,296,188	25,415,000	29.44%	2031
2032	0	133,200	680,000	450,000	370,000	352,738	1,260,000	129,000	2,310,000	1,064,938	3,374,938	23,105,000	35.86%	2032
2033	0	133,200	715,000	416,000	395,000	334,238	1,320,000	66,000	2,430,000	949,438	3,379,438	20,675,000	42.60%	2033
2034	1,435,000	133,200	755,000	380,250	410,000	314,488			2,600,000	827,938	3,427,938	18,075,000	49.82%	2034
2035	1,480,000	90,150	785,000	342,500	435,000	293,988			2,700,000	726,638	3,426,638	15,375,000	57.32%	2035
2036	1,525,000	45,750	830,000	303,250	455,000	272,238			2,810,000	621,238	3,431,238	12,565,000	65.12%	2036
2037			795,000	270,050	735,000	249,488			1,530,000	519,538	2,049,538	11,035,000	69.36%	2037
2038			825,000	238,250	710,000	220,088			1,535,000	458,338	1,993,338	9,500,000	73.63%	2038
2039			860,000	205,250	735,000	191,688			1,595,000	396,938	1,991,938	7,905,000	78.05%	2039
2040			770,000	170,850	685,000	161,369			1,455,000	332,219	1,787,219	6,450,000	82.09%	2040
2041			800,000	140,050	715,000	132,256			1,515,000	272,306	1,787,306	4,935,000	86.30%	2041
2042			820,000	108,050	760,000	100,975			1,580,000	209,025	1,789,025	3,355,000	90.69%	2042
2043			850,000	75,250	795,000	67,725			1,645,000	142,975	1,787,975	1,710,000	95.25%	2043
2044			1,000,000	41,250	710,000	31,950			1,710,000	73,200	1,783,200	0	100.00%	2044
	4,440,000	1,201,500	12,770,000	5,790,500	10,540,000	4,845,413	8,270,000	1,638,685	36,020,000	13,476,097	49,496,097			

* Preliminary, subject to change.

- 1) This represents the \$11,285,000 Facilities Maintenance portion of the \$11,685,000 General Obligation Facilities Maintenance and Tax Abatement Bonds, Series 2025A.
- 2) This issue will refund the 2027 through 2033 maturities of the District's \$20,390,000 General Obligation School Building Bonds, Series 2016A, dated February 11, 2016.

Independent School District No. 345 (New London-Spicer Schools), Minnesota
 Schedule of Bonded Indebtedness
 Non-General Obligation Debt Secured by Annual Appropriation
 (As of 04/02/2026)

		Athletic Field Lease 1) 2017						
Dated Amount	04/20/2017 \$857,000							
Maturity	02/01 & 08/01							
Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2027	96,074	1,993	96,074	1,993	98,067	0	100.00%	2027
	96,074	1,993	96,074	1,993	98,067			

1) This issue is not subject to the debt limit.

OVERLAPPING DEBT¹

Taxing District	2024/25 Taxable Net Tax Capacity	% In District	Total G.O. Debt²	District's Proportionate Share
County of:				
Kandiyohi	\$85,073,092	28.3212%	\$240,000	\$67,971
Cities of:				
New London	1,424,692	100.0000%	2,039,000	2,039,000
Spicer	2,478,135	100.0000%	3,592,000	3,592,000
Townships of:				
Arctander	1,294,708	57.9555%	242,000	140,252
Colfax	1,603,909	59.5419%	517,000	307,832
Dovre	4,211,303	10.6858%	1,500,000	160,287
Harrison	2,941,290	0.1679%	200,000	<u>336</u>
District's Share of Total Overlapping Debt				<u><u>\$6,307,678</u></u>

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$2,655,920,061	Debt/ Per Capita 9,356¹
Direct G.O. Debt Secured By:			
Tax Abatement Revenues and State Aids	\$875,000		
Taxes and State Aids*	<u>36,020,000</u>		
Total General Obligation Debt*	\$36,895,000		
Less: Agricultural Credit ²	<u>(2,106,705)</u>		
Tax Supported General Obligation Debt*	\$34,788,296	1.31%	\$3,718.29
 District's Share of Total Overlapping Debt	 <u>\$6,307,678</u>	 <u>0.24%</u>	 <u>\$674.19</u>
 Total*	 <u><u>\$41,095,973</u></u>	 <u><u>1.55%</u></u>	 <u><u>\$4,392.47</u></u>

*Preliminary, subject to change.

¹ Estimated 2024 population.

² Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 5.71% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is \$2,106,705.

TAX LEVIES, COLLECTION AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date	% Collected
2020/21	\$4,292,588	\$4,264,981	\$4,291,800	99.98%
2021/22	5,959,624	5,927,524	5,957,444	99.96%
2022/23	5,946,283	5,902,500	5,938,823	99.87%
2023/24	7,812,310	7,759,225	7,759,225	99.32%
2024/25	7,934,976	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.² 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 RATES³

	2020/21	2021/22	2022/23	2023/24	2024/25
I.S.D. No. 345 (New London-Spicer Schools)	19.025%	18.010%	15.082%	22.008%	20.984%
Kandiyohi County	59.425%	57.514%	50.084%	46.218%	48.909%
Kandiyohi Countywide	1.047%	1.028%	1.031%	1.088%	1.354%
City of New London	69.862%	67.482%	67.386%	65.444%	64.014%
City of Spicer	74.021%	72.986%	75.261%	70.412%	74.438%
Township of Irving ⁴	18.808%	17.504%	14.092%	12.516%	11.418%
Middle Fork C.R. Watershed	4.005%	3.981%	2.628%	2.956%	3.046%
North Fork C.R. Watershed	2.377%	1.838%	1.537%	1.535%	1.385%

Referendum Market Value Rates:

I.S.D. No. 345 (New London-Spicer Schools)	0.13020%	0.26808%	0.22300%	0.20987%	0.19910%
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Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Kandiyohi County.

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

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

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

⁴ Representative township rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 310, including 175 non-licensed employees and 135 licensed employees (131 of whom are teachers). The District provides education for 1,485 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

Public Employees' Retirement Association (PERA)

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

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Education Minnesota - New London-Spicer	June 30, 2027
New London-Spicer Educational Support Professionals	June 30, 2025
New London-Spicer Principal's Association	June 30, 2025

Status of Contracts

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

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent Audited Financial Statements (Audit) shows a total OPEB liability of \$1,420,946, as of June 30, 2025. In October of 2009 the District issued \$2,220,000 in Taxable OPEB Bonds to fund an irrevocable trust. The net value of the trust was \$1,148,891, as of June 30, 2025. Future OPEB costs will be paid partially from the trust and partially from operating funds.

Source: The District's most recent Audit.

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2021/22	127	680	722	1,529
2022/23	109	692	723	1,524
2023/24	116	693	719	1,528
2024/25	102	708	689	1,499
2025/26	100	702	683	1,485

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2026/27	100	684	675	1,459
2027/28	100	664	685	1,449
2028/29	100	629	699	1,428

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Prairie Woods Elementary	1984	2017
High School/Middle School	1962	1986, 1988, 1993, 1994, 2017
Prairie Meadows Learning Center	1993	--

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

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

FUNDS ON HAND (as of January 31, 2026)

Fund	Total Cash and Investments
General	\$1,001,931
Food Service	113,042
Community Service	235,021
Debt Service	492,994
Building/Construction	5,712,411
Trust & Agency	346,308
OPEB	<u>1,420,340</u>
 Total Funds on Hand	 <u><u>\$9,322,047</u></u>

BUDGET SUMMARY

Fund	June 30, 2025 Actual Fund Balance	2025-26 Projected Revenues and Transfers In	2025-26 Projected Expenditures and Transfers Out	2025-26 Revenues over (under) expenditures	June 30, 2026 Projected Fund Balance
General/Restricted	\$369,450	\$1,448,535	\$1,461,990	(\$13,455)	\$355,995
General/Other	634,722	23,399,948	23,373,843	26,105	660,827
Food Service	711,453	1,220,000	1,355,000	(135,000)	576,453
Community Service	(399,161)	1,490,000	1,500,000	(10,000)	(409,161)
Building/Construction	13,598,096	75,000	8,500,000	(8,425,000)	5,173,096
Debt Service	527,529	4,049,803	3,700,000	349,803	877,332
Trust Fund	146,273	47,000	53,000	(6,000)	140,273
OPEB Irrevocable Trust Fund	1,148,890	115,000	235,000	(120,000)	1,028,890
OPEB Debt Service Fund	43,047	0	0	0	43,047
Total All Funds	\$16,780,299	\$31,845,286	\$40,178,833	(\$8,333,547)	\$8,446,752

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 2025 audited financial statements.

	FISCAL YEAR ENDING JUNE 30				
COMBINED STATEMENT	2021	2022	2023	2024	2025
	Audited	Audited	Audited	Audited	Audited
Revenues					
Local property taxes	\$2,071,305	\$2,106,705	\$3,793,482	\$4,082,842	\$4,048,383
Interest earned on investments	466	4,736	79,473	124,596	186,353
Other	757,533	843,942	1,036,576	1,113,859	1,465,510
Revenues from state sources	15,472,394	16,033,986	16,728,936	18,932,779	19,990,582
Revenues from federal sources	1,059,864	942,412	799,427	541,356	275,571
Total Revenues	<u>\$19,361,562</u>	<u>\$19,931,781</u>	<u>\$22,437,894</u>	<u>\$24,795,432</u>	<u>\$25,966,399</u>
Expenditures					
Current:					
Administration	\$1,041,954	\$1,101,016	\$1,260,300	\$1,179,792	\$1,201,347
District support services	753,687	960,126	1,055,688	1,133,298	1,235,261
Elementary & secondary regular instruction	8,589,071	8,609,534	9,706,868	10,291,518	11,011,179
Vocational education instruction	415,276	429,590	454,400	476,008	565,891
Special education instruction	3,536,602	3,404,164	4,035,734	4,472,681	4,711,877
Instructional support services	1,000,864	642,262	554,274	666,540	805,174
Pupil support services	1,816,247	1,968,940	2,345,866	2,760,617	3,082,946
Sites and buildings	1,588,035	1,776,406	2,049,272	1,914,370	2,211,790
Capital outlay	458,530	563,141	1,824,134	1,523,688	709,929
Debt service	172,818	100,567	181,171	639,619	478,482
Total Expenditures	<u>\$19,373,084</u>	<u>\$19,555,746</u>	<u>\$23,467,707</u>	<u>\$25,058,131</u>	<u>\$26,013,876</u>
Excess of revenues over (under) expenditures	(\$11,522)	\$376,035	(\$1,029,813)	(\$262,699)	(\$47,477)
Other Financing Sources (Uses)					
Transfers in (out)	\$0	\$0	\$0	\$0	(\$29,522)
Financed purchased obligations used	0	0	898,105	773,363	0
Total Other Financing Sources (Uses)	<u>\$0</u>	<u>\$0</u>	<u>\$898,105</u>	<u>\$773,363</u>	<u>(\$29,522)</u>
Net changes in Fund Balances	(\$11,522)	\$376,035	(\$131,708)	\$510,664	(\$76,999)
General Fund Balance July 1	\$337,703	\$326,181	\$702,216	\$570,508	\$1,081,172
Prior Period Adjustment	0	0	0	0	0
General Fund Balance June 30	<u>\$326,181</u>	<u>\$702,216</u>	<u>\$570,508</u>	<u>\$1,081,172</u>	<u>\$1,004,173</u>
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	\$43,733	\$141,507	\$128,634	\$265,644	\$462,094
Restricted	201,349	225,979	176,180	270,980	382,116
Assigned	40,327	42,988	42,212	34,526	33,213
Unassigned	40,772	291,742	223,482	510,022	126,750
Total	<u>\$326,181</u>	<u>\$702,216</u>	<u>\$570,508</u>	<u>\$1,081,172</u>	<u>\$1,004,173</u>

GENERAL INFORMATION

LOCATION

The District, with a 2020 U.S. Census population of 9,289 and a 2024 population estimate of 9,356, and comprising an area of 167 square miles, is located approximately 94 miles west of St. Paul, Minnesota.

LARGER EMPLOYERS¹

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 345 (New London-Spicer Schools)	Elementary and secondary education	310
Dahmes Steel	Steel Manufacturer	200
Glen Oaks Senior Living Campus	Senior housing	98
Rambow, Inc.	Design and trimming	82
Zorbaz on Green Lake	Restaurant	60
Little Crow Country Club	Golf course	50
Palmer Bus	Bus service	50
Teal's Market	Grocer-retail	50
Shores of St. Andrew	Recreational and vacation camps	41
Kandiyohi Power Co-Op	Electric companies	35

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

U.S. CENSUS DATA

Population Trend: The District

2010 U.S. Census population	9,220
2020 U.S. Census population	9,289
Percent of Change 2010 - 2020	0.75%
2024 State Demographer Estimate	9,356

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

Income and Age Statistics

	The District	Kandiyohi County	State of Minnesota	United States
2024 per capita income	\$49,080	\$37,618	\$48,237	\$44,673
2024 median household income	\$95,801	\$75,097	\$89,062	\$80,734
2024 median family income	\$116,742	\$93,317	\$113,993	\$99,999
2024 median gross rent	\$891	\$843	\$1,280	\$1,413
2024 median value owner occupied units	\$335,100	\$230,500	\$329,300	\$1,413
2024 median age	47.9 yrs.	39.8 yrs.	38.8 yrs.	38.9 yrs.

	State of Minnesota	United States
District % of 2024 per capita income	101.75%	109.87%
District % of 2024 median family income	102.41%	116.74%

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>	
	Kandiyohi County	Kandiyohi County	State of Minnesota	State of Minnesota
2021	21,400	4.0%	3.7%	
2022	21,419	2.8%	2.5%	
2023	21,549	3.1%	2.8%	
2024	21,972	3.1%	3.0%	
2025, December	21,508	5.0%	4.3%	

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

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

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

ANNUAL FINANCIAL REPORT

INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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 New London, Minnesota
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INTRODUCTORY SECTION
INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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Independent School District No. 345
New London, Minnesota
Board of Education and Administration
For the Year Ended 2025

BOARD OF EDUCATION

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Peterson	Chairperson	12/31/2026
Darryl Nelson	Vice-Chairperson	12/31/2026
Laura Nelson	Clerk	12/31/2026
Del Brouwer	Treasurer	12/31/2026
Kristi Barber	Board Member	12/31/2028
Karen Nelson	Board Member	12/31/2028
Margo Wookey	Board Member	12/31/2028

ADMINISTRATION

<u>Name</u>	<u>Title</u>
Jamie Boelter	Superintendent

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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Independent School District No. 345
New London, Minnesota

Opinions

We have audited the accompanying financial statements of governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 345 (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis starting on page 17 and the schedule of Employer's Share of the Net Pension Liability, the schedule of Employer's Contributions, the related note disclosures, and the Schedule of Changes in the District's OPEB Liability and Related Ratios, starting on page 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual fund financial statements, schedules, table and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund financial statements, schedules, table and schedule of expenditures of federal awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.



Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Abdo
Minneapolis, Minnesota
December 23, 2025



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Management's Discussion and Analysis

As management of the Independent School District No. 345 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025.

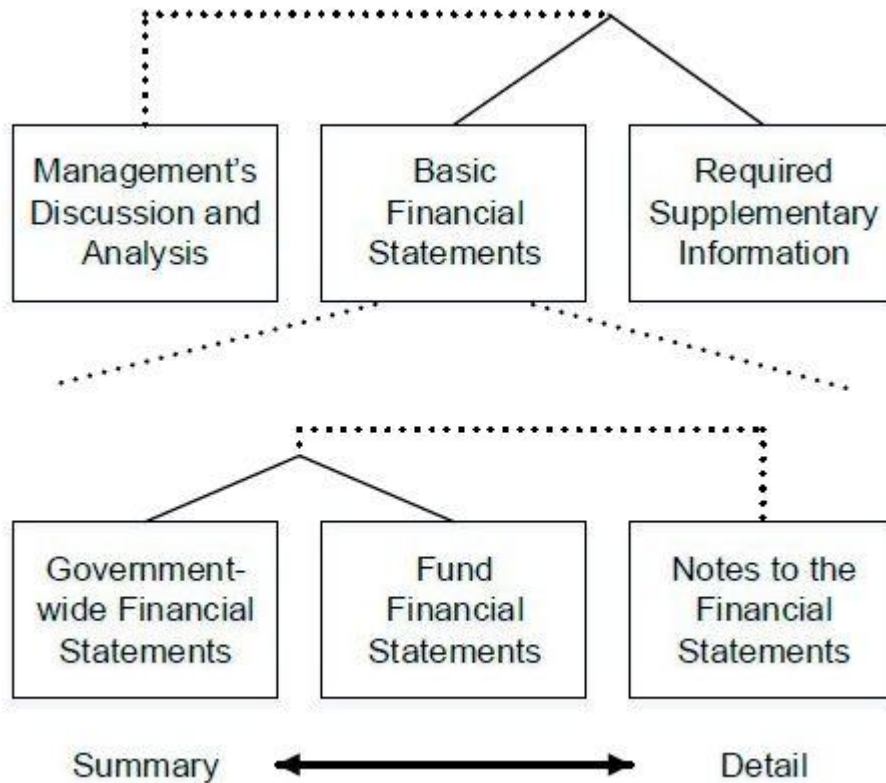
Financial Highlights

- The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources of the District at the close of the most recent fiscal year by \$16,871,893 (net position).
- A deficit of \$12,750,722 (unrestricted net position) exists due to recognition of long-term pension liabilities in accordance with GASB Statement No. 68.
- The District's total net position increased by \$2,748,157 due to total District revenues exceeding expenditures.
- For UFARS and GASB reporting, the District's unassigned fund balance in the General fund as of June 30, 2025, decreased from the prior year as shown in the Financial Analysis of District Funds.
- The District's total long-term debt increased during the current fiscal year due to the issuance of bonds.

Overview of the Financial Statements

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

Organization of Independent School District No. 345 Annual Financial Report



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

Figure 2
Major Features of the District-wide and Fund Financial Statements

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

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

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

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

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

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

The district-wide financial statements start on page 30 of this report.

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

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

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact by the District’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund and the Debt Service fund, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements start on page 34 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the district-wide financial statements because the resources of those funds are not available to support the District’s own programs. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those whom the assets belong. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements start on page 39 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements start on page 41 of this report.

Required Supplementary Information. Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis starting on page 17 and the Schedule of Employer’s Shares of the Net Pension Liability and the Schedule of Employer’s Contributions starting on page 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements, schedules and table start on page 83 of this report.

District-wide Financial Analysis

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

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

Independent School District No. 345's Net Position

	Governmental Activities		Increase (Decrease)
	2025	2024	
Assets			
Current and other assets	\$ 31,387,053	\$ 24,051,178	\$ 7,335,875
Capital assets	56,946,455	47,411,406	9,535,049
Total Assets	<u>88,333,508</u>	<u>71,462,584</u>	<u>16,870,924</u>
Deferred Outflows of Resources	<u>3,030,233</u>	<u>3,559,897</u>	<u>(529,664)</u>
Liabilities			
Noncurrent liabilities outstanding	54,462,559	48,644,545	5,818,014
Other liabilities	8,554,825	3,412,891	5,141,934
Total Liabilities	<u>63,017,384</u>	<u>52,057,436</u>	<u>10,959,948</u>
Deferred Inflows of Resources	<u>11,474,464</u>	<u>8,841,309</u>	<u>2,633,155</u>
Net Position			
Net investment in capital assets	28,529,046	25,815,922	2,713,124
Restricted	1,093,569	669,628	423,941
Unrestricted	<u>(12,750,722)</u>	<u>(12,361,814)</u>	<u>(388,908)</u>
Total Net Position	<u>\$ 16,871,893</u>	<u>\$ 14,123,736</u>	<u>\$ 2,748,157</u>
Net Position as a Percent of Total			
Net investment in capital assets	169.1 %	182.8 %	
Restricted	6.5	4.7	
Unrestricted	<u>(75.6)</u>	<u>(87.5)</u>	
	<u>100.0 %</u>	<u>100.0 %</u>	

A portion of the District’s net position represents restricted money that will be subject to external restrictions on how they may be used once funding is received.

At the end of the current fiscal year, the District is unable to report a positive balance in unrestricted net position reporting a deficit as shown above.

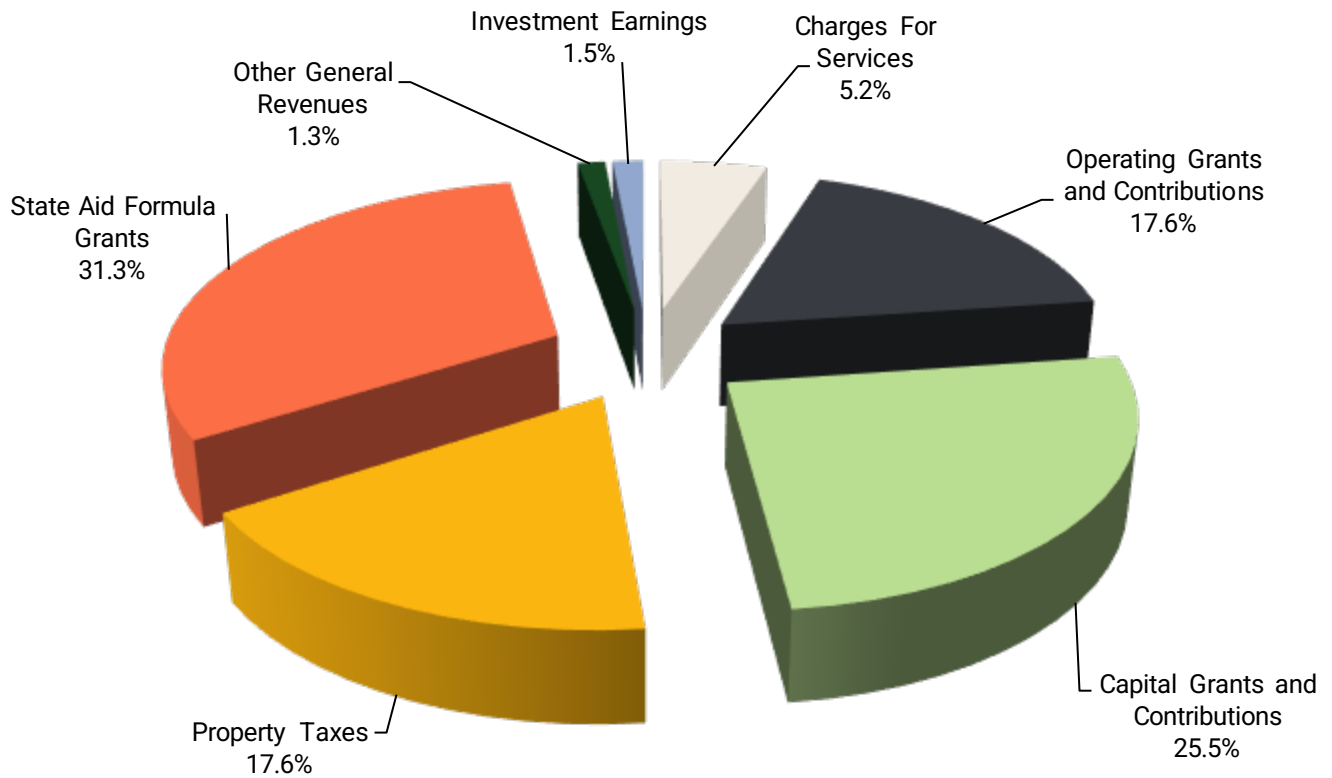
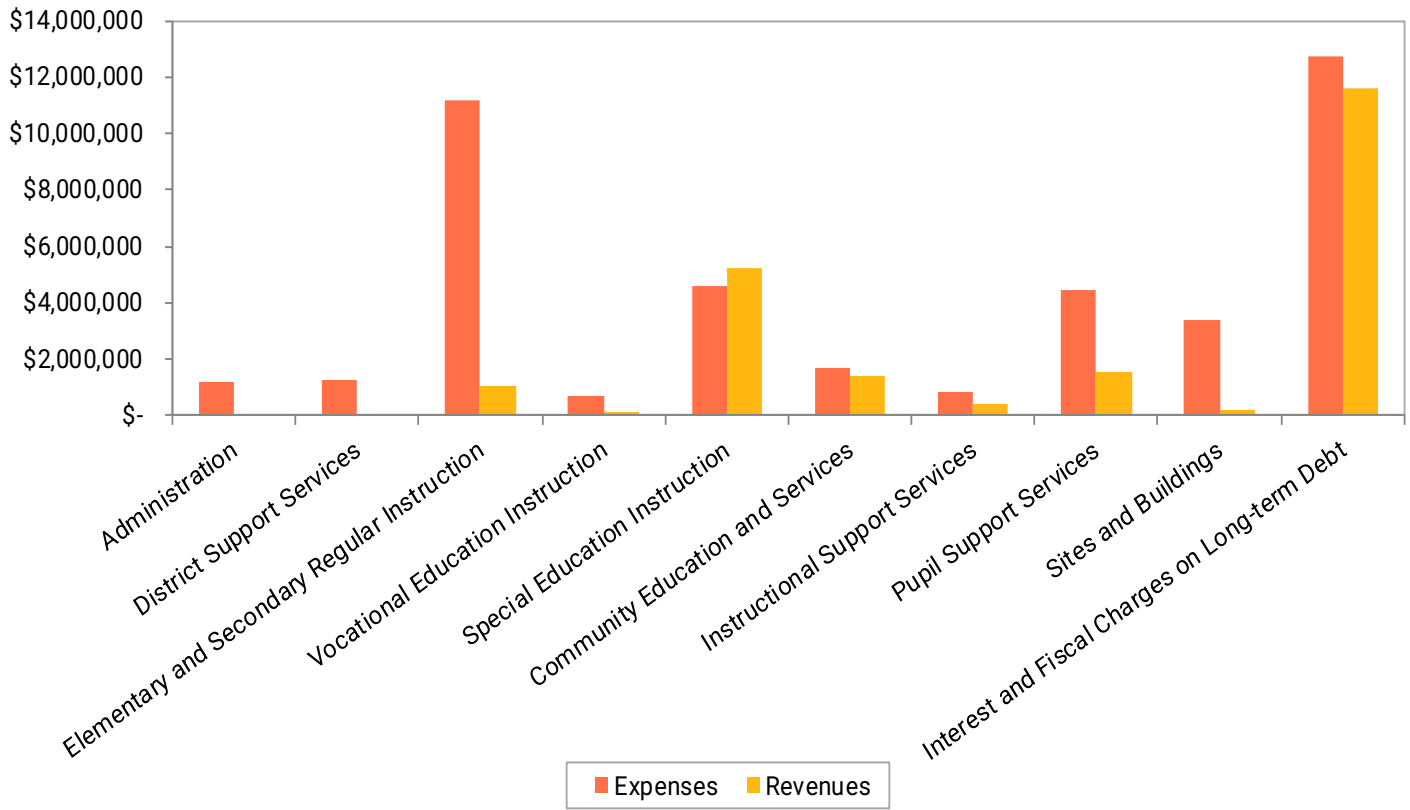
The District's total net position increased during the current fiscal year as shown below. Key elements of this increase are as follows:

Independent School District No. 345's Changes in Net Position

	Governmental Activities		
	2025	2024	Increase (Decrease)
Revenues			
Program Revenues			
Charges for services	\$ 2,304,676	\$ 2,127,017	\$ 177,659
Operating grants and contributions	7,896,148	7,049,957	846,191
Capital grants and contributions	11,426,975	13,971,139	(2,544,164)
General revenues			
Property taxes	7,856,977	6,050,774	1,806,203
State aid-formula grants	14,014,193	13,903,378	110,815
Other	1,253,247	669,449	583,798
Total Revenues	<u>44,752,216</u>	<u>43,771,714</u>	<u>980,502</u>
Expenses			
Administration	1,192,333	1,183,182	9,151
District support services	1,229,783	1,190,507	39,276
Elementary and secondary regular instruction	11,190,113	10,045,444	1,144,669
Vocational education instruction	722,871	614,609	108,262
Special education instruction	4,590,784	4,470,741	120,043
Community education and services	1,666,072	1,525,540	140,532
Instructional support services	837,263	1,592,003	(754,740)
Pupil support services	4,444,473	4,013,072	431,401
Sites and buildings	3,388,141	2,688,007	700,134
Interest and fiscal charges on long-term debt	12,742,226	14,865,079	(2,122,853)
Total Expenses	<u>42,004,059</u>	<u>42,188,184</u>	<u>(184,125)</u>
Change in Net Position	2,748,157	1,583,530	1,164,627
Net Position, July 1	<u>14,123,736</u>	<u>12,540,206</u>	<u>1,583,530</u>
Net Position, June 30	<u>\$ 16,871,893</u>	<u>\$ 14,123,736</u>	<u>\$ 2,748,157</u>

Expenses and Program Revenues - Governmental Activities

Revenues by Source - Governmental Activities



Financial Analysis of the Government's Funds

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

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

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances as shown in the table above. Additional information on the District's fund balances can be found in Note 1.

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

	General Fund	Debt Service Fund	Building Construction	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances							
Nonspendable	\$ 462,094	\$ -	\$ -	\$ 1,040	\$ 463,134	\$ 266,930	\$ 196,204
Restricted	382,116	527,530	13,598,096	754,501	15,262,243	12,615,384	2,646,859
Assigned	33,213	-	-	-	33,213	34,526	(1,313)
Unassigned	126,750	-	-	(400,035)	(273,285)	510,022	(783,307)
	<u>\$ 1,004,173</u>	<u>\$ 527,530</u>	<u>\$ 13,598,096</u>	<u>\$ 355,506</u>	<u>\$ 15,485,305</u>	<u>\$ 13,426,862</u>	<u>\$ 2,058,443</u>
General Fund Fund Balances							
Nonspendable					\$ 462,094	\$ 265,644	\$ 196,450
Restricted					382,116	270,980	111,136
Assigned					33,213	34,526	(1,313)
Unassigned					126,750	510,022	(383,272)
					<u>\$ 1,004,173</u>	<u>\$ 1,081,172</u>	<u>\$ (76,999)</u>
General Fund expenditures					\$ 26,013,876	\$ 25,058,131	
Unassigned as a percent of expenditures					0.5%	2.0%	
Total Fund Balance as a percent of expenditures					3.9%	4.3%	

The fund balance of the District's General fund decreased during the current fiscal year as shown in the table above. The decrease resulted from expenditures exceeding budgeted amounts.

Other major governmental fund analysis is shown below:

	June 30, 2025	June 30, 2024	Increase (Decrease)
Debt Service fund	\$ 527,530	\$ 352,524	\$ 175,006
<i>The Debt Service fund increase in fund balance during the year was due to allocation of local property tax levy revenue and state revenues to the debt service fund exceeding scheduled principal and interest payments made on bonds during the year.</i>			
Building Construction Fund	\$ 13,598,096	\$ 11,558,608	\$ 2,039,488
<i>The Building Construction fund increase in fund balance is due to the issuance for 2025A G.O. Facilities Maintenance and Tax Abatement Bonds.</i>			

General Fund Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 24,372,544	\$ 475,939	\$ 24,848,483	\$ 25,966,399	\$ 1,117,916
Expenditures	24,023,014	812,819	24,835,833	26,013,876	(1,178,043)
Excess (Deficiency) of Revenues Over (Under) Expenditures	349,530	(336,880)	12,650	(47,477)	(60,127)
Other Financing Sources (Uses) Transfers out	-	-	-	(29,522)	(29,522)
Net Change in Fund Balances	349,530	(336,880)	12,650	(76,999)	(89,649)
Fund Balances, July 1	1,081,172	-	1,081,172	1,081,172	-
Fund Balances, June 30	<u>\$ 1,430,702</u>	<u>\$ (336,880)</u>	<u>\$ 1,093,822</u>	<u>\$ 1,004,173</u>	<u>\$ (89,649)</u>

The District's General fund budget was amended during the year as shown above. The budget amendment increased revenues relating to local property tax levies and federal sources and increased current expenditures in all departments with the exception of special education instruction. Actual expenditures exceeded the final budget amounts and revenues were above final budget amounts as shown above.

Debt Service Fund Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 3,786,965	\$ (102,000)	\$ 3,684,965	\$ 3,817,228	\$ 132,263
Expenditures	3,637,476	7,000	3,644,476	3,642,222	2,254
Net Change in Fund Balances	149,489	(109,000)	40,489	175,006	134,517
Fund Balances, January 1	352,524	-	352,524	352,524	-
Fund Balances, December 31	<u>\$ 502,013</u>	<u>\$ (109,000)</u>	<u>\$ 393,013</u>	<u>\$ 527,530</u>	<u>\$ 134,517</u>

The District's Debt Service fund budget was amended during the year as shown above. The budget amendment decreased revenues from state sources and increased expenditures for interest and other charges. Actual revenues and expenditures exceeded the final budget amounts as shown above.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2025, amounts to \$42,885,516 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements and machinery and equipment. The following is a schedule of capital assets as of June 30, 2025.

Independent School District No. 345's Capital Assets (Net of Depreciation)

	Governmental Activities		
	2025	2024	Increase (Decrease)
Land	\$ 95,819	\$ 95,819	\$ -
Land Improvements	2,503,517	2,677,615	(174,098)
Buildings and Improvements	37,293,055	38,314,628	(1,021,573)
Equipment	1,829,909	1,336,699	493,210
Equipment (Right to Use)	1,267,699	1,408,555	(140,856)
Total	<u>\$ 56,946,455</u>	<u>\$ 47,411,406</u>	<u>\$ 9,535,049</u>

Additional information on the District's capital assets can be found in Note 3C starting on page 52 of this report.

Noncurrent Liabilities. At the end of the current fiscal year, the District had the following noncurrent liabilities outstanding.

Independent School District No. 345's Outstanding Debt

	Governmental Activities		
	2025	2024	Increase (Decrease)
General Obligation Bonds	\$ 39,735,000	\$ 30,465,000	\$ 9,270,000
Bond Premium	1,892,511	1,657,888	234,623
Lease Payable	745,257	1,112,727	(367,470)
Financed Purchase Obligation	213,315	314,697	(101,382)
Total	<u>\$ 42,586,083</u>	<u>\$ 33,550,312</u>	<u>\$ 9,035,771</u>

The District's total long-term debt increased due to the issuance of 2025A G.O. Facilities Maintenance and Tax Abatement bonds during the fiscal year.

Additional information on the District's long-term debt can be found in Note 3E starting on page 54 of this report.

Factors Bearing on the District Future

- Enrollment is always a large concern since Minnesota school districts are paid based on pupil units served. A decline in enrollment results in less revenue being received for operations. The District's ADM (average daily membership = pupil units served) for the past 15 years illustrates the downward trend the District faced for a number of years. The ADM's have been increasing slightly since 2014, although the COVID-19 virus caused a drop in enrollment for fiscal year 2021. The 2023-24 school year ended with enrollment of 1,542.81 and was higher than projected.
- The enrollment for 2024-25 is currently about eight ADM's lower than was budgeted. The projection was based on the migration of students at the end of the 2023-24 school year and a conservative estimate of kindergarten students. The lower enrollment appears to be from various factors, including students moving out of the district and some choosing home school or online programs.

Factors Bearing on the District Future (Continued)

- Open enrollment from other districts adds many students each year. The most recent ADM report shows the District had 393.21 nonresident ADM's, and 172.81 residents attending schools in other districts for the year ended June 30, 2024. This is a net gain of 220.4 ADM's and is lower than the prior year's net gain of 251.1.
- The New London-Spicer district is fortunate that its taxpayers voted in favor of an operating levy in November 2021. The referendum revenue authorization is \$1,020 per pupil for taxes payable in 2022 through 2031, with the additional revenue first received for the 2022-23 school year. The operating levy funds are used to maintain programming and class sizes; create instructional and professional practice improvements through more staff development and additional curriculum tools; improve and create organizational efficiencies; advance technology, innovation, and security; and help to secure the district's financial future.
- School districts throughout the country incurred many additional costs due to the COVID-19 virus. The federal government allocated funds to schools to assist with expenses and the effects of decreased enrollment during the pandemic. New London-Spicer received over \$250,000 in additional revenue during fiscal year 2024. One grant had restrictions on its use while another grant could be used for general operating expenses. A portion of the funds were unspent as of June 30, 2024, but are obligated and will be spent prior to the deadline this year.
- The Minnesota state legislature passed several bills during the 2023 session that are helpful to school districts. The bill passed making the largest impact for New London-Spicer schools is the additional amount towards the special education cross subsidy aid from 6.43% to 44.0% that began in fiscal year 2024. Since the District serves many special education students, the increased aid helps to pay costs paid by general fund dollars in the past.
- Another bill passed provides free breakfast and lunch to all students in Minnesota as part of the state meals program. Schools receive the difference from the state of the amount paid by the federal government for one breakfast and one lunch for students participating. The district is seeing higher breakfast and lunch counts since parents do not have to pay the cost of the meals.
- A large project will begin in the summer of 2025 for upgrades and repairs to HVAC systems, indoor air quality, and a large roof project, among other things. The total cost of the project is expected to be less than originally projected with an estimated total of \$27,651,000. Proceeds from two bonds will be used to fund the project. The first bond was issued in December 2023, and the second bond is expected to be issued in the spring of 2025.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, Independent School District No. 345, 101 4th Ave SW, New London, Minnesota 56273.

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DISTRICT-WIDE FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 345
New London, Minnesota
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Cash and temporary investments	\$ 22,883,710
Receivables	
Taxes	4,027,419
Accounts	398,209
Due from other school districts	8,925
Due from Department of Education	3,466,985
Due from other governments	138,671
Prepaid items	463,134
Capital assets	
Land and construction in progress	14,052,275
Depreciable assets (net of accumulated depreciation)	42,894,180
Total Assets	88,333,508
Deferred Outflows of Resources	
Deferred pension resources	3,018,406
Deferred other post employment benefit resources	11,827
Total Deferred Outflows of Resources	3,030,233
Liabilities	
Accrued salaries payable	1,871,906
Accounts and other payables	5,764,399
Due to other governments	117,089
Due to other school districts	139,094
Accrued interest payable	622,984
Unearned revenue	39,353
Noncurrent liabilities	
Due within one year	
Long-term liabilities	2,947,485
Net other postemployment benefits	225,312
Due in more than one year	
Long-term liabilities	40,175,024
Net pension liability	11,067,995
Net other postemployment benefits	46,743
Total Liabilities	63,017,384
Deferred Inflows of Resources	
Property taxes levied for subsequent year	7,937,048
Deferred pension resources	3,328,617
Deferred other post employment benefit resources	208,799
Total Deferred Inflows of Resources	11,474,464
Net Position	
Net investment in capital assets	28,529,046
Restricted for	
Educational purposes	382,116
Food service	711,453
Unrestricted	(12,750,722)
Total Net Position	\$ 16,871,893

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

Independent School District No. 345
New London, Minnesota
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	\$ 1,192,333	\$ -	\$ -	\$ -	\$ (1,192,333)
District support services	1,229,783	-	-	-	(1,229,783)
Elementary and secondary regular instruction	11,190,113	746,313	306,879	-	(10,136,921)
Vocational education instruction	722,871	143,215	10,588	-	(569,068)
Special education instruction	4,590,784	-	5,235,364	-	644,580
Community education and services	1,666,072	1,175,059	223,371	-	(267,642)
Instructional support services	837,263	-	436,896	-	(400,367)
Pupil support services	4,444,473	211,339	1,313,324	-	(2,919,810)
Sites and buildings	3,388,141	28,750	1,570	175,313	(3,182,508)
Interest and fiscal charges on long term debt	12,742,226	-	368,156	11,251,662	(1,122,408)
Total Governmental Activities	\$ 42,004,059	\$ 2,304,676	\$ 7,896,148	\$ 11,426,975	(20,376,260)
General Revenues					
Taxes					
Property taxes, levied for general purpose					4,210,555
Property taxes, levied for community service					149,959
Property taxes, levied for debt service					3,496,463
State aid-formula grants					14,014,193
Other general revenues					592,800
Investment earnings					660,447
Total General Revenues					23,124,417
Change In Net Position					2,748,157
Net Position, July 1					14,123,736
Net Position, June 30					\$ 16,871,893

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

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FUND FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 345
New London, Minnesota
Balance Sheet
Governmental Funds
June 30, 2025

	General	Debt Service	Capital Projects Building Construction	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	\$ 1,091,382	\$ 2,354,804	\$ 18,892,725	\$ 544,799	\$ 22,883,710
Receivables					
Taxes	2,066,286	1,881,719	-	79,414	4,027,419
Accounts	397,484	-	-	725	398,209
Due from other school districts	-	-	-	8,925	8,925
Due from Department of Education	3,336,538	36,816	-	93,631	3,466,985
Due from other governments	95,210	-	-	43,461	138,671
Prepaid items	462,094	-	-	1,040	463,134
Total Assets	<u>\$ 7,448,994</u>	<u>\$ 4,273,339</u>	<u>\$ 18,892,725</u>	<u>\$ 771,995</u>	<u>\$ 31,387,053</u>
Liabilities					
Accrued salaries payable	\$ 1,773,688	\$ -	\$ -	\$ 98,218	\$ 1,871,906
Accounts and other payables	351,441	-	5,294,629	118,329	5,764,399
Due to other governments	116,491	-	-	598	117,089
Due to other school districts	139,094	-	-	-	139,094
Unearned revenue	7,208	-	-	32,145	39,353
Total Liabilities	<u>2,387,922</u>	<u>-</u>	<u>5,294,629</u>	<u>249,290</u>	<u>7,931,841</u>
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	19,052	13,006	-	801	32,859
Property taxes levied for subsequent year	4,037,847	3,732,803	-	166,398	7,937,048
Total Deferred Inflows of Resources	<u>4,056,899</u>	<u>3,745,809</u>	<u>-</u>	<u>167,199</u>	<u>7,969,907</u>
Fund Balances					
Nonspendable	462,094	-	-	1,040	463,134
Restricted	382,116	527,530	13,598,096	754,501	15,262,243
Assigned	33,213	-	-	-	33,213
Unassigned	126,750	-	-	(400,035)	(273,285)
Total Fund Balances	<u>1,004,173</u>	<u>527,530</u>	<u>13,598,096</u>	<u>355,506</u>	<u>15,485,305</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,448,994</u>	<u>\$ 4,273,339</u>	<u>\$ 18,892,725</u>	<u>\$ 771,995</u>	<u>\$ 31,387,053</u>

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

Independent School District No. 345
 New London, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 June 30, 2025

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

Total Fund Balances - Governmental Funds	\$ 15,485,305
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	86,209,712
Less accumulated depreciation/amortization	(29,263,257)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Bonds payable	(39,735,000)
Bond premium	(1,892,511)
Financed purchase obligation	(213,315)
Lease payable	(745,257)
Compensated absences payable	(536,426)
Net pension liability	(11,067,995)
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	3,018,406
Deferred inflows of pension resources	(3,328,617)
Governmental funds do not report long-term amounts related to other post employment benefits.	
Deferred outflows of other post employment benefit resources	11,827
Deferred inflows of other post employment benefit resources	(208,799)
Net other postemployment benefits	(272,055)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
	32,859
Governmental funds do not report a liability for accrued interest until due and payable.	
	<u>(622,984)</u>
Total Net Position - Governmental Activities	<u>\$ 16,871,893</u>

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

Independent School District No. 345
New London, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	General	Debt Service	Building Construction	Other Governmental Funds	Total
Revenues					
Local property tax levies	\$ 4,048,383	\$ 3,659,535	\$ -	\$ 149,460	\$ 7,857,378
Other local revenue					
Interest earned on investments	186,353	-	474,094	-	660,447
Other	1,465,510	-	-	1,300,809	2,766,319
Revenue from state sources	19,990,582	157,693	-	897,202	21,045,477
Revenue from federal sources	275,571	-	-	490,934	766,505
Sales of food and other assets	-	-	-	211,339	211,339
Total Revenues	<u>25,966,399</u>	<u>3,817,228</u>	<u>474,094</u>	<u>3,049,744</u>	<u>33,307,465</u>
Expenditures					
Current					
Administration	1,201,347	-	-	-	1,201,347
District support services	1,235,261	-	-	-	1,235,261
Elementary and secondary regular instruction	11,011,179	-	-	-	11,011,179
Vocational education instruction	565,891	-	-	-	565,891
Special education instruction	4,711,877	-	-	-	4,711,877
Community education and services	-	-	-	1,648,395	1,648,395
Instructional support services	805,174	-	-	-	805,174
Pupil support services	3,082,946	-	-	1,271,535	4,354,481
Sites and buildings	2,211,790	-	-	-	2,211,790
Total current	<u>24,825,465</u>	<u>-</u>	<u>-</u>	<u>2,919,930</u>	<u>27,745,395</u>
Capital outlay					
Elementary and secondary regular instruction	119,977	-	-	-	119,977
Vocational education instruction	7,024	-	-	-	7,024
Community education and services	-	-	-	365	365
Instructional support services	30,354	-	-	-	30,354
Pupil support services	138,722	-	-	223,734	362,456
Sites and buildings	413,852	-	10,125,614	-	10,539,466
Total capital outlay	<u>709,929</u>	<u>-</u>	<u>10,125,614</u>	<u>224,099</u>	<u>11,059,642</u>
Debt service					
Principal	458,421	2,330,000	-	10,431	2,798,852
Interest and other charges	20,061	1,312,222	-	3,858	1,336,141
Bond issuance costs	-	-	257,330	-	257,330
Total debt service	<u>478,482</u>	<u>3,642,222</u>	<u>257,330</u>	<u>14,289</u>	<u>4,392,323</u>
Total Expenditures	<u>26,013,876</u>	<u>3,642,222</u>	<u>10,382,944</u>	<u>3,158,318</u>	<u>43,197,360</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(47,477)</u>	<u>175,006</u>	<u>(9,908,850)</u>	<u>(108,574)</u>	<u>(9,889,895)</u>
Other Financing Sources (Uses)					
Premium on bonds issued	-	-	348,338	-	348,338
Bonds issued	-	-	11,600,000	-	11,600,000
Transfers in	-	-	-	29,522	29,522
Transfers out	(29,522)	-	-	-	(29,522)
Total Other Financing Sources (Uses)	<u>(29,522)</u>	<u>-</u>	<u>11,948,338</u>	<u>29,522</u>	<u>11,948,338</u>
Net Change in Fund Balances	(76,999)	175,006	2,039,488	(79,052)	2,058,443
Fund Balances, July 1	1,081,172	352,524	11,558,608	434,558	13,426,862
Fund Balances, June 30	<u>\$ 1,004,173</u>	<u>\$ 527,530</u>	<u>\$ 13,598,096</u>	<u>\$ 355,506</u>	<u>\$ 15,485,305</u>

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

Independent School District No. 345
New London, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2025

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

Total Net Change in Fund Balances - Governmental Funds	\$ 2,058,443
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation/amortization expense.</p>	
Capital outlay	11,278,180
Depreciation /Amortization	(1,743,131)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.</p>	
Principal repayments	2,798,852
Bonds issued	(11,600,000)
Premium on bonds issued	(348,338)
Current year amortization of bond premium	113,715
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	(10,808)
<p>Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds</p>	
	2,526
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	269,364
Direct aid contributions	49,803
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	(237,838)
Other post employment benefits	117,389
	117,389
Change in Net Position - Governmental Activities	\$ 2,748,157

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

Independent School District No. 345
New London, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget And Actual
General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Local property tax levies	\$ 4,077,238	\$ 4,078,420	\$ 4,048,383	\$ (30,037)
Other local revenue				
Interest earned on investments	70,000	108,000	186,353	78,353
Other	1,060,600	1,289,683	1,465,510	175,827
Revenue from state sources	18,990,027	19,117,169	19,990,582	873,413
Revenue from federal sources	174,679	255,211	275,571	20,360
Total Revenues	<u>24,372,544</u>	<u>24,848,483</u>	<u>25,966,399</u>	<u>1,117,916</u>
Expenditures				
Current				
Administration	1,361,918	1,287,429	1,201,347	86,082
District support services	1,148,669	1,200,405	1,235,261	(34,856)
Elementary and secondary regular instruction	10,591,601	10,490,224	11,011,179	(520,955)
Vocational education instruction	541,679	461,603	565,891	(104,288)
Special education instruction	4,356,197	4,584,725	4,711,877	(127,152)
Instructional support services	592,000	767,729	805,174	(37,445)
Pupil support services	2,727,131	2,628,082	3,082,946	(454,864)
Sites and buildings	1,992,708	2,206,738	2,211,790	(5,052)
Total current	<u>23,311,903</u>	<u>23,626,935</u>	<u>24,825,465</u>	<u>(1,198,530)</u>
Capital outlay				
Elementary and secondary regular instruction	36,527	179,624	119,977	59,647
Vocational education instruction	4,300	6,140	7,024	(884)
Instructional support services	30,000	32,000	30,354	1,646
Pupil support services	-	138,722	138,722	-
Sites and buildings	110,137	373,515	413,852	(40,337)
Total capital outlay	<u>180,964</u>	<u>730,001</u>	<u>709,929</u>	<u>20,072</u>
Debt service				
Principal	518,186	471,782	458,421	13,361
Interest and other charges	11,961	7,115	20,061	(12,946)
Total debt service	<u>530,147</u>	<u>478,897</u>	<u>478,482</u>	<u>415</u>
Total Expenditures	<u>24,023,014</u>	<u>24,835,833</u>	<u>26,013,876</u>	<u>(1,178,043)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	349,530	12,650	(47,477)	(60,127)
Other Financing Sources (Uses)				
Transfer out	-	-	(29,522)	(29,522)
Net Change in Fund Balances	349,530	12,650	(76,999)	(89,649)
Fund Balances, July 1	<u>1,081,172</u>	<u>1,081,172</u>	<u>1,081,172</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 1,430,702</u>	<u>\$ 1,093,822</u>	<u>\$ 1,004,173</u>	<u>\$ (89,649)</u>

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

Independent School District No. 345
New London, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

	Private-purpose Trust Funds	Other Employee Benefit Trust Funds
Assets		
Cash and deposits	\$ 129,243	\$ -
Receivables		
Accounts	17,031	-
Investments		
Money market	-	3,829
Mutual funds	-	1,333,527
Total Investments	-	1,337,356
Total Assets	146,274	1,337,356
Liabilities		
Payables		
Accounts payable	-	1,091
Bank overdraft	-	12,173
Due to primary government	-	175,201
Total Liabilities	-	188,465
Net Position		
Restricted		
Scholarship trusts	146,274	-
Postemployment benefits other than pensions	-	1,148,891
Total Net Position	\$ 146,274	\$ 1,148,891

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

Independent School District No. 345
New London, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2025

	Private-purpose Trust Funds	Other Employee Benefit Trust Funds
Additions		
Contributions and donations	\$ 48,814	\$ -
Investment income		
Interest and dividends	9,757	142,501
Total Additions	58,571	142,501
Deductions		
Scholarship awards	72,572	-
OPEB health insurance benefits	-	175,201
Administrative expense	-	7,773
Total Deductions	72,572	182,974
Change in Net Position	(14,001)	(40,473)
Net Position, July 1	160,275	1,189,364
Net Position, June 30	\$ 146,274	\$ 1,148,891

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

Independent School District No. 345

New London, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 345 (the District), New London, Minnesota was incorporated under the laws of the State of Minnesota (the State). The District operates under a Board of Education form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected Board of Education of seven members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor funds are reported in single columns in the respective fund financial statements.

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

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 related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advanced, which are recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Other revenue is considered available if collected within one year.

Independent School District No. 345

New London, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to net pension liability, compensated absences, other postemployment benefits, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

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

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

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

Description of Funds

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

Major Governmental Funds

The *General fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Building Construction fund* is the District's primary construction project fund. It accounts for financial resources of the District reserved for capital projects.

Nonmajor Governmental Funds

The *Food Service special revenue fund* is used to account for food service revenues and expenditures. Revenues include contributions from state and federal sources as well as charges for services.

The *Community Service special revenue fund* accounts for services provided to and fees collected from residents in the areas of recreation, civic activities, non-public pupils, adult or early childhood programs or other similar services.

The *OPEB Debt Service fund* is used to account for the financial resources relating to the bond issued for post-employment benefits.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

The *Private-purpose Trust fund* is used to account for trust arrangements under which principal and income benefits individuals, private organizations, or other governments. This fund accounts for gifts and bequests that are to be used for scholarships.

The *OPEB Trust fund* is used to account for the financial resources relating to post-employment benefits.

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

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

Deposits and Investments

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

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

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

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

Independent School District No. 345

New London, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's recurring fair value measurements are listed in detail on page 48 and are valued using quoted market prices (Level 1 inputs).

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

Property Taxes

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

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The remaining portion of taxes collectible in 2025 is recorded as unavailable revenue (property taxes levied for subsequent year).

Current property taxes receivable is the uncollected portion of the taxes levied in 2024 and collectible in 2025. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year. Delinquent property taxes receivable is the uncollected portion of the taxes levied prior to 2024 and not yet collected. Delinquent property taxes receivable is offset with a deferred inflow of resources, unavailable revenue delinquent property taxes.

Accounts Receivable

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. No allowance for uncollectible has been recorded. The only receivable not expected to be collected within one year are currently property taxes receivable.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Independent School District No. 345
 New London, Minnesota
 Notes to the Financial Statements
 June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, parking lots, sidewalks and similar items). Capital assets are defined by the District as assets with an initial, individual or group cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed or the present value of the related lease. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Donated capital assets are recorded at acquisition value at the date of donation.

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

Assets	Useful Lives in Years
Land Improvements	20 - 50
Buildings and Improvements	20 - 50
Equipment	5 - 20

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items which qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

Compensated Absences Payable and Net Other Postemployment Benefits

Sick pay - Substantially all District employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment. However, unused sick leave does enter into the calculation of an employee's severance pay upon termination.

Severance pay - The district maintains severance pay plans for all eligible employees. Teachers, who leave the District at age 55 or more, with 15 years of service, will receive five days of pay for each year of service, up to a maximum of 100 days.

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

Independent School District No. 345

New London, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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

Pensions

Teachers Retirement Association (TRA)

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 4. The General fund is typically used to liquidate the governmental net position liability.

Public Employees Retirement Association (PERA)

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

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

	GERP	TRA	Total Pension Expense
District's proportionate share	\$ 124,386	\$ 1,104,986	\$ 1,229,372
Proportionate share of State's contribution	1,026	40,817	41,843
Total Pension Expense	<u>\$ 125,412</u>	<u>\$ 1,145,803</u>	<u>\$ 1,271,215</u>

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

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

Furthermore, the District has two additional items which qualify for reporting in this category on the Statement of Net Position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the Statement of Net Position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

Net Position

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

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

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

Fund Balance

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

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

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

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unrestricted fund balance of three percent of the District's General fund operating budget.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General, Food Service, Community Service and Debt Service funds. All annual appropriations lapse at fiscal year-end.

Budgets are prepared for each fund on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year.

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

1. Each June, the budget is prepared by management to be adopted by the Board of Education.
2. Budgets for each of the respective funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as amended.
4. Budget appropriations lapse at year-end.
5. The legal level of control is the fund level.
6. The District does not use encumbrance accounting.

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 levels. Budget provisions for the Debt Service and OPEB Debt Service funds are set by state law governing required debt service levels.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Excess of Expenditures over Appropriations

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

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Major			
General	\$ 24,835,833	\$ 26,013,876	\$ 1,178,043
Nonmajor			
Food Service	1,400,500	1,495,269	94,769
Community Service	1,575,455	1,662,275	86,820

The excess of expenditures over appropriations were funded with revenues in excess of budget and available fund balance.

C. Deficit Fund Equity

For the year ended June 30, 2025, the Nonmajor Community Service fund had deficit fund equity of \$398,995. The deficit will be funded with future community education grants.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District’s deposits and investments may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board of Education, the District maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated “A” or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;

Independent School District No. 345

New London, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank’s public debt is rated “AA” or better by Moody’s Investors Service, Inc., or Standard & Poor’s Corporation; and
- Time deposits that are fully insured by any Federal agency.

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

At year-end, the District’s carrying amount of deposits was \$298,792 and the bank balance was \$1,025,414. Of the bank balance, \$846,453 was covered by Federal depository insurance and the remaining was covered by collateral held by the District’s agent in the District’s name.

Investments

The District’s investment balances were as follows for June 30, 2025:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount
Pooled Investments at Amortized Cost			
Minnesota School District Liquid Asset Fund	N/A	Less than 6 months	\$ 3,497,662
Money Market	N/A	Less than 6 months	<u>20,541,682</u>
Total Investments			<u><u>\$ 24,039,344</u></u>

(1) Ratings are provided by various credit ratings agencies where applicable to indicate association’s credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

The investments of the District are subject to the following risks:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. The District has established guidelines within the investment policy to ensure credit risk minimized while taking advantage of maximum return. Minnesota statutes limit the District’s investments to the list on page 41 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. In accordance with the Districts investment policy, the District typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. To manage this risk the District places limits on the amount that can be invested in any one issuer and are diversified with the intent to minimize the risk of investment losses.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting a majority of investments to less than five years.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

A reconciliation of cash and temporary investments as shown on the financial statements for the District follows:

Carrying amount of deposits	\$ 298,792
Investments	<u>24,039,344</u>
 Total	 <u><u>\$ 24,338,136</u></u>
 Statement of net position	 \$ 22,883,710
Statement of fiduciary net position	
Cash and deposits	129,243
Investments	1,337,356
Bank overdraft	<u>(12,173)</u>
 Total Cash and Temporary Investments	 <u><u>\$ 24,338,136</u></u>

B. Property Taxes

Current property taxes receivable are recorded for uncollected taxes levied in 2024 and payable in 2025. The total levy is unavailable as it is for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

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

	Major Funds		Other Governmental Funds	Total
	General	Debt Service		
Current Taxes	\$ 2,047,234	\$ 1,868,713	\$ 78,612	\$ 3,994,559
Delinquent Taxes	<u>19,052</u>	<u>13,006</u>	<u>802</u>	<u>32,860</u>
 Total Reported Taxes Receivable	 <u><u>\$ 2,066,286</u></u>	 <u><u>\$ 1,881,719</u></u>	 <u><u>\$ 79,414</u></u>	 <u><u>\$ 4,027,419</u></u>

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated/Amortized				
Land	\$ 95,819	\$ -	\$ -	\$ 95,819
Construction in progress	3,578,090	10,378,366	-	13,956,456
Total Capital Assets not Being Depreciated/Amortized	<u>3,673,909</u>	<u>10,378,366</u>	<u>-</u>	<u>14,052,275</u>
Capital Assets Being Depreciated/Amortized				
Land improvements	3,662,339	9,250	-	3,671,589
Buildings and improvements	62,925,556	119,399	-	63,044,955
Equipment	3,347,233	771,165	(86,060)	4,032,338
Equipment (Right to Use)	1,408,555	-	-	1,408,555
Total Capital Assets Being Depreciated/Amortized	<u>71,343,683</u>	<u>899,814</u>	<u>(86,060)</u>	<u>72,157,437</u>
Less Accumulated Depreciation/Amortization for				
Land improvements	(984,724)	(183,348)	-	(1,168,072)
Buildings and improvements	(24,610,928)	(1,140,972)	-	(25,751,900)
Equipment	(2,010,534)	(277,955)	86,060	(2,202,429)
Equipment (Right to Use)	-	(140,856)	-	(140,856)
Total Accumulated Depreciation	<u>(27,606,186)</u>	<u>(1,743,131)</u>	<u>86,060</u>	<u>(29,263,257)</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>43,737,497</u>	<u>(843,317)</u>	<u>-</u>	<u>42,894,180</u>
Governmental Activities Capital Assets, Net	<u>\$ 47,411,406</u>	<u>\$ 9,535,049</u>	<u>\$ -</u>	<u>\$ 56,946,455</u>

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

District Support Services	\$ 23,845
Elementary and Secondary Regular Instruction	193,715
Vocational Education Instruction	8,507
Community Education and Services	9,081
Instructional Support Services	4,555
Pupil Support Services	40,486
Sites and Buildings	<u>1,462,942</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,743,131</u>

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Liabilities

Lease Payable

Lease payable obligations currently outstanding are as follows:

Description	Lease Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	Due Within One Year
Bremer Bank						
Vantage Smart Boards / Security Lease	\$ 1,128,541	2.87 %	08/16/22	11/01/28	\$ 564,395	\$ 201,133
Vantage Chrome Books	543,289	4.98	08/08/23	08/08/25	180,862	180,862
Total Lease Payable					<u>\$ 745,257</u>	<u>\$ 381,995</u>

Annual debt service requirements to maturity for lease payables are as follows:

Year Ending June 30,	Lease Payable		
	Principal	Interest	Total
2026	\$ 381,995	\$ 25,268	\$ 407,263
2027	206,915	10,479	217,394
2028	156,347	5,850	162,197
Total	<u>\$ 745,257</u>	<u>\$ 41,597</u>	<u>\$ 786,854</u>

In 2017, the District entered into an agreement as lessee for financing the acquisition of the track and turf additions. In 2022, the District entered into an agreement as lessee for financing the acquisition of security equipment. In 2023, the District entered into an agreement as lessee for financing the acquisition of fitness center equipment. These agreements qualify as financed purchase obligations for accounting purposes and, therefore have been recorded at the present value of the future minimum payments as of the date of its inception.

Financed purchase obligations currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	Due Within One Year
Bremer Bank						
2017 Lease Purchase	\$ 857,000	2.76 %	04/20/17	02/01/27	\$ 189,547	\$ 90,952
Fitness Center Equipment	57,283	9.02	03/25/23	03/25/27	23,768	10,431
Total Finance Purchase Obligations					<u>\$ 213,315</u>	<u>\$ 101,383</u>

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

E. Long-term Liabilities

Annual debt service requirements to maturity for financed purchase obligations are as follows:

Year Ending June 30,	Financed Purchase Obligation		
	Principal	Interest	Total
2026	\$ 101,383	\$ 6,734	\$ 108,117
2027	111,932	3,111	115,043
Total	<u>\$ 213,315</u>	<u>\$ 9,845</u>	<u>\$ 223,160</u>

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund general obligation bonds and to fund the District's Post-Employment Benefits trust.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year-End
G.O. School Building Bonds 2016A	\$ 20,390,000	2.00 - 5.00 %	02/11/16	02/01/36	\$ 14,300,000
G.O. Tax Abatement Bonds Series 2018A	1,320,000	2.53	09/06/18	02/01/29	620,000
G.O. Facilities Maintenance Bonds Series 2023A	14,380,000	4.00 - 5.00	12/14/23	02/01/44	13,215,000
G.O. Facilities Maintenance and Tax Abatement Bonds 2025A	11,600,000	4.13-5.00	06/26/25	02/01/44	<u>11,600,000</u>
Total G.O. Bonds					<u>\$ 39,735,000</u>

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2026	\$ 2,330,000	\$ 1,427,650	\$ 3,757,650
2027	2,215,000	1,549,138	3,764,138
2028	2,295,000	1,449,538	3,744,538
2029	2,440,000	1,346,388	3,786,388
2030	2,550,000	1,236,438	3,786,438
2031 - 2035	12,530,000	4,619,738	17,149,738
2036 - 2040	8,925,000	2,328,269	11,253,269
2041 - 2044	<u>6,450,000</u>	<u>697,504</u>	<u>7,147,504</u>
Total	<u>\$ 39,735,000</u>	<u>\$ 14,654,663</u>	<u>\$ 54,389,663</u>

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 30,465,000	\$ 11,600,000	\$ (2,330,000)	\$ 39,735,000	\$ 2,330,000
Bond premium	1,657,888	348,338	(113,715)	1,892,511	-
Total Bonds Payable	<u>32,122,888</u>	<u>11,948,338</u>	<u>(2,443,715)</u>	<u>41,627,511</u>	<u>2,330,000</u>
Financed Purchase Obligation	314,697	-	(101,382)	213,315	101,383
Lease Payable	1,112,727	-	(367,470)	745,257	381,995
Compensated Absences Payable	<u>298,588</u>	<u>237,838</u>	<u>-</u>	<u>536,426</u>	<u>134,107</u>
Governmental Activity Long-term Liabilities	<u>\$ 33,848,900</u>	<u>\$ 12,186,176</u>	<u>\$ (2,912,567)</u>	<u>\$ 43,122,509</u>	<u>\$ 2,947,485</u>

The Debt Service fund has typically been used to liquidate the general obligation bond and capital lease payable obligations. The General fund has typically been used to liquidate the compensated absences payable obligation.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At June 30, 2025, portions of the District's fund balance are not available for appropriation due to not being in spendable form (Nonspendable) and legal restrictions (Restricted). The following schedule summarizes the components of fund balances based on GASB 54 reporting standards:

	General	Debt Service	Capital Projects	Other Governmental Funds	Total
Nonspendable					
Prepaid items	\$ 462,094	\$ -	\$ -	\$ 1,040	\$ 463,134
Restricted for					
Operating Capital	\$ 15,822	\$ -	\$ -	\$ -	\$ 15,822
Student Activities	212,185	-	-	-	212,185
Literacy Incentive Aid	44,452	-	-	-	44,452
Debt Service	-	527,530	-	43,048	570,578
Building Construction	-	-	2,482,585	-	2,482,585
Longterm Facilities Maintenance	-	-	11,115,511	-	11,115,511
Food Service	-	-	-	711,453	711,453
READ Act - Literacy aid	61,867	-	-	-	61,867
READ Act - Teacher compensation	47,790	-	-	-	47,790
Total Restricted	<u>\$ 382,116</u>	<u>\$ 527,530</u>	<u>\$ 13,598,096</u>	<u>\$ 754,501</u>	<u>\$ 15,262,243</u>
Assigned to					
School to Career Opportunities					
Partnership Endeavor	\$ 5,350	\$ -	\$ -	\$ -	\$ 5,350
Wildcat Clothing	26,758	-	-	-	26,758
Girls United	1,105	-	-	-	1,105
Total Assigned	<u>\$ 33,213</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,213</u>
Unassigned	<u>\$ 126,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (400,035)</u>	<u>\$ (273,285)</u>

Independent School District No. 345

New London, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

The UFARS fund balance reporting standards are slightly different than the reporting standards under GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is a reconciliation between the fund balances reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Nonspendable			
Prepaid items	\$ 463,134	\$ -	\$ 463,134
Restricted for			
Operating Capital	\$ 15,822	\$ -	\$ 15,822
Student Activities	212,185	-	212,185
Literacy Incentive Aid	44,452	-	44,452
READ Act - Literacy aid	61,867	-	61,867
READ Act - Teacher compensation	47,790	-	47,790
Long Term Facilities Maintenance (General Fund)	-	(12,665)	(12,665)
Debt Service	570,578	-	570,578
Building Construction	2,482,585	-	2,482,585
Long Term Facilities Maintenance (Building Fund)	11,115,511	-	11,115,511
Food Service	711,453	-	711,453
Community Education	-	(147,813)	(147,813)
Early Childhood Family Education	-	(131,310)	(131,310)
School Readiness	-	(120,912)	(120,912)
Total Restricted	<u>\$ 15,262,243</u>	<u>\$ (412,700)</u>	<u>\$ 14,849,543</u>
Assigned to			
School to Career Opportunities			
Partnership Endeavor	\$ 5,350	\$ -	\$ 5,350
Wildcat Clothing	26,758	-	26,758
Girls United	1,105	-	1,105
Total Assigned	<u>\$ 33,213</u>	<u>\$ -</u>	<u>\$ 33,213</u>
Unassigned	<u>\$ (273,285)</u>	<u>\$ 412,700</u>	<u>\$ 139,415</u>

Restricted for Student Activities - This amount represents available resources for student activities. Revenues are derived from donations and fundraising and expenditures are for student activities at each site.

Restricted for Long Term Facilities Maintenance - This amount represents resources available for maintaining facilities.

Restricted for Literacy Incentive - This amount represents available resources for literacy education. Revenues are derived from State aids.

Restricted for Building Construction - This amount represents resources available for building improvements.

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

Restricted for Food Service - This amount represents restricted resources for community service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for Community Education - This amount represents available resources for community education programs. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Community Service - This amount represents available resources for community service programs. Revenues are derived from State aids and expenditures are for salaries, benefits and supplies.

Restricted for Early Childhood Family Education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Restricted for School Readiness - This amount represents available resources to provide services for learning readiness programs. Related to Finance Code 344, School Readiness, Minnesota statute 124D.16, includes aids, fees, grants and all other revenues received by the District.

G. Noncash Assistance - Commodities

Of the amount reported in the accompanying schedule of expenditures of federal awards included within the National School Lunch Program, of the commodities distribution, \$81,133 represents noncash assistance comprised of the value of commodities issued to the District for the year.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide

A. Teacher Retirement Association (TRA)

1. Plan Description

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

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

2. Benefits Provided

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

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

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

With these provisions:

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

or

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

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

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

Tier II:

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

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

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

3. Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The DISTRICT's contributions to TRA for the plan's fiscal year ended June 30, 2025, 2024, and 2023 were \$925,144, \$874,219, and \$805,157. The DISTRICT's contributions were equal to the required contributions for each year as set by state statute.

4. Actuarial Assumptions

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Experience Studies	August 2, 2023 (demographic and economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85 to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of Living Adjustment	1% for January 2019 through January 2023, then Increasing by 0.1% each year up to 1.5% annually
Mortality Assumption	
Pre-retirement	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Healthy Retirees	PubT-2010 (A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries	Pub-2010 (A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Disabled Retirees	PubNS-2010 Disabled Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

*The assumptions prescribed are based on the experience study dated August 2, 2023. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary.

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

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

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

Independent School District No. 345
 New London, Minnesota
 Notes to the Financial Statements
 June 30, 2025

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

Changes in the actuarial assumptions since the 2022 valuation:

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

5. Discount Rate

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

6. Net Pension Liability

On June 30, 2025, The DISTRICT reported a liability of \$9,588,670 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The DISTRICT's proportion of the net pension liability was based on the DISTRICT's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The DISTRICT's proportionate share was 0.1509% at the end of the measurement period and 0.1481% for the beginning of the year.

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

DISTRICT's Proportionate Share of Net Pension Liability	\$ 9,588,670
State's Proportionate Share of Net Pension Liability Associated with the DISTRICT	<u>587,741</u>
 Total	 <u><u>\$ 10,176,411</u></u>

For the year ended June 30, 2025, the DISTRICT recognized pension expense of \$1,104,986. It also recognized \$40,817 as an decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The DISTRICT recognized \$265,836 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 456,553	\$ 125,382
Changes in Actuarial Assumptions	940,091	1,636,803
Net Difference Between Projected and Actual Investment Earnings	-	576,758
Changes in Proportion	192,645	-
Contributions Paid to PERA Subsequent to the Measurement Date	925,144	-
Total	\$ 2,514,433	\$ 2,338,943

The \$925,144 reported as deferred outflows of resources related to pensions resulting from DISTRICT Contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2026	\$ (675,254)
2027	752,064
2028	298,896
2029	(525,580)
2030	(423,563)
Thereafter	(176,217)

7. Pension Liability Sensitivity

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

	DISTRICT's Proportionate Share of NPL		
	1 Percent Decrease (6%)	Current (7%)	1 Percent Increase (8%)
Teachers Retirement Association	\$ 16,886,209	\$ 9,588,670	\$ 6,272,450

8. Pension Plan Fiduciary Net Position

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

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

B. Public Employees Retirement Association (PERA)

1. Plan Description

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

General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

2. Benefits Provided

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

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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

Independent School District No. 345
 New London, Minnesota
 Notes to the Financial Statements
 June 30, 2025

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

3. Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the DISTRICT was required to contribute 7.50 percent for Coordinated Plan members. The DISTRICT's contributions to the General Employees Fund for the years ending June 30, 2025, 2024 and 2023, were \$289,496, \$253,999 and \$227,049, respectively. The DISTRICT's contributions were equal to the required contributions for each year as set by state statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2025, the DISTRICT reported a liability of \$1,479,325 for its proportionate share of the General Employees Fund's net pension liability. The DISTRICT's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the DISTRICT totaled \$38,252.

DISTRICT's Proportionate Share of Net Pension Liability	\$ 1,479,325
State's Proportionate Share of Net Pension Liability Associated with the DISTRICT	<u>38,252</u>
 Total	 <u><u>\$ 1,517,577</u></u>

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The DISTRICT's proportion of the net pension liability was based on the DISTRICT's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The DISTRICT's proportionate share was 0.04 percent at the end of the measurement period and 0.0383 percent for the beginning of the period.

For the year ended June 30, 2025, the DISTRICT recognized pension expense of \$124,386 for its proportionate share of the General Employees Plan's pension expense. In addition, the DISTRICT recognized an additional \$1,026 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2025, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The DISTRICT recognized \$68,063 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 136,306	\$ -
Changes in Actuarial Assumptions	6,246	844,872
Net Difference Between Projected and Actual Investment Earnings	-	144,802
Changes in Proportion	71,925	-
Contributions Paid to PERA Subsequent to the Measurement Date	289,496	-
Total	\$ 503,973	\$ 989,674

The \$289,496 reported as deferred outflows of resources related to pensions resulting from the DISTRICT's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2026	\$ (446,599)
2027	(110,439)
2028	(180,402)
2029	(37,757)

5. Long-Term Expected Return on Investment

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

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

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

6. Actuarial Assumptions

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

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2023. The assumption changes were adopted by the board and became effective with the July 1, 2024 actuarial valuation.

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

7. Discount Rate

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

Independent School District No. 345
 New London, Minnesota
 Notes to the Financial Statements
 June 30, 2025

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

8. Pension Liability Sensitivity

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

	DISTRICT's Proportionate Share of NPL		
	1 Percent Decrease (6%)	Current (7%)	1 Percent Increase (8%)
General Employees Fund	\$ 3,231,085	\$ 1,479,325	\$ 38,344

9. Pension Plan Fiduciary Net Position

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

Independent School District No. 345

New London, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

The District administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides healthcare insurance for eligible retirees and their spouses through the District’s group health insurance plan until Medicare age, which covers both active and retired members. There are 54 active participants and 1 retired participants. Benefit provisions are established through negotiations between the District and the unions representing District employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

At June 30, 2025, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	18
Active Plan Members	<u>246</u>
Total Plan Members	<u><u>264</u></u>

B. Funding Policy

Contribution requirements are also negotiated between the District and union representatives. The District contributes a predetermined portion of the cost of current-year premiums for eligible retired plan members and their spouses based on the employment contract in effect at the time of retirement.

For the year ended June 30, 2025, the District’s average contribution rate was 2.08 percent of covered-employee payroll. For the fiscal year 2025, the District contributed \$94,935 to the plan, while implicit contributions totaled \$130,377. The General fund is typically used to liquidate the governmental portion of the net OPEB obligation.

C. Actuarial Methods and Assumptions

The District’s total OPEB liability of \$272,055 was measured as of June 30, 2025, and the OPEB liability was determined by an actuarial valuation as of July 1, 2024.

The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.70%
20-Year Municipal Bond Yield	4.90%
Inflation Rate	2.50%
Salary Increases	See sample rates in actuarial valuation report
Medical Trend Rate	6.25% in 2024 grading to 5.00% over 5 years and then to 4.00% over the next 48 years
Discount Trend Rate	N/A

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

Future retiree electing coverage for retiree plan participation pre-65 subsidy not available is 25%. Percent of future retirees electing coverage for retirees pre-65 spouse coverage not available is 25%.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2024	\$ 1,615,848	\$ 1,189,364	\$ 426,484
Changes for the Year			
Adjustments	(57,673)	-	(57,673)
Service Costs	63,768	-	63,768
Interest Costs	61,846	-	61,846
Assumption Changes	(14,821)	-	(14,821)
Employer Contributions	-	54,120	(54,120)
Projected Investment Return	-	52,853	(52,853)
Differences between expected and actual experience	(18,701)	81,875	(100,576)
Benefit Payment	(229,321)	(229,321)	-
Net Changes	<u>(194,902)</u>	<u>(40,473)</u>	<u>(154,429)</u>
Balances at June 30, 2025	<u>\$ 1,420,946</u>	<u>\$ 1,148,891</u>	<u>\$ 272,055</u>

Since the prior measurement date, the following assumptions changed:

- The health care trend rates were updated.
- The discount rate was changed from 4.10% to 4.70%.

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

- None

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

- None

E. Sensitivity of the Net OPEB Liability

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

1 Percent Decrease 3.7%	Discount Rate Current 4.7%	1 Percent Increase 5.7%
\$ 337,817	\$ 272,055	\$ 211,420

Independent School District No. 345

New London, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions (Continued)

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

1 Percent Decrease 5.25% Decreasing to 4.00% then <u>3.00%</u>	Healthcare Cost Trend Rates 6.25% Decreasing to 5.00% then <u>4.00%</u>	1 Percent Increase 7.25% Decreasing to 6.00% then <u>5.00%</u>
\$ 179,887	\$ 272,055	\$ 381,888

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

For the year ended June 30, 2025, the District Recognized OPEB expense of \$976,760. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ -	\$ 54,772
Changes in Actuarial Assumptions	11,827	69,747
Net Difference Between Projected and Actual Investment Earnings	<u>-</u>	<u>84,280</u>
Total	<u>\$ 11,827</u>	<u>\$ 208,799</u>

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

2026	\$ (22,051)
2027	(78,584)
2028	(57,508)
2029	(29,249)
2030	(4,790)
Thereafter	(4,790)

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 6: Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

B. Federal and State Programs

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 fund. 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.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 345

New London, Minnesota
 Required Supplementary Information
 For the Year Ended June 30, 2025

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	DISTRICT's Proportion of the Net Pension Liability	DISTRICT's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the DISTRICT (b)	Total (a+b)	DISTRICT's Covered Payroll (c)	DISTRICT's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.1509 %	\$ 9,588,670	\$ 587,741	\$ 10,176,411	\$ 9,991,074	96.0 %	82.1 %
6/30/2023	0.1481	12,227,468	856,574	13,084,042	9,417,039	129.8	76.4
6/30/2022	0.1408	11,274,519	835,977	12,110,496	8,701,918	129.6	76.2
6/30/2021	0.1467	6,420,031	130,708	6,550,739	8,776,199	73.2	86.6
6/30/2020	0.1458	10,771,899	200,517	10,972,416	8,246,692	130.6	75.5
6/30/2019	0.1249	7,961,152	163,240	8,124,392	6,336,939	125.6	78.2
6/30/2018	0.1420	8,916,951	141,870	9,058,821	7,843,613	113.7	78.1
6/30/2017	0.1357	27,088,182	441,648	27,529,830	7,272,587	372.5	51.6
6/30/2016	0.1262	30,101,711	559,172	30,660,883	6,566,307	458.4	44.9
6/30/2015	0.1252	7,744,858	135,174	7,880,032	6,379,907	121.4	76.8

Schedule of Employer's TRA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	DISTRICT's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2025	\$ 925,144	\$ 925,144	\$ -	\$ 10,573,074	8.75 %
6/30/2024	874,219	874,219	-	9,991,074	8.75
6/30/2023	805,157	805,157	-	9,417,039	8.55
6/30/2022	725,740	725,740	-	8,701,918	8.34
6/30/2021	713,505	713,505	-	8,776,199	8.13
6/30/2020	653,138	653,138	-	8,246,692	7.92
6/30/2019	488,578	488,578	-	6,336,939	7.71
6/30/2018	588,271	588,271	-	7,843,613	7.50
6/30/2017	545,444	545,444	-	7,272,587	7.50
6/30/2016	492,473	492,473	-	6,566,307	7.50

Independent School District No. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2024
Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family. Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience. Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience. Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience. Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

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

2022
No changes noted.

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

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

2019
No changes noted.

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

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

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

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

Independent School District No. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2024
No changes noted.

2023
No changes noted.

2022
No changes noted.

2021
No changes noted.

2020
No changes noted.

2019
No changes noted.

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

2017
No changes noted.

2016
No changes noted.

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

Independent School District No. 345
 New London, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended June 30, 2025

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	DISTRICT's Proportion of the Net Pension Liability	DISTRICT's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the 0.142 (b)	Total (a+b)	DISTRICT's Covered Payroll (c)	DISTRICT's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0400 %	\$ 1,479,325	\$ 38,252	\$ 1,517,577	\$ 3,386,653	43.7 %	86.7 %
6/30/2023	0.0383	2,141,693	59,105	2,200,798	3,027,316	70.7	83.1
6/30/2022	0.0346	2,740,331	80,306	2,820,637	1,632,394	167.9	76.7
6/30/2021	0.0347	1,481,845	45,304	1,527,149	2,498,693	59.3	87.0
6/30/2020	0.0342	2,050,446	63,131	2,113,577	2,436,400	84.2	79.0
6/30/2019	0.0323	1,785,795	55,498	1,841,293	2,287,853	78.1	80.2
6/30/2018	0.0335	1,858,443	60,962	1,919,405	2,251,067	82.6	79.5
6/30/2017	0.0323	2,062,011	25,939	2,087,950	2,081,733	99.1	75.9
6/30/2016	0.0297	2,411,493	31,403	2,442,896	1,842,720	130.9	68.9
6/30/2015	0.0294	1,523,661	-	1,523,661	1,698,760	89.7	78.2

Schedule of Employer's PERA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	DISTRICT's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2025	\$ 289,496	\$ 289,496	\$ -	\$ 3,859,947	7.50 %
6/30/2024	253,999	253,999	-	3,386,653	7.50
6/30/2023	227,049	227,049	-	3,027,316	7.50
6/30/2022	122,430	122,430	-	1,632,394	7.50
6/30/2021	187,402	187,402	-	2,498,693	7.50
6/30/2020	182,730	182,730	-	2,436,400	7.50
6/30/2019	171,589	171,589	-	2,287,853	7.50
6/30/2018	168,830	168,830	-	2,251,067	7.50
6/30/2017	156,130	156,130	-	2,081,733	7.50
6/30/2016	138,204	138,204	-	1,842,720	7.50

Independent School District No. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2024

The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): Rates of merit and seniority were adjusted, resulting in slightly higher rates. Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members. Minor increase in assumed withdrawals for males and females. Lower rates of disability. Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study. Minor changes to form of payment assumptions for male and female retirees. Minor changes to assumptions made with respect to missing participant data.

2023

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

2022

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

2021

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

2020

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

2019

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

2018

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

2017

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

2016

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

2015

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

Independent School District No. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

2024

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

2023

An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024 was eliminated. A one-time non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022

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

2021

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

2020

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

2019

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

2018

The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

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

2016

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

2015

On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Independent School District No. 345
New London, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2025

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

	2025	2024	2023	2022	2022	2021	2020	2019	2018
Total OPEB Liability									
Adjustments	\$ 34,660	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Service Costs	63,768	62,459	62,475	72,933	85,563	75,629	68,913	71,837	75,739
Interest Costs	61,846	62,954	61,791	49,302	47,927	53,268	65,867	58,960	58,994
Assumption Changes	(14,821)	(48,519)	23,653	(70,124)	(7,927)	25,168	32,871	(36,677)	-
Plan Changes	-	-	177,065	-	342,913	-	-	-	-
Differences between expected and actual experience	(18,701)	-	(67,375)	-	(30,347)	-	(233,540)	-	-
Benefit Payment	(229,321)	(212,606)	(228,410)	(200,079)	(135,108)	(164,774)	(135,481)	(137,518)	(126,246)
Net Change in Total OPEB Liability	(102,569)	(135,712)	29,199	(147,968)	303,021	(10,709)	(201,370)	(43,398)	8,487
Total OPEB Liability - Beginning	1,523,515	1,659,227	1,630,028	1,777,996	1,474,975	1,485,684	1,687,054	1,790,452	1,721,965
Total OPEB Liability - Ending (a)	\$ 1,420,946	\$ 1,523,515	\$ 1,659,227	\$ 1,630,028	\$ 1,777,996	\$ 1,474,975	\$ 1,485,684	\$ 1,687,054	\$ 1,730,452
Plan Fiduciary Net Position									
Net investment income	\$ 52,853	\$ 156,232	\$ 57,256	\$ 76,320	\$ 66,825	\$ 120,404	\$ 116,776	\$ 125,183	\$ 160,113
Employer Contributions	54,120	-	-	-	-	-	-	-	-
Differences between expected and actual experience	81,875	-	-	(319,574)	302,500	-	-	-	-
Benefit payments	(229,321)	(212,606)	(228,410)	(200,079)	(135,108)	(164,774)	(135,481)	(137,518)	(126,246)
Administrative expense	-	(6,985)	-	(6,985)	(13,399)	(6,666)	(5,935)	-	-
Other changes and adjustments	-	99,318	-	-	-	-	(96,078)	1,994	-
Net Change in Plan Fiduciary Net Position	(40,473)	35,959	(171,154)	(450,318)	220,818	(51,036)	(120,718)	(10,341)	33,867
Total Plan Fiduciary Net Position - Beginning	1,189,364	1,153,405	1,324,559	1,774,877	1,554,059	1,605,095	1,725,813	1,736,154	1,702,287
Total Plan Fiduciary Net Position - Ending (b)	\$ 1,148,891	\$ 1,189,364	\$ 1,153,405	\$ 1,324,559	\$ 1,774,877	\$ 1,554,059	\$ 1,605,095	\$ 1,725,813	\$ 1,736,154
District's Net OPEB Liability (Asset) - Ending (a) - (b)	\$ 272,055	\$ 334,151	\$ 505,822	\$ 305,469	\$ 3,119	\$ (79,084)	\$ (119,411)	\$ (98,759)	\$ (5,702)
Plan fiduciary net position as a percentage of the total OPEB liability	80.85 %	78.07 %	69.51 %	81.26 %	99.82 %	105.36 %	108.04 %	102.30 %	100.33 %
Covered - Employee Payroll	\$ 13,057,290	\$ 11,988,026	\$ 11,638,860	\$ 11,200,007	\$ 10,837,793	\$ 10,410,301	\$ 10,107,088	\$ 9,045,233	\$ 8,781,780
District's total OPEB liability as a percentage of covered employee payroll	2.08 %	2.79 %	4.35 %	2.73 %	0.03 %	(0.76) %	(1.18) %	(0.43) %	(0.06) %

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

Independent School District No. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

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

Changes in assumptions:

2025

The health care trend rates were updated and the discount rate was changed from 4.10% to 4.70%.

2024

The discount rate was changed from 2.10% to 3.90% based on updated 20-year municipal bond rates. The inflation rate was changed from 2.00% to 2.50%. Healthcare trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.

2023

No changes noted.

2022

The discount rate was changed from 3.10% to 2.10% based on updated 20-year municipal bond rates. The inflation rate was changed from 2.50% to 2.00%. Healthcare trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale. Withdrawal rates were updated to reflect the latest experience study. The salary increase rates for non-teachers were updated to reflect the latest experience study.

2021

The discount rate was changed from 3.40% to 3.10% based on updated 20-year municipal bond rates. Healthcare trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale. The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.

Changes in Plan Provisions:

None

Changes in benefits:

None

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS, SCHEDULES AND TABLE
INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 345
New London, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2025

	Special Revenue		Debt Service	Total
	Food Service	Community Service	OPEB	
Assets				
Cash and temporary investments	\$ 620,293	\$ (118,683)	\$ 43,189	\$ 544,799
Receivables				
Taxes	-	79,305	109	79,414
Accounts	725	-	-	725
Due from other school districts	5,140	3,785	-	8,925
Due from Department of Education	79,552	14,079	-	93,631
Due from other governments	43,461	-	-	43,461
Prepaid items	-	1,040	-	1,040
Total Assets	\$ 749,171	\$ (20,474)	\$ 43,298	\$ 771,995
Liabilities				
Salaries and wages payable	\$ 2,476	\$ 95,742	\$ -	\$ 98,218
Accounts and other payables	33,226	84,962	141	118,329
Due to other governments	-	598	-	598
Unearned revenue	2,016	30,129	-	32,145
Total Liabilities	37,718	211,431	141	249,290
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	-	692	109	801
Property taxes levied for subsequent year	-	166,398	-	166,398
Total Deferred Inflows of Resources	-	167,090	109	167,199
Fund Balances				
Nonspendable	-	1,040	-	1,040
Restricted	711,453	-	43,048	754,501
Unassigned	-	(400,035)	-	(400,035)
Total Fund Balances	711,453	(398,995)	43,048	355,506
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 749,171	\$ (20,474)	\$ 43,298	\$ 771,995

Independent School District No. 345
New London, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended June 30, 2025

	Special Revenue		Debt Service	Total
	Food Service	Community Service	OPEB	
Revenues				
Local property tax levies	\$ -	\$ 149,334	\$ 126	\$ 149,460
Other local revenue				
Other	-	1,300,809	-	1,300,809
Revenue from state sources	782,185	115,017	-	897,202
Revenue from federal sources	490,934	-	-	490,934
Sales of food and other assets	211,339	-	-	211,339
Total Revenues	<u>1,484,458</u>	<u>1,565,160</u>	<u>126</u>	<u>3,049,744</u>
Expenditures				
Current				
Community education and services	-	1,648,395	-	1,648,395
Pupil support services	1,271,535	-	-	1,271,535
Total current	<u>1,271,535</u>	<u>1,648,395</u>	<u>-</u>	<u>2,919,930</u>
Capital outlay				
Community education and services	-	365	-	365
Pupil support services	223,734	-	-	223,734
Total capital outlay	<u>223,734</u>	<u>365</u>	<u>-</u>	<u>224,099</u>
Debt service				
Principal	-	10,431	-	10,431
Interest and other charges	-	3,084	774	3,858
Total debt service	<u>-</u>	<u>13,515</u>	<u>774</u>	<u>14,289</u>
Total Expenditures	<u>1,495,269</u>	<u>1,662,275</u>	<u>774</u>	<u>3,158,318</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,811)	(97,115)	(648)	(108,574)
Other Financing Sources (Uses)				
Transfers in	29,522	-	-	29,522
Net Change in Fund Balances	18,711	(97,115)	(648)	(79,052)
Fund Balances, July 1	692,742	(301,880)	43,696	434,558
Fund Balances, June 30	<u>\$ 711,453</u>	<u>\$ (398,995)</u>	<u>\$ 43,048</u>	<u>\$ 355,506</u>

Independent School District No. 345

New London, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Pages)

For the Year Ended June 30, 2025

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

	2025				2024
	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 4,077,238	\$ 4,078,420	\$ 4,048,383	\$ (30,037)	\$ 4,082,842
Other local revenue					
Interest income on investments	70,000	108,000	186,353	78,353	124,596
Other	1,060,600	1,289,683	1,465,510	175,827	1,113,859
Revenue from state sources	18,990,027	19,117,169	19,990,582	873,413	18,932,779
Revenue from federal sources	174,679	255,211	275,571	20,360	541,356
Total Revenues	24,372,544	24,848,483	25,966,399	1,117,916	24,795,432
Expenditures					
Current					
Administration					
Salaries	852,939	835,313	840,974	(5,661)	835,533
Fringe benefits	464,579	412,316	321,784	90,532	301,630
Purchased services	19,700	14,300	19,545	(5,245)	17,648
Supplies and materials	3,300	2,800	1,552	1,248	5,138
Other	21,400	22,700	17,492	5,208	19,843
Total administration	1,361,918	1,287,429	1,201,347	86,082	1,179,792
District support services					
Salaries	523,600	548,324	540,898	7,426	506,461
Fringe benefits	395,779	382,471	434,713	(52,242)	339,700
Purchased services	159,540	194,310	173,073	21,237	178,170
Supplies and materials	43,600	51,300	53,671	(2,371)	83,724
Other	26,150	24,000	32,906	(8,906)	25,243
Total district support services	1,148,669	1,200,405	1,235,261	(34,856)	1,133,298
Elementary and secondary regular instruction					
Salaries	6,946,259	6,814,067	6,919,021	(104,954)	6,598,753
Fringe benefits	1,920,860	1,925,449	2,241,723	(316,274)	2,001,839
Purchased services	778,341	785,808	816,218	(30,410)	750,121
Supplies and materials	574,066	577,400	618,218	(40,818)	566,535
Other	372,075	387,500	415,999	(28,499)	374,270
Total elementary and secondary regular instruction	10,591,601	10,490,224	11,011,179	(520,955)	10,291,518
Vocational education instruction					
Salaries	390,833	314,469	389,635	(75,166)	334,963
Fringe benefits	113,106	107,734	134,138	(26,404)	100,126
Purchased services	2,940	2,700	4,746	(2,046)	2,942
Supplies and materials	34,800	36,700	36,372	328	35,577
Other	-	-	1,000	(1,000)	2,400
Total vocational education instruction	541,679	461,603	565,891	(104,288)	476,008

Independent School District No. 345

New London, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)

For the Year Ended June 30, 2025

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

	2025				2024
	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Special education instruction					
Salaries	\$ 3,080,347	\$ 3,287,843	\$ 3,190,675	\$ 97,168	\$ 2,959,645
Fringe benefits	980,505	934,911	1,075,908	(140,997)	997,455
Purchased services	245,246	307,350	369,579	(62,229)	447,541
Supplies and materials	14,750	11,121	16,821	(5,700)	21,322
Other	35,349	43,500	58,894	(15,394)	46,718
Total special education instruction	<u>4,356,197</u>	<u>4,584,725</u>	<u>4,711,877</u>	<u>(127,152)</u>	<u>4,472,681</u>
Instructional support services					
Salaries	421,688	589,224	600,125	(10,901)	506,740
Fringe benefits	67,415	111,755	144,511	(32,756)	99,365
Purchased services	30,247	23,600	20,716	2,884	22,331
Supplies and materials	72,650	43,150	39,822	3,328	38,104
Total instructional support services	<u>592,000</u>	<u>767,729</u>	<u>805,174</u>	<u>(37,445)</u>	<u>666,540</u>
Pupil support services					
Salaries	356,673	402,707	523,579	(120,872)	376,742
Fringe benefits	85,667	93,522	132,096	(38,574)	103,356
Purchased services	2,278,191	2,129,453	2,423,837	(294,384)	2,263,960
Supplies and materials	6,600	2,400	3,434	(1,034)	16,559
Total pupil support services	<u>2,727,131</u>	<u>2,628,082</u>	<u>3,082,946</u>	<u>(454,864)</u>	<u>2,760,617</u>
Sites and buildings					
Salaries	584,180	717,511	693,310	24,201	661,358
Fringe benefits	178,342	240,826	200,329	40,497	195,214
Purchased services	941,686	1,040,601	1,010,640	29,961	856,581
Supplies and materials	285,500	207,800	262,459	(54,659)	201,092
Other	3,000	-	45,052	(45,052)	125
Total sites and buildings	<u>1,992,708</u>	<u>2,206,738</u>	<u>2,211,790</u>	<u>(5,052)</u>	<u>1,914,370</u>
Total current	<u>23,311,903</u>	<u>23,626,935</u>	<u>24,825,465</u>	<u>(1,198,530)</u>	<u>22,894,824</u>
Expenditures (Continued)					
Capital outlay					
Elementary and secondary					
Regular instruction	36,527	179,624	119,977	59,647	138,082
Vocational education instruction	4,300	6,140	7,024	(884)	31,611
Instructional support services	30,000	32,000	30,354	1,646	935,386
Pupil support services	-	138,722	138,722	-	-
Sites and buildings	110,137	373,515	413,852	(40,337)	418,609
Total capital outlay	<u>180,964</u>	<u>730,001</u>	<u>709,929</u>	<u>20,072</u>	<u>1,523,688</u>
Debt service					
Principal	518,186	471,782	458,421	13,361	605,481
Interest and other charges	11,961	7,115	20,061	(12,946)	34,138
Total debt service	<u>530,147</u>	<u>478,897</u>	<u>478,482</u>	<u>415</u>	<u>639,619</u>
Total Expenditures	<u>24,023,014</u>	<u>24,835,833</u>	<u>26,013,876</u>	<u>(1,178,043)</u>	<u>25,058,131</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	\$ 349,530	\$ 12,650	\$ (47,477)	\$ (60,127)	\$ (262,699)
Other Financing Sources (Uses)					
Lease issued	-	-	-	-	773,363
Transfer out	-	-	(29,522)	(29,522)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(29,522)</u>	<u>(29,522)</u>	<u>773,363</u>
Net Change in Fund Balances	349,530	12,650	(76,999)	(89,649)	510,664
Fund Balances, July 1	<u>1,081,172</u>	<u>1,081,172</u>	<u>1,081,172</u>	<u>-</u>	<u>570,508</u>
Fund Balances, June 30	<u>\$ 1,430,702</u>	<u>\$ 1,093,822</u>	<u>\$ 1,004,173</u>	<u>\$ (89,649)</u>	<u>\$ 1,081,172</u>

Independent School District No. 345
New London, Minnesota
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025				2024
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Other local revenue					
Interest earned on investments	\$ 100	\$ 100	\$ -	\$ (100)	\$ 64
Revenue from state sources	634,800	647,600	782,185	134,585	687,549
Revenue from federal sources	405,000	425,700	490,934	65,234	514,652
Sales of food and other assets	160,100	172,000	211,339	39,339	182,265
Total Revenues	<u>1,200,000</u>	<u>1,245,400</u>	<u>1,484,458</u>	<u>239,058</u>	<u>1,384,530</u>
Expenditures					
Current					
Pupil support services					
Salaries	108,000	83,000	77,215	5,785	98,957
Employee benefits	49,120	36,900	28,859	8,041	44,903
Purchased services	983,500	983,600	1,049,452	(65,852)	922,362
Supplies and materials	98,200	100,200	114,479	(14,279)	147,765
Other	1,800	1,800	1,530	270	1,610
Total current	<u>1,240,620</u>	<u>1,205,500</u>	<u>1,271,535</u>	<u>(66,035)</u>	<u>1,215,597</u>
Capital outlay					
Pupil support services	129,244	195,000	223,734	(28,734)	83,094
Total Expenditures	<u>1,369,864</u>	<u>1,400,500</u>	<u>1,495,269</u>	<u>(94,769)</u>	<u>1,298,691</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(169,864)	(155,100)	(10,811)	144,289	85,839
Other Financing Sources (Uses)					
Transfers in	-	-	29,522	29,522	-
Net Change in Fund Balances	(169,864)	(155,100)	18,711	173,811	85,839
Fund Balances, July 1	692,742	692,742	692,742	-	606,903
Fund Balances, June 30	<u>\$ 522,878</u>	<u>\$ 537,642</u>	<u>\$ 711,453</u>	<u>\$ 173,811</u>	<u>\$ 692,742</u>

Independent School District No. 345
New London, Minnesota
Community Service Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025				2024
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 141,279	\$ 151,896	\$ 149,334	\$ (2,562)	\$ 140,757
Other local revenue					
Interest earned on investments	100	100	-	(100)	77
Other	1,050,841	1,313,360	1,300,809	(12,551)	1,229,665
Revenue from state sources	107,780	98,750	115,017	16,267	111,573
Total Revenues	<u>1,300,000</u>	<u>1,564,106</u>	<u>1,565,160</u>	<u>1,054</u>	<u>1,482,072</u>
Expenditures					
Current					
Community education and services					
Salaries	881,317	1,018,625	1,067,973	(49,348)	986,695
Employee benefits	204,715	254,915	272,977	(18,062)	242,937
Purchased services	155,351	218,200	228,365	(10,165)	220,263
Supplies and materials	41,602	66,650	78,035	(11,385)	70,451
Other	1,000	1,000	1,045	(45)	1,037
Total current	<u>1,283,985</u>	<u>1,559,390</u>	<u>1,648,395</u>	<u>(89,005)</u>	<u>1,521,383</u>
Capital outlay					
Community education and services	2,500	2,550	365	2,185	2,691
Debt service					
Principal	13,515	13,515	10,431	3,084	9,568
Interest and other charges	-	-	3,084	(3,084)	3,947
Total debt service	<u>13,515</u>	<u>13,515</u>	<u>13,515</u>	<u>-</u>	<u>13,515</u>
Total Expenditures	<u>1,300,000</u>	<u>1,575,455</u>	<u>1,662,275</u>	<u>(86,820)</u>	<u>1,537,589</u>
Net Change in Fund Balances	-	(11,349)	(97,115)	(85,766)	(55,517)
Fund Balances, July 1	<u>(301,880)</u>	<u>(301,880)</u>	<u>(301,880)</u>	-	<u>(246,363)</u>
Fund Balances, June 30	<u>\$ (301,880)</u>	<u>\$ (313,229)</u>	<u>\$ (398,995)</u>	<u>\$ (85,766)</u>	<u>\$ (301,880)</u>

Independent School District No. 345
New London, Minnesota
Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025				2024
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 3,629,273	\$ 3,527,273	\$ 3,659,535	\$ 132,262	\$ 1,707,127
Revenue from state sources	157,692	157,692	157,693	1	13,881
Total Revenues	<u>3,786,965</u>	<u>3,684,965</u>	<u>3,817,228</u>	<u>132,263</u>	<u>1,721,008</u>
Expenditures					
Debt service					
Principal	2,330,000	2,330,000	2,330,000	-	1,110,000
Interest and other charges	1,307,476	1,314,476	1,312,222	2,254	640,150
Total Expenditures	<u>3,637,476</u>	<u>3,644,476</u>	<u>3,642,222</u>	<u>2,254</u>	<u>1,750,150</u>
Net Change in Fund Balances	149,489	40,489	175,006	134,517	(29,142)
Fund Balances, July 1	<u>352,524</u>	<u>352,524</u>	<u>352,524</u>	-	<u>381,666</u>
Fund Balances, June 30	<u>\$ 502,013</u>	<u>\$ 393,013</u>	<u>\$ 527,530</u>	<u>\$ 134,517</u>	<u>\$ 352,524</u>

Independent School District No. 345
 New London, Minnesota
 Private-Purpose Trusts - Scholarships Fund
 Schedule of Changes in Fiduciary Net Position - Budget and Actual
 For the Year Ended June 30, 2025
 (With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025				2024
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Additions					
Contributions and donations	\$ 50,000	\$ 50,000	\$ 48,814	\$ (1,186)	\$ 56,102
Investment income					
Interest and dividends	<u>5,000</u>	<u>5,000</u>	<u>9,757</u>	<u>4,757</u>	<u>7,280</u>
Total Additions	<u>55,000</u>	<u>55,000</u>	<u>58,571</u>	<u>3,571</u>	<u>63,382</u>
Deductions					
Scholarship awards	<u>65,000</u>	<u>57,400</u>	<u>72,572</u>	<u>(15,172)</u>	<u>52,348</u>
Change in Net Position	(10,000)	(2,400)	(14,001)	(11,601)	11,034
Net Position, July 1	<u>160,275</u>	<u>160,275</u>	<u>160,275</u>	<u>-</u>	<u>149,241</u>
Net Position, June 30	<u>\$ 150,275</u>	<u>\$ 157,875</u>	<u>\$ 146,274</u>	<u>\$ (11,601)</u>	<u>\$ 160,275</u>

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Independent School District No. 345
New London, Minnesota
OPEB Trust Fund
Schedule of Changes in Fiduciary Net Position - Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025				2024
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Additions					
Investment income					
Net increase (decrease in fair value of investments)	\$ -	\$ -	\$ 51,387	\$ 51,387	\$ 53,985
Interest and dividends	125,000	125,000	91,114	(33,886)	100,645
Total Additions	<u>125,000</u>	<u>125,000</u>	<u>142,501</u>	<u>17,501</u>	<u>154,630</u>
Deductions					
OPEB health insurance benefits	251,000	150,000	175,201	(25,201)	153,331
Purchased services	7,000	-	-	-	-
Administrative expense	-	7,000	7,773	(773)	6,985
Total Deductions	<u>258,000</u>	<u>157,000</u>	<u>182,974</u>	<u>(25,974)</u>	<u>160,316</u>
Change in Net Position	(133,000)	(32,000)	(40,473)	(8,473)	(5,686)
Net Position, July 1	<u>1,189,364</u>	<u>1,189,364</u>	<u>1,189,364</u>	-	<u>1,195,050</u>
Net Position, June 30	<u>\$ 1,056,364</u>	<u>\$ 1,157,364</u>	<u>\$ 1,148,891</u>	<u>\$ (8,473)</u>	<u>\$ 1,189,364</u>

Fiscal Compliance Report - 6/30/2025

District: NEW LONDON-SPICER (345-1)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$25,966,399	<u>\$25,966,389</u>	<u>\$10</u>	Total Revenue	\$474,094	<u>\$474,093</u>	<u>\$1</u>
Total Expenditures	\$26,013,876	<u>\$26,013,866</u>	<u>\$10</u>	Total Expenditures	\$10,382,944	<u>\$10,382,944</u>	<u>\$0</u>
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$462,094	<u>\$462,094</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$212,185	<u>\$212,185</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>	4.13 Funded by COP/FP	\$0	<u>\$0</u>	<u>\$0</u>
4.03 Staff Development	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$2,482,585	<u>\$2,482,583</u>	<u>\$2</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$11,115,511	<u>\$11,115,512</u>	(\$1)
4.12 Literacy Incentive Aid	\$44,452	<u>\$44,452</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>	07 DEBT SERVICE			
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$3,817,228	<u>\$3,817,227</u>	<u>\$1</u>
4.20 American Indian Education Aid	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$3,642,222	<u>\$3,642,221</u>	<u>\$1</u>
4.24 Operating Capital	\$15,822	<u>\$15,822</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.37 Q Comp	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$527,530	<u>\$527,530</u>	<u>\$0</u>
4.39 English Learner	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	08 TRUST			
4.43 School Library Aid	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$58,571	<u>\$58,572</u>	(\$1)
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$72,572	<u>\$72,573</u>	(\$1)
4.49 Safe Schools Levy	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$146,274	<u>\$146,273</u>	<u>\$1</u>
4.56 READ Act - Literacy Aid	\$61,867	<u>\$61,867</u>	<u>\$0</u>	18 CUSTODIAL			
4.57 READ Act - Tchr Training Compensation	\$47,790	<u>\$47,789</u>	<u>\$1</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	(\$12,665)	<u>(\$12,665)</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.71 Student Support Personnel Aid	\$0	<u>\$0</u>	<u>\$0</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$0	<u>\$0</u>	<u>\$0</u>	4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>				4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>	20 INTERNAL SERVICE			
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>				25 OPEB REVOCABLE TRUST			
4.62 Assigned Fund Balance	\$33,213	<u>\$33,212</u>	<u>\$1</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance	\$139,415	<u>\$139,417</u>	(\$2)	<i>Restricted / Reserved:</i>			
02 FOOD SERVICES				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
Total Revenue	\$1,484,458	<u>\$1,484,459</u>	(\$1)	45 OPEB IRREVOCABLE TRUST			
Total Expenditures	\$1,495,269	<u>\$1,495,270</u>	(\$1)	Total Revenue	\$142,501	<u>\$142,501</u>	<u>\$0</u>
<i>Non Spendable:</i>				Total Expenditures	\$182,974	<u>\$182,974</u>	<u>\$0</u>
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$1,148,891	<u>\$1,148,890</u>	<u>\$1</u>
<i>Restricted:</i>				94			
4.64 Restricted Fund Balance	\$711,453	<u>\$711,454</u>	(\$1)				

Unassigned:

4.63 Unassigned Fund Balancee \$0 \$0 \$0

04 COMMUNITY SERVICE

Total Revenue \$1,565,157 \$1,565,157 \$0

Total Expenditures \$1,662,275 \$1,662,272 \$3

Non Spendable:

4.60 Non Spendable Fund Balance \$1,040 \$1,040 \$0

Restricted / Reserved:

4.26 \$25 Taconite \$0 \$0 \$0

4.31 Community Education (\$147,813) (\$147,813) \$0

4.32 E.C.F.E (\$131,310) (\$131,309) (\$1)

4.37 Q Comp \$0 \$0 \$0

4.40 Teacher Development and
Evaluation \$0 \$0 \$0

4.44 School Readiness (\$120,912) (\$120,912) \$0

4.47 Adult Basic Education \$0 \$0 \$0

4.52 OPEB Liab Not In Trust \$0 \$0 \$0

4.56 READ Act - Literacy Aid \$0 \$0 \$0

4.57 READ Act - Tchr Training \$0 \$0 \$0

Compensation

Restricted:

4.64 Restricted Fund Balance \$0 \$0 \$0

Unassigned:

4.63 Unassigned Fund Balance \$0 \$0 \$0

47 OPEB DEBT SERVICE

Total Revenue \$126 \$125 \$1

Total Expenditures \$774 \$774 \$0

Non Spendable:

4.60 Non Spendable Fund Balance \$0 \$0 \$0

Restricted:

4.25 Bond Refundings \$0 \$0 \$0

4.64 Restricted Fund Balance \$43,048 \$43,048 \$0

Unassigned:

4.63 Unassigned Fund Balance \$0 \$0 \$0

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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

Members of the Board of Education
Independent School District No. 345
New London, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 345 (the District), New London, Minnesota as of and for the year ended June 30, 2025, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2025.

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

This report is intended solely for the information and use of those charged with governance and management of the District and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.



Abdo
Minneapolis, Minnesota
December 23, 2025

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

Members of the Board of Education
Independent School District No. 345
New London, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 345 (the District), Minnesota, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 23, 2025.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 preceding paragraph 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. However, material weaknesses may exist that have not been identified.

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2025-001 and 2025-002 we consider to be significant deficiencies.

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 which are required to be reported under *Government Auditing Standards*.

The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Abdo
Minneapolis, Minnesota
December 23, 2025



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FEDERAL FINANCIAL AWARD PROGRAM
INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY *THE UNIFORM GUIDANCE***

Members of the Board of Education
Independent School District No. 345
New London, Minnesota

Opinion on Each Major Federal Program

We have audited the Independent School District No. 345's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control Over Compliance

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

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

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

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



Abdo
Minneapolis, Minnesota
December 23, 2025



Independent School District No. 345
New London, Minnesota
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Funding Source	Administering Department	Grant Name	Federal Domestic Assistance Number	Federal Program Clusters	Federal Program Detail	Total Federal Expenditures
U.S. Department of Agriculture	MN Department of Education	School Breakfast Program	10.553	\$ 104,756		
U.S. Department of Agriculture	MN Department of Education	National School Lunch Program	10.555	301,366		
U.S. Department of Agriculture	MN Department of Education	Commodity Distribution - Non-Cash	10.555	81,133		
		Total Child Nutrition Cluster				\$ 487,255
U.S. Department of Education	MN Department of Education	Special Education Grants to States	84.027	67,881		
U.S. Department of Education	MN Department of Education	Special Education - Preschool Grants (IDEA Preschool)	84.173	3,095		
		Total Special Education Cluster				70,976
U.S. Department of Education	MN Department of Education	Title I Grants to Local Educational Agencies	84.010			62,193
U.S. Department of Education	MN Department of Education	Improving Teacher Quality State Grants	84.367			17,003
U.S. Department of Education	MN Department of Education	Student Support and Academic Enrichment Program	84.424			10,000
U.S. Department of Education	MN Department of Education	COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act	84.425UC		936	
U.S. Department of Education	MN Department of Education	COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act	84.425U		108,931	
		Total	84.425			109,867
U.S. Department of Education	MN Department of Education	Career and Technical Education Basic Grants	84.048			5,532
U.S. Department of Agriculture	MN Department of Education	State Administrative Expenses for Child Nutrition	10.560			3,678
						\$ 766,504

Independent School District No. 345
New London, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of Independent School District No. 345, New London, Minnesota (the District). The District's reporting entity is defined in Note 1A to the District's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). All federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting.

Note 3: Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Sub recipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended June 30, 2025, the District did not elect to use the 10 percent de Minimis indirect cost rate.

Independent School District No. 345
 New London, Minnesota
 Schedule of Findings, Responses and Questioned Costs
 For the Year Ended June 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of Major Programs/Projects

	CFDA No.
Department of Agriculture - Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

Significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Findings 2025-001 and 2025-002 are reported as significant deficiencies.

There is no noncompliance with the provisions of laws, regulations, contracts or grant agreements which are material to financial statements that have been identified or reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

Section IV - Schedule of Prior Year Audit Findings

There were prior year audit findings that are attached and noted as findings 2024-001 and 2024-002.

Independent School District No. 345
New London, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2025-001	Preparation of Financial Statements
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Board of Education as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we draft the financial statements, as well as audit the financial statements. This is not unusual for us to do with an organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the District is reviewing the financial statements we recommend that a disclosure checklist be utilized to ensure all required disclosures are presented and the District should agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
	For now, the District's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

Independent School District No. 345
New London, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2025-002	Limited Segregation of Duties
<i>Condition:</i>	During our audit, we reviewed procedures within each of the District's major transaction cycles and found the District to have limited segregation of duties in those transaction cycles.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities
<i>Cause:</i>	The District has a limited number of staff to properly segregate duties in each of the major transaction cycles.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in segregation of duties and internal controls can result in undetected errors or misappropriation of assets of the District.
<i>Recommendation:</i>	We recommend the District continue to review and analyze its internal controls, at a minimum annually, and implement any changes and compensating controls considered necessary.

Management Response:

There is no disagreement with the audit finding. The District reviews and makes improvements to its internal control structure on an ongoing basis and attempts to maximize the segregation of duties in all areas with the limits of the staff available. However, the District does not consider it cost beneficial at this time to increase the size of its staff in order to further segregate accounting functions.

New London-Spicer Community Schools District #0345

Following is our response to findings in the audit as of June 30, 2025:

FINDING 2025-001:

We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Board of Education as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

The District will implement the appropriate internal controls to allow them to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

3. Official Responsible for Ensuring CAP:

Jamie Boelter would be responsible for establishing procedures.

4. Planned Completion Date for CAP:

On-going

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring on an on-going basis.

Sincerely,



Jamie Boelter
Superintendent
Independent School District No. 345
New London, Minnesota

New London-Spicer Community Schools District #0345

Following is our response to findings in the audit as of June 30, 2025:

FINDING 2025-002:

During our audit, we reviewed procedures within each of the District's major transaction cycles and found the District to have limited segregation of duties in those transaction cycles.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

The District understands the importance of segregating duties; however, due to cost-benefit limitations, the District's only remedy to this condition is to continue to monitor staff responsibilities.

3. Official Responsible for Ensuring CAP:

Jamie Boelter would be responsible for establishing procedures.

4. Planned Completion Date for CAP:

On-going

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring on an on-going basis.

Sincerely,



Jamie Boelter
Superintendent
Independent School District No. 345
New London, Minnesota

Independent School District No. 345
New London, Minnesota
Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2024-001	Preparation of Financial Statements
<i>Current Year Status:</i>	Finding applicable to 2025.
2024-002	Limited Segregation of Duties
<i>Current Year Status:</i>	Finding applicable to 2025.

FORM OF LEGAL OPINION

(See following pages)



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

\$[8,270,000]
INDEPENDENT SCHOOL DISTRICT NO. 345
(NEW LONDON-SPICER SCHOOLS)
KANDIYOHI COUNTY, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS
SERIES 2026A

We have acted as bond counsel to Independent School District No. 345 (New London-Spicer Schools), Kandiyohi County, Minnesota (the “Issuer”), in connection with the issuance by the Issuer of its General Obligation School Building Refunding Bonds, Series 2026A (the “Bonds”), originally dated _____, 2026, and issued in the original aggregate principal amount of \$[8,270,000]. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings, and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed and are valid and binding general obligations of the Issuer, enforceable in accordance with their terms.
2. The principal of and interest on the Bonds are payable from ad valorem taxes levied by the Issuer on all taxable property of the Issuer, but if necessary for the payment thereof, additional ad valorem taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.
3. Interest on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax, or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, such interest is included in determining the annual adjusted financial statement income (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) of applicable corporations (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such applicable corporations, and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such

requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

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

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

We have not been asked and have not undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering 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 update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated _____, 2026, at Minneapolis, Minnesota.

BOOK-ENTRY-ONLY SYSTEM

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

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

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

\$[8,270,000]
INDEPENDENT SCHOOL DISTRICT NO. 345
(NEW LONDON-SPICER SCHOOLS)
KANDIYOHI COUNTY, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS
SERIES 2026A

CONTINUING DISCLOSURE CERTIFICATE

April 2, 2026

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Independent School District No. 345 (New London-Spicer Schools), Kandiyohi County, Minnesota (the “District”), in connection with the issuance of its General Obligation School Building Refunding Bonds, Series 2026A (the “Bonds”), in the original aggregate principal amount of \$[8,270,000]. The Bonds are being issued pursuant to a resolution adopted by the School Board of the District (the “Resolution”). The Bonds are being delivered to _____[, as syndicate manager] (the “Purchaser”), on the date hereof. Pursuant to the Resolution, the District has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The District hereby covenants and agrees as follows:

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

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

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

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

“Bonds” means the General Obligation School Building Refunding Bonds, Series 2026A, issued by the District in the original aggregate principal amount of \$[8,270,000].

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“District” means Independent School District No. 345 (New London-Spicer Schools), Kandiyohi County, Minnesota, which is the obligated person with respect to the Bonds.

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

“Final Official Statement” means the Final Official Statement, dated _____2026, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

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

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

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

“GASB” means the Governmental Accounting Standards Board.

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

“Material Event” means any of the events listed in Section 5(a) of this Disclosure Certificate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 5. Reporting of Material Events.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 345
(NEW LONDON-SPICER SCHOOLS), KANDIYOHI
COUNTY, MINNESOTA**

Board Chair

Clerk

TERMS OF PROPOSAL

**\$8,270,000* GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS, SERIES 2026A
INDEPENDENT SCHOOL DISTRICT NO. 345 (NEW LONDON-SPICER SCHOOLS), MINNESOTA**

Proposals for the purchase of \$8,270,000* General Obligation School Building Refunding Bonds, Series 2026A (the "Bonds") of Independent School District No. 345 (New London-Spicer Schools), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, municipal advisors to the District, until 9:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 9:30 A.M., Central Time, on March 9, 2026, at which time they will be opened, read and tabulated. The proposals will be presented to the School Board for consideration for award by resolution at a meeting to be held at 4:30 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, including Minnesota Statutes, Section 475.67, as amended, by the District, for the purpose of effecting a partial current refunding of certain outstanding general obligations of the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated April 2, 2026, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2027	\$1,095,000	2030	\$1,185,000	2033	\$1,320,000
2028	1,080,000	2031	1,195,000		
2029	1,135,000	2032	1,260,000		

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 August 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. 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/ESCROW AGENT

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

OPTIONAL REDEMPTION

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

DELIVERY

On or about April 2, 2026, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

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

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$8,187,300 plus accrued interest on the principal sum of \$8,270,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

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

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

A good faith deposit ("Deposit") in the amount of \$165,400 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. The Deposit will be deducted from the purchase price at the closing for the Bonds.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

- (1) The District shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the District may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

- (4) the District anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the District to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

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

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

By Order of the School Board

Independent School District No. 345
(New London-Spicer Schools), Minnesota

PROPOSAL FORM

The School Board
Independent School District No. 345 (New London-Spicer Schools), Minnesota (the "District")

March 9, 2026

RE: \$8,270,000* General Obligation School Building Refunding Bonds, Series 2026A (the "Bonds")
DATED: April 2, 2026

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$ _____ (not less than \$8,187,300) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2027	_____ % due	2030	_____ % due	2033
_____ % due	2028	_____ % due	2031		
_____ % due	2029	_____ % due	2032		

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

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

A good faith deposit ("Deposit") in the amount of \$165,400 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 April 2, 2026.

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

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

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

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

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

Account Manager: _____ By: _____
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from April 2, 2026 of the above proposal is \$ _____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the School Board of Independent School District No. 345 (New London-Spicer Schools), Minnesota, on March 9, 2026.

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