

**NEW ISSUE  
BANK QUALIFIED**

**S&P MNSDCEP Rating: Requested**

*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 compliance with certain covenants, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and, to the same extent, is excluded from taxable net income of individuals, estates, and trusts 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. Such interest 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.*

**\$9,535,000\***

**Independent School District No. 2835  
(Janesville-Waldorf-Pemberton),  
Waseca, Blue Earth, and Faribault Counties, Minnesota  
General Obligation Facilities Maintenance Bonds, Series 2021A  
(Minnesota School District Credit Enhancement Program)  
(Book Entry Only)**

**Dated Date: Date of Delivery**

**Interest Due: Each February 1 and August 1,  
commencing August 1, 2022**

The Bonds (as defined herein) will mature on February 1 in the years and amounts\* as follows:

2023	\$385,000	2027	\$440,000	2031	\$460,000	2035	\$490,000	2039	\$530,000
2024	\$430,000	2028	\$440,000	2032	\$465,000	2036	\$500,000	2040	\$540,000
2025	\$430,000	2029	\$445,000	2033	\$470,000	2037	\$510,000	2041	\$550,000
2026	\$435,000	2030	\$450,000	2034	\$480,000	2038	\$520,000	2042	\$565,000

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above.

The District (as defined herein) may elect on February 1, 2030, and on any day thereafter, to redeem Bonds due on or after February 1, 2031 at a price of par plus accrued interest.

The Bonds are general obligations of the District for which the District pledges its full faith and credit and power to levy direct general ad valorem taxes. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Bonds when due if the District is unable to make a principal or interest payment. The proceeds of the Bonds will be used to finance various health and safety improvements at existing District facilities and pay the costs of issuance.

Proposals shall be for not less than \$9,420,580 plus accrued interest, if any, on the total principal amount of the Bonds. Proposals shall specify rates in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity must be 98.0% or greater. Following receipt of proposals, a good faith deposit will be required to be delivered to the District by the lowest bidder as described in the "Terms of Proposal" herein. Award of the Bonds will be made on the basis of True Interest Cost (TIC).

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

The Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book entry form only, in the principal amount of \$5,000 and integral multiples thereof. Investors will not receive physical certificates representing their interest in the Bonds purchased. (See "Book Entry System" herein.) UMB Bank, N.A., Kansas City, Missouri, will serve as registrar (the "Registrar") for the Bonds. The Bonds will be available for delivery at DTC on or about October 21, 2021.

**PROPOSALS RECEIVED: Monday, September 20, 2021 until 10:30 A.M., Central Time  
CONSIDERATION OF AWARD: School Board meeting commencing at 5:30 P.M., Central Time on  
Monday, September 20, 2021**



Further information may be obtained from Baker Tilly Municipal Advisors, LLC, Municipal Advisor to the District, 225 South 6th Street, Suite 2300, Minneapolis, MN 55402 (651) 223-3000.

\* Preliminary; subject to change.

The information contained in this Preliminary Official Statement is deemed by the District to be final as of the date hereof; however, the pricing and underwriting information is subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, 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.

**INDEPENDENT SCHOOL DISTRICT NO. 2835  
(JANESVILLE-WALDORF-PEMBERTON),  
WASECA, BLUE EARTH, AND FARIBAULT COUNTIES, MINNESOTA**

**SCHOOL BOARD**

Laura Seys	Chairperson
Tim Johnson	Vice Chairperson
Tim Oelke	Clerk
Tim Burke	Treasurer
Katie Cahill	Director
Kendra Hoehn	Director
Scott Kaminski	Director

**INTERIM SUPERINTENDENT**

Mr. Jeremy Erler

**BUSINESS MANAGER**

Matthew Moline

**MUNICIPAL ADVISOR**

Baker Tilly Municipal Advisors, LLC  
Minneapolis, Minnesota

**BOND COUNSEL**

Kennedy & Graven, Chartered  
Minneapolis, Minnesota

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the District from time to time, may be treated as a Preliminary Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the District.

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the District agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded copies of the Final Official Statement in the amount specified in the Terms of Proposal.

No dealer, broker, salesman or other person has been authorized by the District to give any information or to make any representations with respect to the Bonds, other than as contained in the Preliminary Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District.

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the District and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE PRELIMINARY OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE DISTRICT SINCE THE RESPECTIVE DATE THEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

Any CUSIP numbers for the Bonds included in the Final Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Bonds are assigned by an organization unaffiliated with the District. The District is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Bonds or as set forth in the Final Official Statement. No assurance can be given by the District that the CUSIP numbers for the Bonds will remain the same after the delivery of the Final Official Statement or the date of issuance and delivery of the Bonds.

## TABLE OF CONTENTS

	<u>Page(s)</u>
Terms of Proposal .....	i-v
Introductory Statement.....	1
Continuing Disclosure .....	2
The Bonds .....	2
Authority and Purpose .....	5
Sources and Uses of Funds .....	5
Security and Financing .....	5
Minnesota School District Credit Enhancement Program .....	6
Future Financing .....	7
Litigation.....	7
Legality .....	7
Tax Exemption.....	7
Bank-Qualified Tax-Exempt Obligations .....	9
Rating.....	9
Municipal Advisor .....	9
Certification .....	10
District Property Values.....	11
District Indebtedness.....	12
District Tax Rates, Levies and Collections.....	14
Cash and Investments .....	15
General Information Concerning the District .....	15
Area Economy .....	21
Proposed Form of Legal Opinion .....	Appendix I
Continuing Disclosure Certificate.....	Appendix II
Summary of Tax Levies, Payment Provisions, and Minnesota Real Property Valuation .....	Appendix III
Excerpt of 2020 Annual Financial Report .....	Appendix IV

THE DISTRICT HAS AUTHORIZED BAKER TILLY MUNICIPAL ADVISORS, LLC TO NEGOTIATE THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:

**TERMS OF PROPOSAL**

**\$9,535,000\***

**INDEPENDENT SCHOOL DISTRICT NO. 2835  
(JANESVILLE-WALDORF-PEMBERTON),  
WASECA, BLUE EARTH, AND FARIBAULT COUNTIES, MINNESOTA  
GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2021A  
(MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM)  
(BOOK ENTRY ONLY)**

Proposals for the above-referenced obligations (the “Bonds”) will be received by Independent School District No. 2835 (JWP Public Schools) Janesville, Minnesota (the “District”) on Monday, September 20, 2021 (the “Sale Date”) until 10:30 A.M., Central Time (the “Sale Time”) at the offices of Baker Tilly Municipal Advisors, LLC (“Baker Tilly MA”), 380 Jackson Street, Suite 300, Saint Paul, Minnesota, 55101, after which time proposals will be opened and tabulated. Consideration for award of the Bonds will be by the School Board at its meeting commencing at 5:30 P.M., Central Time, of the same day.

**SUBMISSION OF PROPOSALS**

Baker Tilly MA will assume no liability for the inability of a bidder or its proposal to reach Baker Tilly MA prior to the Sale Time, and neither the District nor Baker Tilly MA shall be responsible for any failure, misdirection or error in the means of transmission selected by any bidder. All bidders are advised that each proposal shall be deemed to constitute a contract between the bidder and the District to purchase the Bonds regardless of the manner in which the proposal is submitted.

(a) **Sealed Bidding.** Completed, signed proposals may be submitted to Baker Tilly MA by email to [bondservice@bakertilly.com](mailto:bondservice@bakertilly.com) or by fax (651) 223-3046, and must be received prior to the Sale Time.

**OR**

(b) **Electronic Bidding.** Proposals may also be received via PARITY<sup>®</sup>. For purposes of the electronic bidding process, the time as maintained by PARITY<sup>®</sup> shall constitute the official time with respect to all proposals submitted to PARITY<sup>®</sup>. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY<sup>®</sup> for purposes of submitting its electronic proposal in a timely manner and in compliance with the requirements of the Terms of Proposal.* Neither the District, its agents, nor PARITY<sup>®</sup> shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the District, its agents, nor PARITY<sup>®</sup> shall be responsible for a bidder’s failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY<sup>®</sup>. The District is using the services of PARITY<sup>®</sup> solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY<sup>®</sup> is not an agent of the District.

If any provisions of this Terms of Proposal conflict with information provided by PARITY<sup>®</sup>, this Terms of Proposal shall control. Further information about PARITY<sup>®</sup>, including any fee charged, may be obtained from:

PARITY<sup>®</sup>, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018  
Customer Support: (212) 849-5000

---

\* *Preliminary; subject to change.*

Baker Tilly Municipal Advisors, LLC is a registered municipal advisor and controlled subsidiary of Baker Tilly US, LLP, an accounting firm. Baker Tilly US, LLP trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. © 2021 Baker Tilly Municipal Advisors, LLC.

## DETAILS OF THE BONDS

The Bonds will be dated as of the date of delivery and will bear interest payable on February 1 and August 1 of each year, commencing August 1, 2022. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature February 1 in the years and amounts\* as follows:

2023	\$385,000	2027	\$440,000	2031	\$460,000	2035	\$490,000	2039	\$530,000
2024	\$430,000	2028	\$440,000	2032	\$465,000	2036	\$500,000	2040	\$540,000
2025	\$430,000	2029	\$445,000	2033	\$470,000	2037	\$510,000	2041	\$550,000
2026	\$435,000	2030	\$450,000	2034	\$480,000	2038	\$520,000	2042	\$565,000

\* *The District reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Bonds or the amount of any maturity or maturities in multiples of \$5,000. In the event the amount of any maturity is modified, the aggregate purchase price will be adjusted to result in the same gross spread per \$1,000 of Bonds as that of the original proposal. Gross spread for this purpose is the differential between the price paid to the District for the new issue and the prices at which the proposal indicates the securities will be initially offered to the investing public.*

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above. In order to designate term bonds, the proposal must specify “Years of Term Maturities” in the spaces provided on the proposal form.

## BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The lowest bidder (the “Purchaser”), as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

## REGISTRAR

The District will name the registrar which shall be subject to applicable regulations of the Securities and Exchange Commission. The District will pay for the services of the registrar.

## OPTIONAL REDEMPTION

The District may elect on February 1, 2030, and on any day thereafter, to redeem Bonds due on or after February 1, 2031. Redemption may be in whole or in part and if in part at the option of the District and in such manner as the District shall determine. If less than all Bonds of a maturity are called for redemption, the District will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

## SECURITY AND PURPOSE

The Bonds will be general obligations of the District for which the District will pledge its full faith and credit and power to levy direct general ad valorem taxes. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Bonds when due if the District is unable to make a principal or interest payment. The proceeds of the Bonds will be used to finance various health and safety improvements at existing District facilities and pay the costs of issuance.

## BANK 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.

## BIDDING PARAMETERS

Proposals shall be for not less than \$9,420,580 plus accrued interest, if any, on the total principal amount of the Bonds. No proposal can be withdrawn or amended after the time set for receiving proposals on the Sale Date 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. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

## ESTABLISHMENT OF ISSUE PRICE

In order to provide the District with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (collectively, the "Code"), the Purchaser will be required to assist the District in establishing the issue price of the Bonds and shall complete, execute, and deliver to the District prior to the closing date, a written certification in a form acceptable to the Purchaser, the District, and Bond Counsel (the "Issue Price Certificate") containing the following for each maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (i) the interest rate; (ii) the reasonably expected initial offering price to the "public" (as said term is defined in Treasury Regulation Section 1.148-1(f) (the "Regulation")) or the sale price; and (iii) pricing wires or equivalent communications supporting such offering or sale price. Any action to be taken or documentation to be received by the District pursuant hereto may be taken or received on behalf of the District by Baker Tilly MA.

The District intends that the sale of the Bonds pursuant to this Terms of Proposal shall constitute a "competitive sale" as defined in the Regulation based on the following:

- (i) the District shall cause this Terms of Proposal to be disseminated to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (ii) all bidders shall have an equal opportunity to submit a bid;
- (iii) the District reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds such as the Bonds; and
- (iv) the District anticipates awarding the sale of the Bonds to the bidder who provides a proposal with the lowest true interest cost, as set forth in this Terms of Proposal (See "AWARD" herein).

Any bid submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in the proposal. The Purchaser shall constitute an "underwriter" as said term is defined in the Regulation. By submitting its proposal, the Purchaser confirms that it shall require any agreement among underwriters, a selling group agreement, or other agreement to which it is a party relating

to the initial sale of the Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Bonds.

If all of the requirements of a “competitive sale” are not satisfied, the District shall advise the Purchaser of such fact prior to the time of award of the sale of the Bonds to the Purchaser. **In such event, any proposal submitted will not be subject to cancellation or withdrawal.** Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Purchaser shall advise the District and Baker Tilly MA if 10% of any maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which it was sold. The District will treat such sale price as the “issue price” for such maturity, applied on a maturity-by-maturity basis. The District will not require the Purchaser to comply with that portion of the Regulation commonly described as the “hold-the-offering-price” requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the District will apply the initial offering price to the public provided in the proposal as the issue price for such maturities. If the Purchaser does not exercise that option, it shall thereafter promptly provide the District and Baker Tilly MA the prices at which 10% of such maturities are sold to the public; provided such determination shall be made and the District and Baker Tilly MA notified of such prices whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a maturity have been sold.

#### GOOD FAITH DEPOSIT

To have its proposal considered for award, the Purchaser is required to submit a good faith deposit via wire transfer to the District in the amount of \$95,350 (the “Deposit”) no later than 1:30 P.M., Central Time on the Sale Date. The Purchaser shall be solely responsible for the timely delivery of its Deposit, and neither the District nor Baker Tilly MA have any liability for delays in the receipt of the Deposit. If the Deposit is not received by the specified time, the District may, at its sole discretion, reject the proposal of the lowest bidder, direct the second lowest bidder to submit a Deposit, and thereafter award the sale to such bidder.

A Deposit will be considered timely delivered to the District upon submission of a federal wire reference number by the specified time. Wire transfer instructions will be available from Baker Tilly MA following the receipt and tabulation of proposals. The successful bidder must send an e-mail including the following information: (i) the federal reference number and time released; (ii) the amount of the wire transfer; and (iii) the issue to which it applies.

Once an award has been made, the Deposit received from the Purchaser will be retained by the District and no interest will accrue to the Purchaser. The amount of the Deposit will be deducted at settlement from the purchase price. In the event the Purchaser fails to comply with the accepted proposal, said amount will be retained by the District.

#### AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis calculated on the proposal prior to any adjustment made by the District. The District's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The District will reserve the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, (ii) reject all proposals without cause, and (iii) reject any proposal that the District determines to have failed to comply with the terms herein.

#### BOND INSURANCE AT PURCHASER'S OPTION

The District has **not** applied for or pre-approved a commitment for any policy of municipal bond insurance with respect to the Bonds. If the Bonds qualify for municipal bond insurance and a bidder desires to purchase a policy, such indication, the maturities to be insured, and the name of the desired insurer must be set forth on the bidder's proposal. The District specifically reserves the right to reject any proposal specifying municipal bond insurance, even though such proposal may result in the lowest TIC to the



District. All costs associated with the issuance and administration of such policy and associated ratings and expenses (other than any independent rating requested by the District) shall be paid by the successful bidder. Failure of the municipal bond insurer to issue the policy after the award of the Bonds shall not constitute cause for failure or refusal by the successful bidder to accept delivery of the Bonds.

#### CUSIP NUMBERS

If the Bonds qualify for the assignment of CUSIP numbers such numbers will be printed on the Bonds; however, neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds. Baker Tilly MA will apply for CUSIP numbers pursuant to Rule G-34 implemented by the Municipal Securities Rulemaking Board. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

#### SETTLEMENT

On or about October 21, 2021, the Bonds will be delivered without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Kennedy & Graven, Chartered, of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds that shall be received at the offices of the District or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Bonds has been made impossible by action of the District, or its agents, the Purchaser shall be liable to the District for any loss suffered by the District by reason of the Purchaser's non-compliance with said terms for payment.

#### CONTINUING DISCLOSURE

On the date of the actual issuance and delivery of the Bonds, the District will execute and deliver a Continuing Disclosure Undertaking (the "Undertaking") whereunder the District will covenant to provide, or cause to be provided, annual financial information, including audited financial statements of the District, and notices of certain material events, as specified in and required by SEC Rule 15c2-12(b)(5).

#### OFFICIAL STATEMENT

The District has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Bonds, and said Preliminary Official Statement has been deemed final by the District as of the date thereof within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For an electronic copy of the Preliminary Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the District, Baker Tilly Municipal Advisors, LLC, by telephone (651) 223-3000, or by email [bondservice@bakertilly.com](mailto:bondservice@bakertilly.com). The Preliminary Official Statement will also be made available at <https://connect.bakertilly.com/bond-sales-calendar>.

A Final Official Statement (as that term is defined in Rule 15c2-12) will be prepared, specifying the maturity dates, principal amounts, and interest rates of the Bonds, together with any other information required by law. By awarding the Bonds to the Purchaser, the District agrees that, no more than seven business days after the date of such award, it shall provide to the Purchaser an electronic copy of the Final Official Statement. The District designates the Purchaser as its agent for purposes of distributing the Final Official Statement to each syndicate member, if applicable. The Purchaser agrees that if its proposal is accepted by the District, (i) it shall accept designation and (ii) it shall enter into a contractual relationship with its syndicate members for purposes of assuring the receipt of the Final Official Statement by each such syndicate member.

Dated July 19, 2021

BY ORDER OF THE SCHOOL BOARD

/s/ Tim Oelke  
Clerk

## OFFICIAL STATEMENT

**\$9,535,000\***

**INDEPENDENT SCHOOL DISTRICT NO. 2835  
(JANESVILLE-WALDORF-PEMBERTON),  
WASECA, BLUE EARTH, AND FARIBAULT COUNTIES, MINNESOTA  
GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2021A  
(MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM)  
(BOOK ENTRY ONLY)**

### INTRODUCTORY STATEMENT

#### General

This Official Statement contains certain information relating to Independent School District No. 2835, (Janesville-Waldorf-Pemberton), Waseca, Blue Earth, and Faribault Counties, Minnesota (the “District”) and its issuance of \$9,535,000\* General Obligation Facilities Maintenance Bonds, Series 2021A (the “Bonds”). The Bonds are general obligations of the District for which it pledges its full faith and credit and power to levy direct general ad valorem taxes. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Bonds when due if the District is unable to make a principal or interest payment.

Inquiries may be directed to Mr. Jeremy Erler, Interim Superintendent, Independent School District No. 2835, P.O. Box 389, 110 E. 3rd Street, Janesville, Minnesota 56048, by telephoning (507) 231-7778, or by emailing [jerler@jwp.k12.mn.us](mailto:jerler@jwp.k12.mn.us). Inquiries may also be made to Baker Tilly Municipal Advisors, LLC, 225 South 6<sup>th</sup> Street, Suite 2300, Minneapolis, Minnesota 55402, by telephoning (651) 223-3000, or by e-mailing [bondservice@bakertilly.com](mailto:bondservice@bakertilly.com).

#### Potential Impacts Resulting from Coronavirus (COVID-19)

On March 11, 2020, the World Health Organization proclaimed the novel strain of Coronavirus (COVID-19) to be a pandemic. In an effort to lessen the risk of transmission of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19, affecting business activities and impacting global, state and local commerce and financial markets. The emergence of COVID-19 and the spread thereof is an emerging and evolving issue. As the federal, state, and local governments, including the District, continue efforts to contain and limit the spread of COVID-19 disease, future tax and other revenue collections may deviate from historical or anticipated collections and may have an adverse impact on the financial position and operations of the District and its ability to fund debt obligations, including the Bonds, in accordance with their terms. The District is not able to predict and makes no representations as to the economic impact of the COVID-19 pandemic on the District or its financial position.

As of the date of this Official Statement, the District has received \$166,826 of CARES funding which was allocated to Air Filtration improvements, PPE and technology. The District anticipates receiving approximately \$782,296 in ARP funding and is currently identifying eligible uses for these funds.

---

\* Preliminary; subject to change.

## CONTINUING DISCLOSURE

In order to permit bidders for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the District will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the resolution awarding the sale of the Bonds (the "Resolution"), to provide certain financial information and operating data relating to the District to the Electronic Municipal Market Access system ("EMMA") annually and to provide notice of the occurrence of certain events enumerated in the Rule to EMMA or the Municipal Securities Rulemaking Board, as hereinafter described (the "Disclosure Covenants"). The District is the only "obligated person" in respect of the Bonds within the meaning of the Rule. The information and data to be provided on an annual basis, the events as to which notice is to be given, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in the form attached as Appendix II to this Official Statement (the "Certificate").

The District believes it has complied for the past five years in all material respects in accordance with the terms of its previous continuing disclosure undertakings entered into pursuant to the Rule. A failure by the District to comply with the Certificate will not constitute an event of default on the Bonds (although holders or other beneficial owners of the Bonds will have the sole remedy of bringing an action for specific performance). Nevertheless, such a 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. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

## THE BONDS

### General Description

The Bonds are dated as of the date of delivery and will mature annually on February 1 as set forth on the front cover of this Official Statement. The Bonds are issued in book entry form. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2022. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar as of the fifteenth day of the calendar month next preceding such interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Principal of and interest on the Bonds will be paid as described in the section herein entitled "Book Entry System." UMB Bank, N.A., Kansas City, Missouri will serve as Registrar for the Bonds, and the District will pay for registrar services.

### Redemption Provisions

Mailed notice of redemption shall be given to the registered owner(s) of the Bonds in accordance with the requirements of DTC which currently requires no less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Failure to give such written notice to any registered owner of the Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Bonds. All Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

### Optional Redemption

The District may elect on February 1, 2030, and on any day thereafter, to redeem Bonds due on or after February 1, 2031. Redemption may be in whole or in part and if in part at the option of the District and in such manner as the District shall determine. If less than all the Bonds of a maturity are called for

redemption, the District will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

### **Book Entry System**

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds 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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds 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.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds 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 its agent on the 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 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 its 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.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to District or its agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

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, certificates will be printed and delivered to DTC.

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.

**AUTHORITY AND PURPOSE**

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, and Section 123B.595, all as amended. The proceeds of the Bonds will be used to finance health and safety improvements and updates across existing District facilities and pay the costs of issuance.

The District is permitted to issue the Bonds pursuant to Section 123B.595 and must have a ten-year facility plan adopted by the School Board and approved by the Commissioner of Education. The District received approval on its ten-year facility plan on August 23, 2021.

**SOURCES AND USES OF FUNDS**

The composition of the Bonds is estimated to be as follows:

Sources of Funds:	
Principal Amount	<u>\$9,535,000</u>
Total Sources of Funds	\$9,535,000
Uses of Funds:	
Deposit to Construction Fund	\$9,358,000
Allowance for Discount Bidding	114,420
Costs of Issuance	<u>62,580</u>
Total Uses of Funds	\$9,535,000

**SECURITY AND FINANCING**

The Bonds will be general obligations of the District for which the District will pledge its full faith and credit and power to levy direct general ad valorem taxes. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Bonds when due if the District is unable to make a principal or interest payment.

The District will make its first levy for the Bonds in 2021 for collection in 2022. Each year's collection of taxes, if collected in full, will be sufficient to pay 105% of the interest payment due August 1 of the collection year and the principal and interest payment due February 1 of the following year.

## MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM

By resolution adopted for this issue on July 19, 2021 (the “Authorizing Resolution”), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota (the “State”) 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 any 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 Authorizing Resolution to deposit with the Registrar 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 Registrar 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 Registrar. The Law also requires, after receipt of a notice which requests a payment pursuant to the Law, after consultation with the Registrar and the 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 purposes of 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 said district to the State with interest, either via a reduction in State aid payable to said 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 August 11, 2020 related to its various 2020 General Obligation State Bonds, the State disclosed the following information about the State Credit Enhancement Program for school districts:

“Minnesota Statutes, Section 126C.55, establishes a school district credit enhancement program. The law authorizes and directs the Commissioner of Management and Budget, under certain circumstances and subject to the availability of funds, to issue a [payment] and authorize the Commissioner of Education to pay debt service due on school district and intermediate school district certificates of indebtedness issued under Minnesota Statutes, Section 126C.52, certificates of indebtedness and capital notes for equipment, certificates of participation issued under Minnesota Statutes, Section 126C.40, subdivision 6, and school district and intermediate school district general obligation bonds, in the event that the school district or intermediate school district notifies the Commissioner of Education that it does not have sufficient money in its debt service fund for this purpose, or the paying agent informs the Commissioner of Education that it has not received from the school district timely payment of moneys to be used to pay debt service. The legislation appropriates annually from the General Fund to the Commissioner of Education the amounts needed to pay any [payments] which are issued.”

”As of June 30, 2020, 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 2050, is approximately \$17,345,000,000. 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, 2020 is currently estimated at \$1,260,000,000, with the maximum amount of principal and interest payable in any one month being \$975,900,000. 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 this 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.”

## **FUTURE FINANCING**

The District does not anticipate issuing any additional long-term general obligation debt within the next 90 days.

## **LITIGATION**

The District is not aware of any threatened or pending litigation affecting the validity of the Bonds or the District's ability to meet its financial obligations.

## **LEGALITY**

The Bonds are subject to approval as to certain matters by Kennedy & Graven, Chartered, Minneapolis, Minnesota, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify, any of the financial or statistical statements, or data contained in this Official Statement and will express no opinion with respect thereto. A legal opinion in substantially the form set out in Appendix I herein will be delivered at closing.

## **TAX EXEMPTION**

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants set forth in the Resolution, the interest on the Bonds is excluded from gross income for federal income tax purposes and, to the same extent, from taxable net income of individuals, estates, and trusts 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. Such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income.

Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”) and covenants of the Resolution may result in the inclusion of interest on the Bonds in gross income of the owners thereof for federal income tax purposes and in net taxable income of individuals, estates, and trusts for 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.

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. For purposes hereof, the applicable percentage is 5.25% divided by the highest rate in effect under Section 11(b) of the Code.

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 Minnesota 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.

### **Original Issue Premium**

All or certain maturities of the Bonds (the “Premium Bonds”) may be sold to the public at an amount in excess of their stated redemption price at maturity. Such excess of the purchase price of the Bonds over its stated redemption price at maturity constitutes a premium with respect to such Premium Bonds. A purchaser of a Premium Bond must amortize the premium over the term of the Premium Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the basis in the Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or other disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed.

Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

### **Original Issue Discount**

All or certain maturities of the Bonds (the “Discount Bonds”) may be sold at a discount from the principal amount payable on such Discount Bonds at maturity. The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the “Issue Price”) and the principal amount payable at maturity constitutes “original issue discount” under the Code. The amount of original issue discount that accrues to a holder of a Discount Bond under Section 1288 of the Code is excluded from federal gross income to the same extent that stated interest on such Discount Bond would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Bond under Section 1288 of the Code is added to the owner’s federal tax basis in determining gain or loss upon disposition of such Discount Bond (whether by sale, exchange, redemption or payment at maturity).

Interest in the form of original issue discount accrues under Section 1288 of the Code pursuant to a constant yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of original issue discount that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Bonds,

over (2) the amount of stated interest actually payable. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such Bonds the original issue discount that is treated as having accrued during all prior semiannual accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that semiannual accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

If a Discount Bond is purchased at a price that exceeds the sum of the Issue Price plus accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Bond.

No opinion is expressed as to state and local income tax treatment of original issue discount. It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual, and may be deemed to accrue differently than under federal law.

Holders of Discount Bonds should consult their tax advisors with respect to the computation and accrual of original issue discount for federal income tax purposes and with respect to the state and local tax consequences of owning such Discount Bonds.

### **BANK-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.

### **RATING**

Application for a rating of the Bonds has been made to S&P Global Ratings (“S&P”), 55 Water Street, New York, New York. The District expects the Bonds to be rated by S&P based solely on the Minnesota School District Credit Enhancement Program. If a rating is assigned, it will reflect only the opinion of S&P. Any explanation of the significance of the rating may be obtained only from S&P.

There is no assurance that a rating, if assigned, will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

### **MUNICIPAL ADVISOR**

The District has retained Baker Tilly Municipal Advisors, LLC as municipal advisor in connection with certain aspects of the issuance of Bonds (the “Municipal Advisor” or “BTMA”). BTMA is a registered municipal advisor and controlled subsidiary of Baker Tilly US, LLP (“BTUS”), an accounting firm and has been retained by the District to provide certain financial advisory services including, among other things, preparation of the deemed “nearly final” Preliminary Official Statement and the Final Official Statement (the “Official Statements”). The information contained in the Official Statements has been compiled from

records and other materials provided by District officials and other sources deemed to be reliable. The Municipal Advisor has not and will not independently verify the completeness and accuracy of the information contained in the Official Statements. The Municipal Advisor's duties, responsibilities and fees arise solely as Municipal Advisor to the District and they have no secondary obligations or other responsibility.

*Municipal Advisor Registration:*

BTMA is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. As such, BTMA is providing certain specific municipal advisory services to the District, but is neither a placement agent to the District nor a broker/dealer and cannot participate in the underwriting of the Bonds.

The offer and sale of the District shall be made by the District, in the sole discretion of the District, and under its control and supervision. The District has agreed that BTMA does not undertake to sell or attempt to sell the Bonds, and will take no part in the sale thereof.

*Other Financial Industry Activities and Affiliations:*

BTUS is an advisory, tax and assurance firm headquartered in Chicago, Illinois. BTUS and its affiliated entities, have operations in North America, South America, Europe, Asia and Australia. BTUS is an independent member of Baker Tilly International, a worldwide network of independent accounting and business advisory firms in 47 territories, with 33,600 professionals.

Baker Tilly Investment Services, LLC ("BTIS") is registered as an investment adviser with the Securities and Exchange Commission ("SEC") under the Federal Investment Advisers Act of 1940. BTIS provides discretionary and non-discretionary investment management services to government and municipal entities. BTIS may provide advisory services to the clients of BTMA.

Baker Tilly Capital, LLC ("BTC"), a wholly owned subsidiary of BTUS, is a limited purpose broker/dealer registered with the SEC and member of the Financial Industry Regulatory Authority. BTC provides merger & acquisition, capital sourcing and corporate finance advisory services. BTC may provide transaction advisory services to clients of BTMA.

Baker Tilly Financial, LLC ("BTF"), a wholly owned subsidiary of BTUS, is an investment adviser registered with the SEC. BTF provides both discretionary and non-discretionary portfolio management, consulting and retirement plan management services to individuals and retirement plans. BTF may provide advisory services to the clients of BTMA.

BTMA has no other activities or arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, investment company, other investment adviser or financial planner, bank, law firm or other financial entity.

## **CERTIFICATION**

The District has authorized the distribution of the Preliminary Official Statement for use in connection with the initial sale of the Bonds and a Final Official Statement following award of the Bonds. The Purchaser will be furnished with a certificate signed by the appropriate officers of the District stating that the District examined each document and that, as of the respective date of each and the date of such certificate, each document did not and does not contain any untrue statement of material fact or omit to state a material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

## DISTRICT PROPERTY VALUES

### Trend of Values<sup>(a)</sup>

Assessment/ Collection Year	Assessor's Estimated Market Value	Sales Ratio <sup>(b)</sup>	Economic Market Value <sup>(c)</sup>	Market Value Homestead Exclusion	Taxable Market Value	Adjusted Taxable Net Tax Capacity
2020/21	\$1,150,269,600	91.2%	\$1,261,139,466	\$34,508,400	\$1,110,252,200	\$ 9,614,969
2019/20	1,174,777,400	94.5	1,243,112,697	35,083,934	1,134,887,500	9,736,587
2018/19	1,143,128,900	93.2	1,225,192,518	36,266,043	1,102,814,000	9,380,203
2017/18	1,124,088,900	91.7	1,224,071,170	37,322,300	1,082,739,000	9,104,486
2016/17	1,139,785,300	95.5	1,191,524,236	36,375,700	1,098,848,400	9,161,036

(a) For a description of the Minnesota property tax system, see Appendix III.

(b) Sales Ratio Study for the year of assessment as posted by the Minnesota Department of Revenue, <https://www.revenue.state.mn.us/economic-market-values> and <https://www.revenue.state.mn.us/economic-market-values-reports>.

(c) Economic market values for the year of assessment as posted by the Minnesota Department of Revenue, <https://www.revenue.state.mn.us/economic-market-values> and <https://www.revenue.state.mn.us/economic-market-values-reports>.

Sources: Waseca, Blue Earth, and Faribault counties, Minnesota, July, 2021, except as otherwise noted.

### 2020/21 Net Tax Capacity: \$9,614,969\*

	Waseca County	Blue Earth County	Faribault County	Total
Real Estate	\$ 7,515,040	\$1,879,827	\$17,944	\$9,412,811
Personal Property	<u>195,840</u>	<u>6,202</u>	<u>116</u>	<u>202,158</u>
Total	\$77,710,880	\$1,886,029	\$18,060	\$9,614,969

\* Excludes a mobile home valuation of \$2,042 for Waseca County.

### 2020/21 Adjusted Taxable Net Tax Capacity: \$9,614,969

Real Estate:		
Agricultural	\$5,916,887	61.54%
Residential Homestead	2,137,712	22.23
Commercial/Industrial, Railroad and Public Utility	862,987	8.98
Residential Non-Homestead	385,395	4.01
Seasonal Recreational-Residential	109,830	1.14
Personal Property	<u>202,158</u>	<u>2.10</u>
2020/21 Net Tax Capacity	\$9,614,969	100.00%
Less: Captured Tax Increment	<u>-0-</u>	
2020/21 Adjusted Taxable Net Tax Capacity	\$9,614,969	

## Ten of the Largest Taxpayers in the District

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2020/21 Net Tax Capacity</u>
Guardian Energy LLC	Industrial Land and Buildings	\$ 591,616
Alliance Pipeline	Utility	109,684
Individuals	Agricultural	58,988
Individuals	Agricultural	55,221
Individuals	Agricultural	55,008
Fair Acres Stock Farms Inc.	Agricultural	51,102
Individual	Agricultural	51,083
Individuals	Agricultural	50,734
Individual	Agricultural	45,351
Individual	Agricultural	<u>43,828</u>
<b>Total</b>		<b>\$1,112,615*</b>

\* *Guardian Energy LLC represents 6.2% of the District's 2020/21 adjusted taxable net tax capacity. The remaining nine taxpayers represent 5.4% of the District's 2020/21 adjusted taxable net tax capacity.*

## DISTRICT INDEBTEDNESS

### Legal Debt Limit and Debt Margin\*

Legal Debt Limit (15% of 2020/21 Economic Market Value of \$1,261,139,466)	\$189,170,920
Less: Outstanding Debt Subject to Limit (Including the Bonds)	<u>(12,025,000)</u>
Legal Debt Margin as of October 21, 2021	\$177,145,920

\* *The legal debt margin is referred to statutorily as the "Net Debt Limit" and may be increased by debt service funds and current revenues which are applicable to the payment of debt in the current fiscal year.*

*NOTES: Certain types of debt are not subject to the legal debt limit. See Appendix III – Debt Limitations.*

*Minnesota Statutes limits the "net debt" of a school district to 15% of its actual market value. Actual market value is either the District's Estimated Market Value or Economic Market Value, whichever is higher.*

### General Obligation Debt Supported Solely by Taxes\*

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 10-21-21</u>
6-14-14	\$1,285,000	Capital Facilities	2-1-2029	\$ 785,000
5-18-17	2,130,000	Facilities Maintenance and Capital Facilities	2-1-2034	1,705,000
10-21-21	9,535,000	Facilities Maintenance (the Bonds)	2-1-2042	<u>9,535,000</u>
<b>Total</b>				<b>\$12,025,000</b>

\* *These issues are subject to the legal debt limit.*

## Lease-Purchase Obligations

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 10-21-21</u>
7-29-14	\$1,695,000	Lease Purchase	1-1-2029	\$ 791,027
5-18-17	735,000	Lease Purchase	2-1-3033	<u>674,000</u>
Total				\$1,465,027

## Estimated Calendar Year Debt Service Payments Including the Bonds

<u>Year</u>	<u>G.O. Debt Supported Solely by Taxes</u>		<u>Lease-Purchase Obligations</u>	
	<u>Principal</u>	<u>Principal &amp; Interest<sup>(a)</sup></u>	<u>Principal</u>	<u>Principal &amp; Interest</u>
2021 (at 10-21)	(Paid)	(Paid)	(Paid)	(Paid)
2022	\$ 210,000	\$ 396,834	\$ 174,126	\$ 226,587
2023	595,000	807,484	180,892	226,996
2024	650,000	854,093	140,046	179,534
2025	650,000	845,020	97,882	133,024
2026	665,000	850,241	101,830	133,283
2027	680,000	854,580	104,896	132,503
2028	685,000	847,910	109,081	132,676
2029	700,000	850,215	69,274	88,665
2030	575,000	713,698	115,000	130,987
2031	590,000	718,500	119,000	130,657
2032	595,000	712,661	124,000	131,132
2033	605,000	711,088	129,000	131,419
2034	620,000	713,648		
2035	490,000	572,695		
2036	500,000	573,288		
2037	510,000	573,313		
2038	520,000	572,883		
2039	530,000	571,988		
2040	540,000	570,618		
2041	550,000	568,763		
2042	<u>565,000</u>	<u>571,356</u>		
Total	\$12,025,000 <sup>(b)</sup>	\$14,450,876	\$1,465,027 <sup>(c)</sup>	\$1,777,463

(a) Includes estimated debt service on the Bonds.

(b) 49.9% of this debt will be retired within ten years.

(c) 83.7% of this debt will be retired within ten years.

## Overlapping Debt

Taxing Unit <sup>(a)</sup>	2020/21 Adjusted Taxable Net Tax Capacity	Est. G.O. Debt As of 10-21-21 <sup>(b)</sup>	Debt Applicable to Tax Capacity in District	
			Percent	Amount
Waseca County	\$25,822,626	\$ 6,050,000	29.9%	\$ 1,808,950
Blue Earth County	93,097,972	21,010,000	2.0	420,200
Faribault County	31,867,323	14,715,000	0.1	14,715
City of Janesville	1,303,538	7,050,000	100.0	7,050,000
City of Pemberton	119,962	1,064,578 <sup>(c)</sup>	100.0	1,064,578
Town of McPherson	1,699,823	130,000 <sup>(c)</sup>	10.9	14,170
Total				\$10,372,613

(a) Only those units with outstanding general obligation debt are shown here.

(b) Excludes general obligation tax and aid anticipation certificates and revenue-supported debt.

(c) Debt as of December 31, 2020; most recent information available.

## Debt Ratios\*

	G.O. Direct Debt	G.O. Direct & Overlapping Debt
To 2020/21 Estimated Market Value (\$1,150,269,600)	1.05%	1.95%
Per Capita - (4,794 – Current District Estimate)	\$2,508	\$4,672

\* Excludes lease-purchase obligations.

## DISTRICT TAX RATES, LEVIES AND COLLECTIONS

### Tax Capacity Rates for a Resident in the City of Janesville

	2016/17	2017/18	2018/19	2019/20	2020/21	
					Total	For Debt Only
Waseca County	59.942%	63.384%	64.337%	64.706%	66.101%	2.206%
City of Janesville	87.195	87.889	87.057	80.613	80.419	32.986
I.S.D. No. 2835						
(JWP Public Schools) <sup>(a)</sup>	15.390	6.914	6.856	7.007	6.126	1.858
Special Districts <sup>(b)</sup>	1.899	1.958	1.966	1.950	1.920	- 0 -
Total	164.426%	160.145%	160.216%	154.276%	154.566%	37.050%

(a) In addition, the District has a 2020/21 market value tax rate of 0.33572% spread across the market value of property in support of an excess operating levy.

(b) Special districts include the Waseca-Le Sueur Regional Library System and the Region Nine Development Commission.

NOTE: This table includes only net tax capacity-based rates. Certain other tax rates are based on market value. See Appendix III.

**Tax Levies and Collections**

<u>Levy/Collect</u>	<u>Net Levy*</u>	<u>Collected During Collection Year</u>		<u>Collected and/or Abated as of 5-25-21</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2020/21	\$1,801,024			(In Process of Collection)	
2019/20	1,883,059	\$1,746,835	92.8%	\$1,867,511	99.2%
2018/19	1,763,735	1,730,164	98.1	1,757,951	99.7
2017/18	1,892,089	1,848,912	97.7	1,876,888	99.2
2016/17	2,456,606	2,403,445	97.8	2,446,543	99.6

\* The net levy excludes state aid for property tax relief and fiscal disparities, if applicable. The net levy is the basis for computing tax capacity rates. See Appendix III.

**CASH AND INVESTMENTS  
As of June 30, 2021**

<u>Fund</u>	<u>Cash and Investments</u>
General	\$5,089,587
Food Service	248,921
Community Service	107,290
Debt Service	<u>127,932</u>
Total	\$5,573,730

The District does not have a formal investment policy and all District funds are held with a local bank.

**GENERAL INFORMATION CONCERNING THE DISTRICT**

The District is located in southern Minnesota, approximately 76 miles south of the Minneapolis/Saint Paul metropolitan area. The District is situated primarily in Waseca County, with portions in Blue Earth and Faribault counties, and encompasses an area of approximately 161 square miles (102,787 acres). The District includes the cities of Janesville, Waldorf, and Pemberton, and all or portions of ten townships. The District’s current population is estimated to be 4,794.



**School Board and Administration**

The District’s governing and policy-setting body is the School Board, comprised of seven members. Board members are elected at large to serve overlapping four-year terms of office. Current Board members are listed below.

		<u>Expiration of Term First Monday in January</u>
Laura Seys	Chairperson	2024
Tim Johnson	Vice Chairperson	2022
Tim Oelke	Clerk	2024
Tim Burke	Treasurer	2022
Katie Cahill	Director	2022
Kendra Hoehn	Director	2022
Scott Kaminski	Director	2024

Mr. Jeremy Erler is the Interim Superintendent and is responsible for the daily administration of Board policy. The Superintendent is hired by the Board and serves at its discretion. Mr. Matthew Moline has been the District’s Business Manager since Fall of 2017.

**Enrollment**

Following is the trend of enrollments for the past five years:

<u>School Year</u>	<u>Grades</u>		<u>Total Enrollment</u>
	<u>K-6</u>	<u>7-12</u>	
2020/21	332	330	662
2019/20	333	326	659
2018/19	358	321	679
2017/18	339	310	649
2016/17	320	309	629

**Employment**

Following is the District’s employment trend for the past five years:

<u>School Year</u>	<u>Certified Employees</u>	<u>Uncertified Employees</u>	<u>Total Employees</u>
2020/21	62	39	101
2019/20	63	40	103
2018/19	62	46	108
2017/18	61	41	102
2016/17	56	48	104

## Labor Contracts

Pursuant to State law, all school districts in the State negotiate teacher contracts every two years. The status of labor contracts in the District is as follows:

<u>Bargaining Unit</u>	<u>No. of Employees</u>	<u>Expiration Date of Current Contract</u>
Clerical	3	June 30, 2023
Custodial	5	June 30, 2023
Paraprofessional	21	June 30, 2023
Food Service	2	June 30, 2023
Teachers	<u>61</u>	June 30, 2023
Subtotal	92	
Non-unionized employees	<u>9</u>	
Total employees	101	

## Physical Plant

<u>Facility</u>	<u>Original Construction and Additions</u>	<u>Location</u>	<u>Estimated Student Capacity</u>
PK-12 Building	1953, 1964, 1968 1996, 1999, 2015	City of Janesville	924

## Student Transportation

The District contracts with a local vendor to provide transportation services for District students. Services include seven regular routes, seven special education routes, one preschool route, and one after school shuttle.

## Budget Summary

<u>Fund</u>	<u>June 30, 2020 Actual Fund Balance</u>	<u>2020-21 Projected Revenues and Transfers In</u>	<u>2020-21 Projected Expenditures and Transfers Out</u>	<u>June 30, 2021 Projected Fund Balance</u>
General	\$3,980,512	\$ 9,440,365	\$ 9,398,895	\$4,021,982
Food Service	125,782	520,529	520,341	125,970
Community Service	2,229	449,477	431,330	20,376
Debt Service	<u>92,523</u>	<u>358,287</u>	<u>337,520</u>	<u>113,290</u>
Total All Funds	\$4,201,046	\$10,768,658	\$10,688,086	\$4,281,618

## Major General Fund Revenue Sources

<u>Revenue</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
State Sources	\$5,505,774	\$6,251,586	\$6,316,606	\$6,938,089	\$6,789,810
Property Taxes	1,572,959	1,774,291	1,503,649	1,623,808	1,526,015
Other	397,880	365,930	414,818	608,609	502,066
Federal Sources	369,009	226,073	342,641	355,585	342,828
Earnings on Investments	88	13	1,732	0	0

Sources: District's Annual Financial Reports.

## Post-Secondary Education

Nearby higher education facilities include Minnesota State University-Mankato located in the City of Mankato, Minnesota, approximately 17 miles northwest of the District; and Gustavus Adolphus College located in the City of St. Peter, Minnesota, 24 miles northwest of the District.

## Nonpublic Education

Non-public schools located within the District include:

<u>School</u>	<u>Location</u>	<u>Grades</u>	<u>2020/21 Enrollment</u>
Trinity Lutheran	City of Janesville	K-8	107

Source: Minnesota Department of Education, [www.education.state.mn.us/](http://www.education.state.mn.us/).

## Employee Pensions

All teachers of the District are covered by the Teachers Retirement Association ("TRA"). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

All other full-time and certain part-time employees are covered by the Public Employees Retirement Association ("PERA"). PERA administers the General Employees Retirement Fund ("GERF"), which is a cost-sharing, multiple-employer retirement plan. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. The District's contributions to the TRA and the GERF for the past five years are as follows:

	<u>TRA</u>	<u>GERF</u>
2020	\$304,530	\$90,101
2019	278,009	89,823
2018	244,066	96,670
2017	230,672	87,642
2016	211,998	83,866

Both TRA and PERA are managed by the State of Minnesota; the District, therefore, has no responsibility for the administration of either program.

The District also provides future retirement benefits to eligible employees through the District's 403(b) Plan. Employees of the District are eligible to participate commencing on the date of their employment and may elect to have a percentage of their pay contributed to the plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by plan participants. The District's contributions for the past five years are as follows:

	<u>District Contributions</u>	<u>Employee Contributions</u>
2020	\$56,399	\$104,967
2019	56,234	97,996
2018	51,797	91,722
2017	47,054	118,039
2016	43,348	86,636

For more information regarding the liability of the District with respect to its employees, please reference "Note 6, 403(b) Plan" of the District's Financial Report for fiscal year ended June 30, 2020, an excerpt of which is included as Appendix IV of this Official Statement.

Sources: *District's Annual Financial Reports.*

#### GASB 68

The Government Accounting Standards Board (GASB) has issued Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment to GASB 68, which revised existing standards for measuring and reporting pension liabilities for pension plans provided to District employees and require recognition of a liability equal to the District's proportionate share of net pension liability, which is measured as the total pension liability less the amount of the pension plan's fiduciary net position.

The District's proportionate shares of the pension costs and the District's net pension liability for GERF and TRA for the past two years are as follows:

	<u>GERF</u>		<u>TRA</u>	
	<u>Proportionate Share of Pension Costs</u>	<u>Net Pension Liability</u>	<u>Proportionate Share of Pension Costs</u>	<u>Net Pension Liability</u>
2020	0.0170%	\$ 939,892	0.0624%	\$ 3,977,389
2019	0.0190	1,054,042	0.0587	3,688,765
2018	0.0182	1,161,876	0.0568	11,338,310
2017	0.0189	1,534,586	0.0532	12,689,469
2016	0.0181	938,036	0.0495	3,062,065

For more information regarding GASB 68 with respect to the District, please reference "Note 5, Defined Benefit Pension Plans" of the District's Financial Report for fiscal year ended June 30, 2020, an excerpt of which is included as Appendix IV of this Official Statement.

Additional and detailed information about GERF's net position is available in a separately-issued PERA financial report, which may be obtained at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling 1-800-652-9026. Additional and detailed information about TRA's net position is available in a separately-issued TRA financial report, which may be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org); by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling 1-800-652-9026.

Sources: *District's Annual Financial Reports.*

## Other Postemployment Benefits

The Government Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), establishing new accounting and financial reporting requirements related to post-employment healthcare and other non-pension benefits (referred to as Other Postemployment Benefits or “OPEB”). The implementation of GASB 75 required the restatement of the District’s beginning net position for the fiscal year ended December 31, 2018. Please see “Note 4 – Other Post-Employment Benefits” in the District’s Annual Financial Statements for the fiscal year ended June 30, 2020 for this calculation.

The following employees were covered by the benefit terms as of July 1, 2019:

Inactive employees/beneficiaries currently receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	<u>0</u>
Active employees	107
Total	110

The District’s net OPEB liability was measured as of July 1, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. Updated procedures were used to roll forward the total OPEB liability to the measurement date. The discount rate used to measure the total OPEB liability was 3.10%. Components of the District’s OPEB liability and related ratios for the fiscal year ended June 30, 2020 are as follows:

Service cost	\$ 43,111
Interest	14,805
Assumption changes	(17,889)
Plan changes	(743)
Differences between expected and actual experience	84,100
Benefit payments	<u>(23,625)</u>
Net change in total OPEB liability	\$ 99,759
Total OPEB liability – beginning of year	<u>404,057</u>
Total OPEB liability – end of year (a)	<u>\$ 503,819</u>
Covered-employee payroll	\$4,542,636
Districts total OPEB liability as a percentage Of covered-employee payroll	11.09%

Sources: District’s Annual Financial Reports.

## AREA ECONOMY

### Labor Force Data

	Annual Average				July
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Labor Force:					
Blue Earth County	40,030	40,277	41,062	40,933	39,028
Faribault County	7,139	7,006	7,083	6,950	6,970
Waseca County	9,295	9,002	8,886	9,038	8,726
State of Minnesota	3,050,764	3,059,402	3,092,899	3,094,701	3,050,714
Unemployment Rate:					
Blue Earth County	2.9%	2.5%	2.8%	5.0%	3.2%
Faribault County	4.1	3.5	4.3	5.9	3.7
Waseca County	3.8	4.1	4.0	5.9	3.6
State of Minnesota	3.4	3.0	3.2	6.2	3.4

Source: Minnesota Department of Employment and Economic Development, <http://apps.deed.state.mn.us/lmi/laus/>. 2021 data are preliminary.

### Retail Sales and Effective Buying Income (EBI)

#### Waseca County

<u>Data Year/ Report Year</u>	<u>Total Retail Sales (\$000)</u>	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>
2020/21	\$196,429	\$438,666	\$48,077
2019/20	262,442	411,485	47,793
2018/19*	N/A	N/A	N/A
2017/18*	N/A	N/A	N/A
2016/17	206,604	416,894	47,902

\* Data not available.

The 2020/21 Median Household EBI for the State of Minnesota was \$62,120. The 2020/21 Median Household EBI for the United States was \$56,093.

Sources: Claritas, Inc. and the Nielsen Company.

### Major Employers

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
I.S.D. No. 2835 (JWP Public Schools)	Public education	101
Janesville Nursing Home	Nursing home	70
Berry Pallets	Pallet distribution	56
City of Janesville	Municipal government	35 <sup>(a)</sup>
Crystal Valley Co-op	Agricultural cooperative	27 <sup>(b)</sup>
UC Laboratory	Commercial laboratory	27

(a) Includes nine part-time and ten seasonal employees.

(b) Includes only Janesville location.. Crystal Valley Co-op employs 170 individuals company-wide.

Source: This does not purport to be a comprehensive list and is based on a July 2021 best efforts telephone survey of individual employers. Some employers do not respond to inquiries.

**Financial Institutions\***

District residents are served by Janesville State Bank located in the City of Janesville, which had total deposits of \$71,447,000 as of March 31, 2021. In addition, a branch of Round Bank is located in the City of Waseca, which had total deposits of \$327,555,000 as of March 31, 2021.

\* *This does not purport to be a comprehensive list.*

Source: *Federal Deposit Insurance Corporation, <http://www5.fdic.gov/idasp/main.asp>.*

**Health Care Services**

The following is a summary of health care facilities located in the District:

<u>Facility</u>	<u>Location</u>	<u>No. of Beds</u>
Whispering Creek	City of Janesville	35 Nursing Home

City residents also have access to additional healthcare facilities in the nearby cities of Mankato and St. Peter.

Source: *Minnesota Department of Health, <http://www.health.state.mn.us/>.*

(The Balance of This Page Has Been Intentionally Left Blank)

PROPOSED FORM OF LEGAL OPINION



Offices in 470 U.S. Bank Plaza  
 200 South Sixth Street  
 Minneapolis MN 55402-1458  
 Saint Paul (612) 337-9300 telephone  
 (612) 337-9310 fax  
 St. Cloud www.kennedy-graven.com  
 Affirmative Action, Equal Opportunity Employer

§ \_\_\_\_\_  
 Independent School District No. 2835  
 (Janesville-Waldorf-Pemberton)  
 Waseca, Blue Earth, and Faribault Counties, Minnesota  
 General Obligation Facilities Maintenance Bonds  
 Series 2021A

We have acted as bond counsel to Independent School District No. 2835 (Janesville-Waldorf-Pemberton), Waseca, Blue Earth, and Faribault Counties, Minnesota (the “Issuer”) in connection with the issuance by the Issuer of its General Obligation Facilities Maintenance Bonds, Series 2021A (the “Bonds”), originally dated October \_\_, 2021, and issued in the original aggregate principal amount of \$\_\_\_\_\_. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings, and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed, and are valid and binding general obligations of the Issuer, enforceable in accordance with their terms.
2. The principal of and interest on the Bonds are payable from ad valorem taxes, 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 subject to Minnesota franchise taxes on 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 Internal Revenue Code of 1986, as amended, 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 creditor's rights generally and by equitable principles, whether considered at law or in equity.

5. The resolution adopted by the School Board of the Issuer on July 19, 2021, obligates the Issuer to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of that law against the State of Minnesota (the "State") in the absence of appropriated and available funds to pay the obligations of the State thereunder.

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

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

Dated October \_\_, 2021 at Minneapolis, Minnesota.

## CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_  
 Independent School District No. 2835  
 (Janesville-Waldorf-Pemberton)  
 Waseca, Blue Earth, and Faribault Counties, Minnesota  
 General Obligation Facilities Maintenance Bonds  
 Series 2021A

October \_\_, 2021

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Independent School District No. 2835 (Janesville-Waldorf-Pemberton), Waseca, Blue Earth, and Faribault Counties, Minnesota (the “Issuer”) in connection with the issuance of its General Obligation Facilities Maintenance Bonds, Series 2021A (the “Bonds”), in the original aggregate principal amount of \$ \_\_\_\_\_. The Bonds are being issued pursuant to resolutions adopted by the Board of Education of the Issuer (the “Resolutions”). The Bonds are being delivered to \_\_\_\_\_ (the “Purchaser”) on the date hereof. Pursuant to the Resolutions, the Issuer 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 Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer 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 Resolutions, 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 Resolutions, 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 Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

“Bonds” means the General Obligation Facilities Maintenance Bonds, Series 2021A, issued by the Issuer in the original aggregate principal amount of \$ \_\_\_\_\_.

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“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 deemed Final Official Statement, dated September \_\_, 2021, 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 Issuer.

“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.

“Issuer” means Independent School District No. 2835 (Janesville-Waldorf-Pemberton), Waseca, Blue Earth, and Faribault Counties, Minnesota, which is the obligated person with respect to the Bonds.

“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 \_\_\_\_\_.

“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 Issuer 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, 2021, 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 Issuer may be submitted separately from the balance of the Annual Report.

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

(c) The Issuer 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 Issuer's Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. District Property Values
2. District Indebtedness
3. District Tax Rates, Levies and Collections

In addition to the items listed above, the Annual Report shall include 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 Issuer 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 Issuer 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 Issuer 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 Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer'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 Issuer shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under the Resolutions 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 Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolutions 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 Resolutions or this Disclosure Certificate, the Issuer 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 Resolutions 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 Issuer 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 Resolutions 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 Resolutions 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 Issuer 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 the compliance with the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer to comply with its obligations under the Resolutions 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 Issuer 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 Issuer, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

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

**INDEPENDENT SCHOOL DISTRICT NO. 2835  
(JANESVILLE-WALDORF-PEMBERTON),  
WASECA, BLUE EARTH, AND FARIBAULT  
COUNTIES, MINNESOTA**

---

Chair

---

District Clerk

## SUMMARY OF TAX LEVIES, PAYMENT PROVISIONS, AND MINNESOTA REAL PROPERTY VALUATION

Following is a summary of certain statutory provisions relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed, and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

### **Property Valuations (Chapter 273, Minnesota Statutes)**

Assessor's Estimated Market Value. Each parcel of real property subject to taxation must, by statute, be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be fairly worth, and which is referred to as the "Estimated Market Value." The 2013 Minnesota Legislature established the Estimated Market Value as the value used to calculate a municipality's legal debt limit.

Economic Market Value. The Economic Market Value is the value of locally assessed real property (Assessor's Estimated Market Value) divided by the sales ratio as provided by the State of Minnesota Department of Revenue plus the estimated market value of personal property, utilities, railroad, and minerals.

Taxable Market Value. The Taxable Market Value is the value that Net Tax Capacity is based on, after all reductions, limitations, exemptions and deferrals.

Net Tax Capacity. The Net Tax Capacity is the value upon which net taxes are levied, extended and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State's property tax relief system and are subject to annual revisions by the State Legislature. Property taxes are the sum of the amounts determined by (i) multiplying the Net Tax Capacity by the tax capacity rate, and (ii) multiplying the referendum market value by the market value rate.

Market Value Homestead Exclusion. In 2011, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Assessor's Estimated Market Value up to \$413,800 in an attempt to result in a property tax similar to the effective property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a, and causes a decrease in the District's aggregate Taxable Market Value, even if the Assessor's Estimated Market Value on the same properties did not decline.

### **Property Tax Payments and Delinquencies (Chapters 275, 276, 277, 279-282 and 549, Minnesota Statutes)**

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on nonhomestead property is assessed at a rate of 4% until May 31 and increased to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes due October 15, a penalty of 2% on homestead property and 4% on nonhomestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for nonhomestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have three years (3) to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

### **Property Tax Credits (Chapter 273, Minnesota Statutes)**

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are: property tax levy reduction aids; the homestead credit refund and the renter's property tax refund, which relate property taxes to income and provide relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The homestead credit refund, the renter's property tax refund, and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

### **Debt Limitations**

All Minnesota municipalities (counties, cities, towns and school districts) are subject to statutory "net debt" limitations under the provisions of Minnesota Statutes, Section 475.53. Net debt is defined as the amount remaining after deducting from gross debt the amount of current revenues that are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

1. Bonds issued for improvements that are payable wholly or partially from the proceeds of special assessments levied upon benefited property.
2. Warrants or orders having no definite or fixed maturity.
3. Bonds payable wholly from the income from revenue producing conveniences.



4. Bonds issued to create or maintain a permanent improvement revolving fund.
5. Bonds issued for the acquisition and betterment of public waterworks systems, and public lighting, heating or power systems, and any combination thereof, or for any other public convenience from which revenue is or may be derived.
6. Certain debt service loans and capital loans made to school districts.
7. Certain obligations to repay loans.
8. Bonds specifically excluded under the provisions of law authorizing their issuance.
9. Certain obligations to pay pension fund liabilities.
10. Debt service funds for the payment of principal and interest on obligations other than those described above.
11. Bonds issued to pay judgments against the municipality.

**Levies for General Obligation Debt  
(Sections 475.61 and 475.74, Minnesota Statutes)**

Any municipality that issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

**STATUTORY FORMULAE: CONVERSION OF TAXABLE MARKET VALUE (TMV) TO  
NET TAX CAPACITY FOR MAJOR PROPERTY CLASSIFICATIONS**

<u>Property Type</u>	<u>Local Tax Payable 2017-2021</u>
<b>Residential Homestead (1a)</b>	
Up to \$500,000	1.00%
Over \$500,000	1.25%
<b>Residential Non-homestead</b>	
Single Unit (4bb)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
2-3 unit and undeveloped land (4b1)	1.25%
<b>Market Rate Apartments</b>	
Regular (4a)	1.25%
Low-Income (4d)	
Up to \$150,000 <sup>(c)</sup>	0.75%
Over \$150,000 <sup>(c)</sup>	0.25%
<b>Commercial/Industrial/Public Utility (3a)</b>	
Up to \$150,000	1.50% <sup>(a)</sup>
Over \$150,000	2.00% <sup>(a)</sup>
Electric Generation Machinery	2.00%
<b>Commercial Seasonal Residential</b>	
Homestead Resorts (1c)	
Up to \$600,000	0.50%
\$600,000 - \$2,300,000	1.00%
Over \$2,300,000	1.25% <sup>(a)</sup>
Seasonal Resorts (4c)	
Up to \$500,000	1.00% <sup>(a)</sup>
Over \$500,000	1.25% <sup>(a)</sup>
<b>Non-Commercial (4c12)</b>	
Up to \$500,000	1.00% <sup>(a)(b)</sup>
Over \$500,000	1.25% <sup>(a)(b)</sup>
<b>Disabled Homestead (1b)</b>	
Up to \$50,000	0.45%
<b>Agricultural Land &amp; Buildings</b>	
Homestead (2a)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
Remainder of Farm	
Up to \$1,880,000 <sup>(d)</sup>	0.50% <sup>(b)</sup>
Over \$1,880,000 <sup>(d)</sup>	1.00% <sup>(b)</sup>
Non-homestead (2b)	1.00% <sup>(b)</sup>

<sup>(a)</sup> State tax is applicable to these classifications.

<sup>(b)</sup> Exempt from referendum market value based taxes.

<sup>(c)</sup> Legislative increases, payable 2021. Historical valuations are: Payable 2020 - \$150,000; Payable 2019 - \$139,000; Payable 2018 - \$121,000; and Payable 2017 - \$115,000.

<sup>(d)</sup> Legislative increases, payable 2021. Historical valuations are: Payable 2020 - \$1,880,000; Payable 2019 - \$1,900,000; Payable 2018 - \$1,940,000; and Payable 2017 - \$2,050,000.

**NOTE:** For purposes of the State general property tax only, the net tax capacity of non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure: First \$76,000 – 0.40%; \$76,000 to \$500,000 – 1.00%; and over \$500,000 – 1.25%. In addition to the State tax base exemptions referenced by property classification, airport property exempt from city and school district property taxes under M.S. 473.625 is exempt from the State general property tax (MSP International Airport and Holman Field in Saint Paul are exempt under this provision).

**EXCERPT OF 2020 ANNUAL FINANCIAL REPORT**

Data on the following pages was extracted from the District's Annual Financial Report for fiscal year ended June 30, 2020. The reader should be aware that the complete financial statements may contain additional information which may interpret, explain or modify the data presented here.



## Independent Auditor's Report

Members of the School Board  
Independent School District No. 2835  
Janesville, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 2835 (the District), Janesville, Minnesota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility 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; this includes 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Notes 1 and 8 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in an adjustment of the net position and fund balance of the General Fund as of July 1, 2019. Our opinions are not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, schedule of employer's share of net pension liability and schedule of employer's contributions as listed in the table of contents, 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 inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, 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**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The introductory section, combining and individual fund schedules, and the Uniform Financial Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund schedules and the Uniform Financial Accounting and Reporting Standards Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020 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.

**Report on Other Legal and Regulatory Requirements**

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated November 16, 2020 on our consideration of the District’s compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor’s Minnesota Legal Compliance Audit Guide for School Districts in considering the District’s compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.



Mankato, Minnesota  
November 16, 2020

**INDEPENDENT SCHOOL DISTRICT #2835  
JANESVILLE WALDORF PEMBERTON PUBLIC SCHOOLS  
JANESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

This section of Independent School District No. 2835 – Janesville Waldorf Pemberton Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2019-2020 fiscal year include the following:

- Overall government-wide revenues were \$10,268,105 while overall expenses totaled \$10,904,062 , resulting in an ending net position of \$7,745,313 .
- The district's overall fund balance decreased by approximately \$236,373 .

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

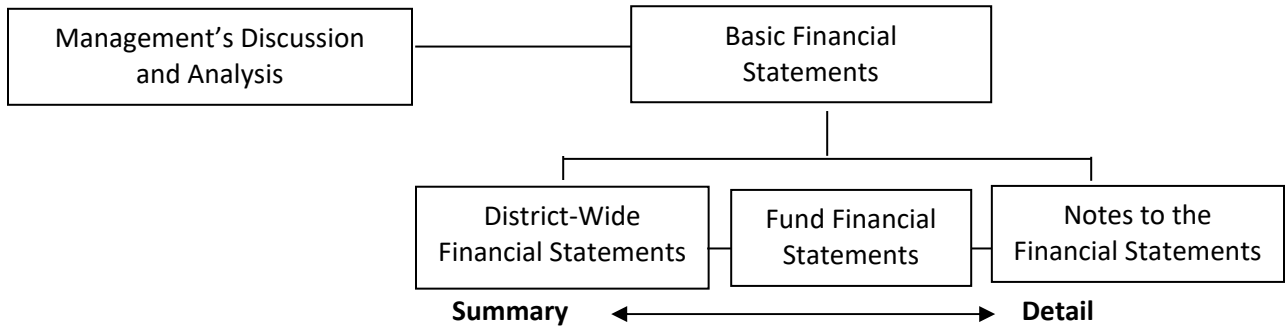
- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund-financial statements* that focus on individual parts of the District, reporting the District's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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The diagram below shows how the various parts of this annual report are arranged and relate to one another.

**INDEPENDENT SCHOOL DISTRICT #2835  
 JANESVILLE WALDORF PEMBERTON PUBLIC SCHOOLS  
 JANESVILLE, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED JUNE 30, 2020**

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

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, are summarized below. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.



<b>Fund Financial Statements</b>		
	District-Wide	Governmental Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 during the year or soon thereafter; no capital assets or long-term liabilities included
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable



**INDEPENDENT SCHOOL DISTRICT #2835  
JANESVILLE WALDORF PEMBERTON PUBLIC SCHOOLS  
JANESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**District-wide Statements**

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

The two District-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets, deferred outflows/inflows of resources, and liabilities – are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

**Fund Financial Statements**

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

The District has one kind of fund:

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

**INDEPENDENT SCHOOL DISTRICT #2835  
 JANESVILLE WALDORF PEMBERTON PUBLIC SCHOOLS  
 JANESVILLE, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED JUNE 30, 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE  
 (DISTRICT-WIDE FINANCIAL STATEMENTS)**

**Net Position**

The District's net position was \$7,745,313 on June 30, 2020. This represents a decrease when compared to the \$8,356,227 net position balance on June 30, 2019.

Statement of Net Position  
 June 30, 2020 and 2019

	2020	2019
Assets		
Current assets	\$ 7,037,785	\$ 7,143,823
Capital assets	14,757,479	15,038,250
Total assets	21,795,264	22,182,073
Deferred Outflows of Resources	4,357,998	5,879,090
Liabilities		
Other liabilities	1,034,481	1,071,127
Long-term liabilities	9,929,750	10,018,313
Total liabilities	10,964,231	11,089,440
Deferred Inflows of Resources	7,443,718	8,615,496
Net Position		
Net investment in capital assets	10,291,759	10,207,893
Restricted for specific purposes	709,293	951,758
Unrestricted	(3,255,739)	(2,803,424)
Total net position	\$ 7,745,313	\$ 8,356,227

\*Due to the restatement in the current year, figures may not be comparable to prior year for some areas of the financial statements.

**INDEPENDENT SCHOOL DISTRICT #2835  
JANESVILLE WALDORF PEMBERTON PUBLIC SCHOOLS  
JANESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

Statement of Revenues, Expenses and Changes in Net Position  
June 30, 2020 and 2019

	2020	2019
Revenues		
Program revenues		
Charges for service	\$ 817,406	\$ 975,580
Operating grants and contributions	542,552	513,417
General		
Property taxes	1,785,492	1,886,868
Aids and payments from state and other	6,926,678	7,058,671
Earnings on investments	62,314	69,377
Miscellaneous revenues	133,663	80,742
Total revenues	10,268,105	10,584,655
Expenses		
Administration	487,092	485,653
District support services	321,093	444,117
Regular instruction	5,320,662	3,669,083
Vocational instruction	271,815	215,722
Special education instruction	1,374,284	1,349,643
Community education and services	424,161	295,217
Instructional support services	357,306	464,170
Pupil support services	1,258,573	1,090,937
Sites and buildings	881,429	948,489
Fiscal and other fixed-cost programs	207,647	204,935
Total expenses	10,904,062	9,167,966
Change in Net Position	(635,957)	1,416,689
Net Position - Beginning, as Restated for 2020 (Note 8)	8,381,270	6,939,538
Net Position - Ending	\$ 7,745,313	\$ 8,356,227

\*Due to the restatement in the current year, figures may not be comparable to prior year for some areas of the financial statements.

**Changes in Net Position.** The District's total revenues were \$10,268,105 for the year ended June 30, 2020.

Unallocated federal and state aid along with property taxes accounted for 85 percent of the total revenue for the year. The total cost of all programs and services was \$10,904,062. The District's expenses are predominantly related to student education and student educational support, 83 percent. Total revenues were less than total expenses, decreasing net position by \$635,957 from last year.

**INDEPENDENT SCHOOL DISTRICT #2835  
JANESVILLE WALDORF PEMBERTON PUBLIC SCHOOLS  
JANESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**General Fund**

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

The following schedule presents a summary of General Fund Revenues.

	<u>Year Ended June 30,</u>		Amount of Increase (Decrease)	Percent Increase (Decrease)
	<u>2020</u>	<u>2019</u>		
Local property taxes	\$ 1,526,015	\$ 1,623,808	\$ (97,793)	-6.0%
Other local sources	502,066	608,609	(106,543)	-17.5%
State sources	6,789,810	6,938,089	(148,279)	-2.1%
Federal sources	<u>342,828</u>	<u>355,585</u>	<u>(12,757)</u>	-3.6%
 Total General Fund revenues	 <u>\$ 9,160,719</u>	 <u>\$ 9,526,091</u>	 <u>\$ (365,372)</u>	 -3.8%

Total General Fund revenue decreased by \$365,372 from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue.

The following schedule presents a summary of General Fund expenditures.

	<u>Year Ended June 30,</u>		Amount of Increase (Decrease)	Percent Increase (Decrease)
	<u>2020</u>	<u>2019</u>		
Salaries and benefits	6,089,099	5,849,711	\$ 239,388	4.1%
Purchased services	1,787,341	1,671,206	116,135	6.9%
Supplies and materials	613,437	867,547	(254,110)	-29.3%
Capital expenditures	660,728	905,671	(244,943)	-27.0%
Other expenditures	<u>96,562</u>	<u>349,052</u>	<u>(252,490)</u>	-72.3%
 Total General Fund expenditures	 <u>\$ 9,247,167</u>	 <u>\$ 9,643,187</u>	 <u>\$ (396,020)</u>	 -4.1%

Total General Fund expenditures decreased by \$396,020 from the previous year, which is due to the TRA/PERA special funding situation. In addition, the District paid off special assessments due in 2019 and had a large playground upgrade in 2019 that were no longer applicable in the 2020 school year.

**INDEPENDENT SCHOOL DISTRICT #2835  
JANESVILLE WALDORF PEMBERTON PUBLIC SCHOOLS  
JANESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**General Fund Budgetary Highlights**

The District's general fund results when compared to the final budget are:

- Actual revenues were \$141,066 *less than* budget as a result of the COVID-19 pandemic causing a loss of activity revenue.
- Actual expenditures were \$309,912 *less than* budgeted as a result of the COVID-19 pandemic closing schools for the last few months of fiscal year 2020. As such, related supplies and materials purchases and upkeep costs decreased.

**Debt Service Fund**

The Debt Service Fund revenues were \$254,420 and expenditures were \$330,902 , decreasing fund balance by \$76,482 .

**Other Non-Major Funds**

The Food Service Fund incurred a decrease in the fund balance of \$64,537 . The decrease in fund balance is a result of COVID-19 pandemic adjustments. The Community Service Fund incurred a decrease in the fund balance of \$8,906 . The decrease in fund balance is a result of the COVID-19 pandemic response due to having no community service activities for the last quarter of fiscal year 2020.

**INDEPENDENT SCHOOL DISTRICT #2835  
 JANESVILLE WALDORF PEMBERTON PUBLIC SCHOOLS  
 JANESVILLE, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED JUNE 30, 2020**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets:**

By the end of fiscal year 2020, the District had invested \$23,616,637 in a broad range of capital assets, including school buildings, land, computer and audio-visual equipment, and other equipment for various instructional programs. Total depreciation expense for the year was \$616,611. More detailed information about capital assets can be found in the notes to the financial statements.

Capital Assets Governmental Activities  
 June 30, 2020 and 2019

	2020	2019
Land	\$ 166,955	\$ 166,955
Construction in progress	-	159,109
Land improvements	444,931	338,010
Buildings	19,877,635	19,777,890
Equipment	3,127,116	2,838,833
Accumulated Depreciation	(8,859,158)	(8,242,547)
Total capital assets	\$ 14,757,479	\$ 15,038,250

**Long-Term Debt**

At year-end the District had \$4,508,653 of long term debt consisting of bonds payable of \$2,690,000, bond premium of \$70,359, capital leases payable of \$1,705,361, and compensated absences of \$42,933.

The District has \$4,917,281 in net pension liability at June 30, 2020.

The District has \$503,816 in total OPEB liability at June 30, 2020.

See notes to the financial statements for additional details on the District's long term debt.

**INDEPENDENT SCHOOL DISTRICT #2835  
JANESVILLE WALDORF PEMBERTON PUBLIC SCHOOLS  
JANESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**Factors Bearing on the District's Future:**

- Enrollment continues to be an area of concern weighing on the District's financial future, and will continue to be monitored closely by the District's administration. Since Minnesota school districts are paid on pupil units served, any decline in enrollment results in less revenue. The District's student enrollment, which determines the pupil units for the purpose of funding, has increased slightly. The District is seeing an increase of an estimated 30 students in grades K-12. Also, administration is noticing that the number of students open-enrolling to the District is rising as well as students returning to the District from open-enrollment in another district.
- For years, many Minnesota school district referendums for facilities maintenance projects did not pass. The Legislature, recognizing an important need to maintain district facilities, requested input on how to create a more equitable and sustainable financing process for public school facilities. As a result, the School Facilities Financing Working Group was created and provided recommendations. New legislation was passed during a special session in July 2015 that provides revenue increases for school districts not currently eligible to participate in the Alternative Facilities Bonding and Levy program. The new program, referred to as Long Term Facilities Maintenance (LTFM) Revenue, includes a three year phased approach which began in FY 2017. Districts received up to \$193 per pupil of revenue the first year, then in FY 2018, districts received up to \$292 per pupil, and that figure increased up to \$380 per pupil for FY 2019. These figures are prorated for districts with an average building age of 35 years or less. This replaces the former Health and Safety and Deferred Maintenance revenue programs and associated funding. This additional funding will provide dollars for our District to pay for ongoing deferred maintenance expenditures.
- Labor costs account for over 70% of the District expenses. As cost of benefits continue to skyrocket, it becomes more important during the negotiations of labor contracts that the District be cognizant to this potential unknown long-term liability. The District must continue to follow enrollment trends and maintain a responsible balance between staffing and student enrollment. In addition, the District must be aware of future legislative action as it relates to public school funding, and consider efforts to increase local operating revenue. These actions directly correlate to labor negotiations and hiring practices.
- With the onset of the COVID-19 pandemic in March 2020, the District anticipates revenue shortfalls and some reduction in expenditures due to the temporary closing of facilities and lack of public program income during the quarantine period. The District continues to provide educational opportunities to students. The District has maintained reserve balances which will help bridge financial gaps in revenue projections. During FY 2021, the District received federal grant funding related to the global COVID-19 pandemic under the Elementary and Secondary School Emergency Relief Fund (ESSER) grant, the Governor's Emergency Education Relief Fund (GEER) grant, and the Coronavirus Relief Fund (CRF) grant. All grants will be used to cover COVID-19 expenditures of the District. This global pandemic has created unprecedented challenges for Federal, State, and Local Government operations, creating uncertainty in the outcome of the 2021 budget.

**INDEPENDENT SCHOOL DISTRICT #2835  
JANESVILLE WALDORF PEMBERTON PUBLIC SCHOOLS  
JANESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**Contacting the District's Financial Management:**

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact the District Office, Independent School District No. 2835, 110 East Third Street, Janesville, Minnesota 56048.



Independent School District No. 2835  
Janesville, Minnesota  
Statement of Net Position  
June 30, 2020

Assets	
Cash and investments	\$ 4,829,402
Receivables:	
Current property taxes receivable	1,161,380
Delinquent property taxes receivable	76,484
Accounts receivable	2,118
Due from Minnesota Department of Education	677,038
Due from Federal through Minnesota Department of Education	188,675
Inventories	7,083
Prepaid items	95,605
Capital assets not being depreciated:	
Land	166,955
Capital assets, net of accumulated depreciation:	
Land improvements	255,165
Buildings	12,967,047
Equipment	1,368,312
Total assets	21,795,264
Deferred Outflows of Resources	
Pension plans	4,250,679
Other postemployment benefits	107,319
Total deferred outflows of resources	4,357,998
Liabilities	
Salaries payable	398,429
Accounts payable	107,583
Interest payable	60,931
Due to other Minnesota school districts	20,409
Due to other governmental units	18,850
Payroll deductions	426,615
Unearned revenue	1,664
Noncurrent liabilities:	
Due within one year - bonds payable, bond premium, capital lease, and compensated absences	413,826
Due in more than one year - bonds payable, bond premium, and capital lease	4,094,827
Due in more than one year - other postemployment benefits liability	503,816
Due in more than one year - net pension liability	4,917,281
Total liabilities	10,964,231
Deferred Inflows of Resources	
Unavailable revenue - property taxes	1,786,705
Pension plans	5,641,680
Other postemployment benefits	15,333
Total deferred inflows of resources	7,443,718
Net Position (Deficit)	
Net investment in capital assets	10,291,759
Restricted	709,293
Unrestricted	(3,255,739)
Total net position	\$ 7,745,313

The notes to the financial statements are an integral part of the financial statements

Independent School District No. 2835  
Janesville, Minnesota  
Statement of Activities  
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Administration	\$ 487,092	\$ 203,095	\$ 79,220	\$ (204,777)
District support services	321,093	-	-	(321,093)
Regular instruction	5,320,662	123,282	-	(5,197,380)
Vocational instruction	271,815	-	-	(271,815)
Special education instruction	1,374,284	-	336,333	(1,037,951)
Community education and services	424,161	281,994	-	(142,167)
Instructional support services	357,306	-	-	(357,306)
Pupil support services	1,258,573	209,035	126,999	(922,539)
Sites and buildings	881,429	-	-	(881,429)
Fiscal and other fixed cost programs	207,647	-	-	(207,647)
Total Governmental Activities	<u>\$ 10,904,062</u>	<u>\$ 817,406</u>	<u>\$ 542,552</u>	<u>(9,544,104)</u>
<b>General Revenues</b>				
Property taxes and other county sources				1,785,492
State aid				6,926,678
Earnings on investments				62,314
Miscellaneous				<u>133,663</u>
Total general revenues				<u>8,908,147</u>
Changes in Net Position				(635,957)
Net Position - Beginning, as Restated (Note 8)				<u>8,381,270</u>
Net Position - Ending				<u>\$ 7,745,313</u>

The notes to the financial statements are an integral part of the financial statements

Independent School District No. 2835  
 Janesville, Minnesota  
 Balance Sheet – Governmental Funds  
 June 30, 2020

	General	Debt Service	Total Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 4,500,599	\$ 163,768	\$ 165,035	\$ 4,829,402
Receivables				
Current property taxes	925,088	201,333	34,959	1,161,380
Delinquent property taxes	63,787	10,241	2,456	76,484
Accounts receivable	2,118	-	-	2,118
Due from Minnesota Department of Education	664,424	7,773	4,841	677,038
Due from Federal through Minnesota Department of Education	188,675	-	-	188,675
Inventories	-	-	7,083	7,083
Prepaid items	95,605	-	-	95,605
Total assets	<u>\$ 6,440,296</u>	<u>\$ 383,115</u>	<u>\$ 214,374</u>	<u>\$ 7,037,785</u>
<b>Liabilities</b>				
Salaries payable	\$ 376,311	\$ -	\$ 22,118	\$ 398,429
Accounts payable	106,449	-	1,134	107,583
Due to other Minnesota School Districts	20,409	-	-	20,409
Due to other governmental units	18,850	-	-	18,850
Payroll deductions	426,615	-	-	426,615
Unearned revenue	-	-	1,664	1,664
Total liabilities	<u>948,634</u>	<u>-</u>	<u>24,916</u>	<u>973,550</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - delinquent taxes	63,787	10,241	2,456	76,484
Unavailable revenue - property taxes	1,447,363	280,351	58,991	1,786,705
Total deferred inflows of resources	<u>1,511,150</u>	<u>290,592</u>	<u>61,447</u>	<u>1,863,189</u>
<b>Fund Balances</b>				
Nonspendable	95,605	-	7,083	102,688
Restricted	400,532	92,523	142,610	635,665
Assigned	784,232	-	-	784,232
Unassigned	2,700,143	-	(21,682)	2,678,461
Total fund balances	<u>3,980,512</u>	<u>92,523</u>	<u>128,011</u>	<u>4,201,046</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,440,296</u>	<u>\$ 383,115</u>	<u>\$ 214,374</u>	<u>\$ 7,037,785</u>

The notes to the financial statements are an integral part of the financial statements

Independent School District No. 2835

Janesville, Minnesota

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2020

Total Fund Balances for Governmental Funds		\$	4,201,046
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			14,757,479
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as unavailable revenue in the funds.			76,484
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.			(60,931)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.			(1,299,015)
Long-term liabilities that pertain to governmental funds are not due and payable in the current period, and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year end are:			
Bonds Payable	\$	2,760,359	
Capital Lease Payable		1,705,361	
Net Pension Liability		4,917,281	
OPEB Obligation		503,816	
Compensated Absences		42,933	
			<u>(9,929,750)</u>
Total Net Position for Governmental Activities		\$	<u>7,745,313</u>

Independent School District No. 2835

Janesville, Minnesota

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2020

	General	Debt Service	Total Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>				
Local property tax levies	\$ 1,526,015	\$ 176,679	\$ 58,008	\$ 1,760,702
Other local and county sources	502,066	-	321,402	823,468
State sources	6,789,810	77,741	65,790	6,933,341
Federal sources	342,828	-	199,725	542,553
Local sales and insurance recovery	-	-	209,033	209,033
Total revenues	<u>9,160,719</u>	<u>254,420</u>	<u>853,958</u>	<u>10,269,097</u>
<b>Expenditures</b>				
Administration	509,699	-	-	509,699
District support services	313,096	-	-	313,096
Regular instruction	4,349,585	-	17,895	4,367,480
Vocational instruction	233,450	-	-	233,450
Special education instruction	1,350,538	-	-	1,350,538
Community education and services	-	-	419,794	419,794
Instructional support services	355,273	-	-	355,273
Pupil support services	764,647	-	489,712	1,254,359
Sites and buildings	1,081,031	-	-	1,081,031
Fiscal and other fixed cost programs	107,953	-	-	107,953
Debt service:				
Principal	139,611	220,000	-	359,611
Interest and fiscal charges	42,284	110,902	-	153,186
Total expenditures	<u>9,247,167</u>	<u>330,902</u>	<u>927,401</u>	<u>10,505,470</u>
Net Change in Fund Balances	(86,448)	(76,482)	(73,443)	(236,373)
Fund Balances - Beginning, as restated (Note 8)	<u>4,066,960</u>	<u>169,005</u>	<u>201,454</u>	<u>4,437,419</u>
Fund Balances - Ending	<u>\$ 3,980,512</u>	<u>\$ 92,523</u>	<u>\$ 128,011</u>	<u>\$ 4,201,046</u>

The notes to the financial statements are an integral part of the financial statements

Independent School District No. 2835

Janesville, Minnesota

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2020

Total Net Change in Fund Balances for Governmental Funds \$ (236,373)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is the net of these differences.

Capital outlay	335,840
Depreciation expense	(616,611)

The governmental funds report compensated absences costs as expenditures when paid. On the other hand, the statement of activities reports compensated absences costs as expenditures as the employees earn the benefit. In the statement of net position, the payment of compensated absences results in a reduction of the liability.

(1,841)

Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.

5,026

In governmental funds, OPEB liabilities are measured by the amount of resources used. However, in the statement of activities, an increase in OPEB liability is based on the amount earned by the employees during the period. This amount is the net of these differences.

(31,398)

In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.

(455,396)

The governmental funds report repayment of bond principal and capital lease principal as expenditures. In the statement of net position, however, repayment of principal reduces the liability.

359,611

Long-term debt interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due.

6,178

Property taxes levied and due in previous fiscal years that have not been received as of the end of the current fiscal year are recorded as unavailable revenue - delinquent taxes (not considered available revenues) in the governmental funds. In the statement of activities, these taxes are considered revenue in the period for which they are levied. Unavailable property tax revenues decreased this year.

(993)

Change in Net Position of Governmental Activities

\$ (635,957)

**Note 1 - Summary of Significant Accounting Policies**

The Independent School District No. 2835 (the District) is a school district governed by a board elected by eligible voters of the District. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant School District accounting policies are described below.

**A. Financial Reporting Entity**

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District does not have any blended or discretely presented component units.

The District is the basic level of government which has oversight responsibility and control over all activities related to the public school education in the District's area. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncements, since board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, intergovernmental revenues, and other items not properly included among program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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. With this measurement focus, only current assets, current liabilities and deferred inflows generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. 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 government considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period, except as stated below. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for the following: (1) commodity inventory items are recorded when received, (2) interest and principal on long-term debt are recorded when paid, and (3) claims and judgments, group health claims, and compensated absences are recorded as expenditures when paid with expendable available financial resources. Prepaid items are recorded for approved disbursements made in advance of the year in which the item is budgeted.

Property tax revenues for all funds, which are payable by property owners in a calendar year, are recognized in the fiscal year beginning July 1 of that calendar year. State revenues are recognized in the year to which they apply according to Minnesota Statutes. Federal revenues are recorded in the year in which the related expenditure is made. If the amounts of Minnesota or Federal revenues cannot be reasonably estimated or realization is not assured, they are not recorded as revenue in the current year. Revenue from other school districts is generally recognized when related expenditures occur. All other revenue items are considered to be measurable and available as stated above.

The District reports unavailable revenue on its' governmental fund financial statements. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, unavailable revenue is removed from the financial statements and revenue is recognized. Unearned revenues arise when resources are received by the District before it has legal claim to them, as when property tax levies, food service revenue, or grant monies are received prior to the incurrence of qualifying expenditures. This type of unearned revenue is recorded on the District's government-wide and governmental fund financial statements.



The District reports the following major governmental funds:

- *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is used to account for educational activities, district instructional and student support programs, expenditures for the superintendent, district administration, normal operations and maintenance, pupil transportation, capital expenditures, and legal school district expenditures not specifically designated to be accounted for in any other fund. The District's Student Activity Funds are under board control and are reported and audited in the general fund as committed.
- *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 District reports the following non-major governmental funds:

- *Food Service fund* accounts for food service revenues and expenditures.
- *Community Service fund* accounts for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adults or early childhood programs, extended day programs, or other similar services.

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

##### **1. Cash and Investments**

Cash and investment balances of the District's funds are combined (pooled) and invested to the extent available in various deposits authorized by Minnesota State Statutes. Each fund shares in the earnings according to its average cash balance. Cash includes amounts in demand deposits, as well as short-term investments, with an original maturity date within three months of the date acquired by the District.

##### **2. Receivables**

Under the modified accrual basis of accounting, some revenues are susceptible to accrual while others are not. Major revenues treated as susceptible to accrual are: property taxes, state and federal aids, and revenue from other Minnesota school districts. All receivables are reported at their gross value and, if appropriate, reduced by the estimated portion that is expected to be uncollectible.

Interest and certain receivables are recorded as revenue in the year earned and available to pay liabilities of the current period.

On or before September 15th of each year, the School Board certifies to the county auditor the dates it has selected for its public hearing and for the continuation of its hearing, if necessary. If not certified by this date, the county auditor will assign the hearing date. All school districts must hold public hearings on their proposed property tax levies. Also, at this time the School Board certifies its proposed property tax levy to the county auditor for collection in the following year.

Beginning on November 29th and through December 20th of each year, the District is required by State Law to hold its public hearing on its proposed budgets and proposed property tax levies for the taxes payable in the following year. On or before five business days after December 20th, the School Board certifies its final adopted property taxes payable the following year to the county auditor. If the District has not certified its final property tax by this time, its property tax will be the amount levied by it in the preceding year.

In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the District at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Agricultural land taxes may be paid on May 15 and November 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to Districts three times a year, in January, June, and November.

Property tax revenue is recorded under the intact levy concept whereby taxes collectible during a calendar year are recorded as revenue in the fiscal year beginning with the year of collection. Current taxes receivable represent taxes levied in 2019 which are not payable until 2020 less amounts received before June 30, 2020. Delinquent taxes receivable represent levies collectible during 2019 and prior years. Delinquent taxes are recorded as unavailable revenue. Taxes levied for subsequent years represent current taxes receivable, which are levied in 2019, but not payable until 2020 and are not expendable by the District until the 2020-2021 school year, adjusted for the property tax shift amount.

### **3. Inventories, Commodities, and Prepaid Items**

All inventories are expended when consumed rather than when purchased and are valued at the lower of cost or market using the average cost method. United States Department of Agriculture commodities received are recorded as revenue at the fair market value of such commodities and included in the food service fund revenue and expenditures when received. Unused commodities at year end are included in inventories of food.

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

### **4. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 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. Donated capital assets are recorded at acquisition value.

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

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

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

### 5. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Bond premiums and discounts are deferred and amortized over the life of the bonds and issuance costs are expensed in the period incurred. In the fund financial statements, governmental fund types recognize premiums received on debt issuances 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.

*Compensated Absences* - It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. Vacation leave is accrued as a liability and recorded as an expense of those funds as the benefits are earned by the employees. As of June 30, 2020, this amount did not exceed a normal year's accumulation.

## 6. Pensions

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

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 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 5.

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.

## 7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District has three items that qualify for reporting in this category. They are the contributions made to pension plans and other postemployment benefit plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position 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 position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

## 8. Net Position and Fund Balances

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

- Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact.
- Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which is the School Board through an ordinance or resolution.
- Assigned fund balance represents amounts constrained by the District's intent to be used for specific purposes, but neither restricted nor committed. The School Board has the authority to assign a fund balance and the School Board has also delegated the authority to assign fund balances to the superintendent and business manager.
- Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The District will strive to maintain a General Fund balance, including committed, assigned and unassigned categories, of 25% of the General Fund operating budget. If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

### **E. Inter-Fund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses in the government-wide financial statements and fund financial statements. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers have been removed from the government-wide financial statements.

### **F. Property Taxes**

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. The remaining portion of the taxes collectible in 2018 is recorded as deferred inflows of resources (property taxes levied for subsequent years).

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county general remits taxes to the District at periodic intervals as they are collected. A portion of the property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

### **G. Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2020.

## H. Estimates

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

## I. Implementation of GASB Statement No. 84

As of July 1, 2019, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the District resulted in the Private Purpose Trust Fund being changed from reporting as a fiduciary fund to the General Fund. The effect of the implementation of this standard on beginning net position and fund balance is disclosed in Note 8.

## Note 2 - Stewardship, Compliance, and Accountability

### A. Budgetary Information

The District adopts an annual budget for all funds in accordance with Minnesota State Statutes. The budget is prepared on the modified accrual basis of accounting. Before July 1, the proposed budget is presented to the School Board for review. The School Board holds public hearings and a final budget must be prepared and adopted no later than one week after the School Board approves the audited financial statements and has published the final budget in the local newspaper. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The actual revenues, expenditures, and transfers for the year ended June 30, 2020, have been compared to the District's budget for the year where applicable. Variances in parentheses are unfavorable and indicate revenues are less than budget or expenditures are greater than budget. The budget is adopted through passage of a resolution. Any revisions that alter total expenditures of any fund must be approved by the School Board.

Budgetary control is maintained by fund, at the object of expenditure category level within each program, and in compliance with State requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the School Board. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (1) adequate funds were appropriated; (2) the expenditure is still necessary; and (3) funds are available.

Budgeted amounts are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year end. The School Board made several supplemental budgetary appropriations throughout the year.

**Note 3 - Detailed Notes on All Funds**

**A. Cash and Investments**

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the School Board. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District Treasurer or in a financial institution other than that furnishing the collateral.

**Custodial Credit Risk—Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2020, none of the District’s bank balances were exposed to custodial credit risk.

The following table presents the District’s deposit balances at June 30, 2020:

Type	Fair Value	Investment Maturities (in Years)	
		N/A	<1
Cash			
Deposits	\$ 3,829,402	\$ 3,829,402	\$ -
Investments			
Certificates of Deposit	1,000,000	-	1,000,000
	<u>\$ 4,829,402</u>	<u>\$ 3,829,402</u>	<u>\$ 1,000,000</u>

Cash and investments are included on the basic financial statements as follows:

Cash and Investments - Statement of Net Position	<u>\$ 4,829,402</u>
--	---------------------



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 certificates of deposit of \$1,000,000 are valued using quoted market prices (Level 1 inputs).

**B. Receivables**

Receivables as of the year ended June 30, 2020, for the District are reported on the Statement of Net Position and the Balance Sheet.

The Balance Sheet reports unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The Statement of Net Position and the Balance Sheet also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of unearned revenue reported were as follows:

	<u>Unavailable</u>	<u>Available but Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 63,787	\$ -
Delinquent property taxes receivable (community service fund)	2,456	-
Delinquent property taxes receivable (debt service fund)	10,241	-
Prepaid food service meals (food service fund)	-	1,664
	<u>\$ 76,484</u>	<u>\$ 1,664</u>

**C. Capital Assets**

Depreciation expense was charged to functions/programs of the primary government as follows:

District and school administration	\$ 6,156
Regular instruction	548,174
Vocational support services	38,850
Special education instruction	619
Community education and services	4,367
Instructional support services	2,033
Pupil support services	4,214
Sites and buildings	<u>12,198</u>
Total Depreciation Expense	<u>\$ 616,611</u>

Independent School District No. 2835

Janesville, Minnesota

Notes to Financial Statements

June 30, 2020

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 166,955	\$ -	\$ -	\$ 166,955
Construction in progress	159,109	47,419	206,528	-
Total Capital Assets not being Depreciated	<u>326,064</u>	<u>47,419</u>	<u>206,528</u>	<u>166,955</u>
Capital Assets, being Depreciated:				
Land improvements	338,010	106,921	-	444,931
Buildings	19,777,890	99,745	-	19,877,635
Equipment	2,838,833	288,283	-	3,127,116
Total Capital Assets, being Depreciated	<u>22,954,733</u>	<u>494,949</u>	<u>-</u>	<u>23,449,682</u>
Less Accumulated Depreciation for:				
Land improvements	175,268	14,498	-	189,766
Buildings	6,503,702	406,886	-	6,910,588
Equipment	1,563,577	195,227	-	1,758,804
Total Accumulated Depreciation	<u>8,242,547</u>	<u>616,611</u>	<u>-</u>	<u>8,859,158</u>
Total Capital Assets, Being Depreciated, net	<u>14,712,186</u>	<u>(121,662)</u>	<u>-</u>	<u>14,590,524</u>
Governmental Activities Capital Assets, net	<u>\$ 15,038,250</u>	<u>\$ (74,243)</u>	<u>\$ 206,528</u>	<u>\$ 14,757,479</u>

**D. Direct Borrowing - Capital Leases**

The District entered into a lease purchase agreement for site improvements. The lease is due in annual installments and bears an interest rate of 2.00% to 3.20%. The total cost of the assets under lease is \$3,117,415 and the related accumulated depreciation is \$356,424 as of June 30, 2020. The lease liability is being retired by the debt service fund. The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2020:

Years Ending June 30,	
2021	\$ 45,512
2022	44,976
2023	45,409
2024	44,793
2025	45,144
2026 - 2030	313,059
2031 - 2033	400,151
Total Lease Payments	<u>939,044</u>
Less: Interest	<u>(244,044)</u>
Present Value of Minimum Lease Payments	<u>\$ 695,000</u>

The District entered into a lease agreement for the acquisition, construction and installation of synthetic turf on the District's football field. The lease is due in annual installments and bears an average interest rate of 3.12%. The total cost of the assets under lease is \$4,296,261 and the related accumulated depreciation is \$214,813. as of June 30, 2020. The lease liability is being retired by the general fund. The following is a schedule of minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2020:

Years Ending June 30,	
2021	\$ 181,895
2022	181,895
2023	181,895
2024	181,895
2025	88,236
2026 - 2029	<u>352,945</u>
Total Lease Payments	1,168,761
Less: Interest	<u>(158,400)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 1,010,361</u></u>

**E. Long-Term Debt**

General Obligation Bonds. The District issued general obligation bonds to provide funds for the improvement and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District and are paid from the debt service fund. General obligation bonds currently outstanding are as follows:

Bond Description	Final Maturities	Annual Installments	Interest Rate	Original Principal	Outstanding Balance
General Obligation Capital Facilities Bonds, Series 2014A	02/01/29	\$85,000 - \$110,000	1.40% - 3.20%	\$ 1,285,000	\$ 870,000
General Obligation Capital Facilities Bonds, Series 2017A	02/01/34	\$115,000 - \$145,000	3.00%	2,045,000	<u>1,820,000</u>
					<u><u>\$ 2,690,000</u></u>

Independent School District No. 2835

Janesville, Minnesota

Notes to Financial Statements

June 30, 2020

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

Years Ending June 30,	Governmental Activities	
	Principal	Interest
2021	\$ 200,000	\$ 80,280
2022	210,000	75,130
2023	210,000	68,830
2024	220,000	62,530
2025	220,000	55,930
2026 - 2030	1,095,000	174,460
2031 - 2034	535,000	40,650
<b>Total</b>	<b>\$ 2,690,000</b>	<b>\$ 557,810</b>

Changes in Long-Term Debt. During the year ended June 30, 2020, the following changes occurred in liabilities reported in the government-wide financial statements:

	Balance July 01, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Bonds Payable					
General Obligation Bonds Payable	\$ 2,890,000	\$ -	\$ 200,000	\$ 2,690,000	\$ 200,000
Bond Premium	75,385	-	5,026	70,359	5,026
Total Bonds Payable	2,965,385	-	205,026	2,760,359	205,026
Capital Leases Payable -					
Direct Borrowing	1,864,972	-	159,611	1,705,361	165,867
Compensated Absences	41,092	37,715	35,874	42,933	42,933
	<u>\$ 4,871,449</u>	<u>\$ 37,715</u>	<u>\$ 400,511</u>	<u>\$ 4,508,653</u>	<u>\$ 413,826</u>

Compensated Absences. The District has 19 current employees who have qualified for compensated absences benefits. Current year severance payments, as were prior year severance payments, were made from the general fund of the governmental funds.

Legal Debt Margin. Minnesota State Statutes do not allow net debt (as defined in Minn. Stat. Para. 475.51 subd. 4) to exceed 15 percent of the actual market value of all taxable property within the District. The District's market value per the School Tax Report 2019 Payable 2020 was \$366,981,100.

**F. Fund Balances**

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

The following is a summary of fund balances as of June 30, 2020:

	General Fund	Debt Service Fund	Nonmajor Other Governmental Funds	Total
Fund balances				
Nonspendable				
Inventories	\$ -	\$ -	\$ 7,083	\$ 7,083
Prepaid items	95,605	-	-	95,605
Total nonspendable	<u>95,605</u>	<u>-</u>	<u>7,083</u>	<u>102,688</u>
Restricted				
Staff development	23,805	-	-	23,805
Area learning center	6,450	-	-	6,450
Long term facilities maintenance	1,573	-	-	1,573
Medical assistance	243,954	-	-	243,954
Student activities	115,979	-	-	115,979
Scholarships	8,771	-	-	8,771
Debt service	-	92,523	-	92,523
Food service	-	-	118,699	118,699
Community education	-	-	9,483	9,483
E.C.F.E.	-	-	3,540	3,540
School readiness	-	-	10,888	10,888
Total restricted	<u>400,532</u>	<u>92,523</u>	<u>142,610</u>	<u>635,665</u>
Assigned				
Snack cart	55,290	-	-	55,290
Roof replacement	500,000	-	-	500,000
Turf	210,000	-	-	210,000
Tech insurance	18,942	-	-	18,942
Total assigned	<u>784,232</u>	<u>-</u>	<u>-</u>	<u>784,232</u>
Unassigned	<u>2,700,143</u>	<u>-</u>	<u>(21,682)</u>	<u>2,678,461</u>
Total fund balance	<u>\$ 3,980,512</u>	<u>\$ 92,523</u>	<u>\$ 128,011</u>	<u>\$ 4,201,046</u>

Independent School District No. 2835

Janesville, Minnesota

Notes to Financial Statements

June 30, 2020

The Uniform Financial Accounting and Reporting Standards (UFARS) fund balance reporting standards are slightly different than the reporting standards under GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is a reconciliation between the fund balances following GASB standards and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Fund balances			
Nonspendable			
Inventories	\$ 7,083	\$ -	\$ 7,083
Prepaid items	95,605	-	95,605
Total nonspendable	<u>102,688</u>	<u>-</u>	<u>102,688</u>
Restricted			
Staff development	23,805	-	23,805
Area learning center	6,450	-	6,450
Long term facilities maintenance	1,573	-	1,573
Medical assistance	243,954	-	243,954
Student activities	115,979	-	115,979
Scholarships	8,771	-	8,771
Debt service	92,523	-	92,523
Food service	118,699	-	118,699
Community education	9,483	-	9,483
E.C.F.E.	3,540	-	3,540
School readiness	10,888	-	10,888
Total restricted	<u>635,665</u>	<u>-</u>	<u>635,665</u>
Assigned			
Snack cart	55,290	-	55,290
Roof replacement	500,000	-	500,000
Turf	210,000	-	210,000
Tech insurance	18,942	-	18,942
Total assigned	<u>784,232</u>	<u>-</u>	<u>784,232</u>
Unassigned	<u>2,678,461</u>	<u>-</u>	<u>2,678,461</u>
Total fund balance	<u>\$ 4,201,046</u>	<u>\$ -</u>	<u>\$ 4,201,046</u>

**Note 4 - Other Post-Employment Benefits**

**A. Plan Description**

All employees are allowed, upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District’s health insurance plan after retirement. This plan covers active and retired employees. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. The retiree health plan does not issue a publicly available financial report. Contract groups receive other post-retirement benefits as follows:

- *Teachers –*
  - For retirees reaching age 57 with 15 years of service or Rule of 90 eligibility hired before August 30, 1994, the district will contribute \$40,965 less accumulated district contributions to the matching 403(b) plan paid to a Health Care Savings Plan in four equal payments over two years
  - For retirees with at least 4 years of service, the district will provide a matching contribution per the schedule below, with a maximum career match of \$24,400:

<u>Years of Service</u>	<u>Amount</u>
4-10	\$1,045
11-18	\$1,300
19 +	\$1,500

**B. Benefits Provided**

The contract groups have access to other post-retirement benefits of blended medical premiums of \$534 for single and \$1,535 for family coverage. The implicit rate subsidy is only until Medicare eligibility. See plan descriptions above for medical subsidized benefits. There are no subsidized dental or life insurance benefits.

**C. Employees Covered by Benefit Terms**

At the valuation date of July 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>107</u>
	<u><u>110</u></u>

**D. Total OPEB Liability**

The District's total OPEB liability of \$503,816 was measured as of July 1, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

**E. Actuarial Assumptions**

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	Service graded table
Discount rate	3.10 percent
Healthcare cost trend rates	6.50 percent as of July 1, 2019 grading to 5.00 percent over 6 years
Retiree plan participation	
Pre-65 subsidy available:	50.00 percent
Pre-65 subsidy not available:	
Paraprofessionals	10.00 percent
All Others	50.00 percent
Percent of married retirees electing spouse coverage	20.00 percent



Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2019 valuation were based on inputs from a variety of published sources of historical and projected future financial data.

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

#### F. Changes in Total OPEB Liability

Balance at June 30, 2019	\$ 404,057
Changes from the Prior Year:	
Service Cost	43,111
Interest Cost	14,805
Assumption Changes	(17,889)
Plan Changes	(743)
Differences between Expected and Actual Experience	84,100
Benefit Payments	<u>(23,625)</u>
Net Change	<u>99,759</u>
Balance at June 30, 2020	<u>\$ 503,816</u>

#### G. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount rate	2.10%	3.10%	4.10%
Total OPEB Liability	\$ 532,858	\$ 503,816	\$ 475,668

The following represents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Selected Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
Total OPEB Liability	\$ 457,924	\$ 503,816	\$ 559,160
Medical trend rate	5.50% decreasing to 4.00% over 6 years	6.50% decreasing to 5.00% over 6 years	7.50% decreasing to 6.00% over 6 years

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$66,632. At June 30, 2020, 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>
Assumption changes	\$ -	\$ 15,333
Liability losses	72,085	-
Employer contributions subsequent to the measurement date	35,234	-
	<u>\$ 107,319</u>	<u>\$ 15,333</u>

\$35,234 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021.

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

<u>Years Ended June 30,</u>	<u>Pension Expense Amount</u>
2021	\$ (11,350)
2022	(11,350)
2023	(11,350)
2024	(11,350)
2025	(11,352)

**Note 5 - Defined Benefit Pension Plans**

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follow:

**1. Public Employees Retirement Association (PERA)****A. 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). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

All full-time and certain part-time employees of the District, other than teachers, are covered by General Employees Retirement Fund (GERF). Coordinated Plan members are covered by Social Security.

**B. Benefits Provided**

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

General Employee Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan Members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each additional year. Under Method 2, the annuity accrual rate is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be 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. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**C. Contribution Rate**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2020. The District was required to contribute 7.50 % for Coordinated Plan members. The District’s contributions to the GERS for the year ended June 30, 2020, were \$90,101. The District’s contributions were equal to the required contributions for each year as set by state statute.

**D. Pension Costs**

At June 30, 2020, the District reported a liability of \$939,892 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 to the fund in 2019. 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 \$29,332. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2019, the District’s proportion was 0.0170% at the end of the measurement period and 0.0190% for the beginning of the period.

District’s proportionate share of net pension liability	\$ 939,892
State’s proportionate share of the net pension liability associated with the District	<u>29,332</u>
	<u>\$ 969,224</u>

Independent School District No. 2835

Janesville, Minnesota

Notes to Financial Statements

June 30, 2020

For the year ended June 30, 2020, the District recognized pension expense of \$55,291 for its proportionate share of GERS's pension expense. In addition, the District recognized an additional \$2,197 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2020, the District reported its proportionate share of the General Employees Plan's 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	\$ 26,978	\$ -
Changes in actuarial assumptions	-	79,058
Difference between projected and actual investment earnings	-	103,148
Change in proportion and differences between contributions made and District's proportionate share of contributions	25,536	97,423
District's contributions to GERS subsequent to the measurement date	<u>90,101</u>	<u>-</u>
Total	<u>\$ 142,615</u>	<u>\$ 279,629</u>

\$90,101 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2021	\$ (82,300)
2022	(97,461)
2023	(48,870)
2024	1,516

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Assumptions	GERF
Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50% per year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and debilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employee Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

Changes in Actuarial Assumptions:

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

## Changes in Plan Provisions:

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	35.50%	5.10%
Private Markets	25.00%	5.90%
Fixed Income	20.00%	0.75%
International Equity	17.50%	5.90%
Cash Equivalents	2.00%	0.00%
Total	<u>100%</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates set in Minnesota Statutes. Based on that assumption, the fiduciary net position of the GERS was projected to be available to make all projected future benefit payments of current active 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.

**G. Pension Liability Sensitivity**

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	\$ 1,545,132	\$ 939,892	\$ 440,146

**H. 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](http://www.mnpera.org)

**2. Teachers Retirement Association (TRA)****A. Plan Descriptions**

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 TRA-covered educational institutions maintained by the state (except those employed by St. Paul schools or Minnesota State colleges and universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Defined Contribution Plan (DCR) administered by the State of Minnesota.



**B. Benefits Provided**

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

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

*Tier I Benefits*

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

With these provisions:

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

or

*Tier II Benefits*

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

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

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

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

### C. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2018, June 30, 2019, and June 30, 2020 were:

	Ending June 30, 2018		Ending June 30, 2019		Ending June 30, 2020	
	Employees	Employers	Employees	Employers	Employees	Employers
Basic	11.00%	11.50%	11.00%	11.71%	11.00%	11.92%
Coordinated	7.50%	7.50%	7.50%	7.71%	7.50%	7.92%

The following is a reconciliation of employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

	<u><i>In thousands</i></u>
Employer contributions reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	\$ 403,300
Add employer contributions not related to future contribution efforts	(688)
Deduct TRA's contributions not included in allocation	<u>(486)</u>
Total employer contributions	402,126
Total non-employer contributions	<u>35,588</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u>\$ 437,714</u>

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

**D. Actuarial Assumptions**

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Key Methods and Assumptions Used in Valuation of Total Pension Liability</b>	
<b>Actuarial Information</b>	
Valuation date	July 1, 2019
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected salary increase	2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% after June 30, 2028
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality assumptions	
Pre-retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.

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:

<u>Asset Class</u>	<u>Allocations of June 30, 2018</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	35.50%	5.10%
International Equity	17.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	20.00%	0.75%
Unallocated Cash	2.00%	0.00%
Total	<u>100%</u>	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2017 is 6 years. The *Difference Between Expected and Actual Experience, Changes of Assumptions, and Changes in Proportion* use the amortization period of 6 years in the schedule presented. The amortization period for “Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments” is over a period of 5 years as required by GASB 68.

Changes in actuarial assumptions since the 2018 valuation:

- 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, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**E. Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR).

**F. Net Pension Liability**

At June 30, 2020, the District reported a liability of \$3,977,389 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.0624% at the end of the measurement period and 0.0587% 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	<u>\$ 3,977,389</u>
State's proportionate share of the net pension liability associated with the District	<u>\$ 351,872</u>

For the year ended June 30, 2020, the District recognized pension expense of \$377,876. It also recognized \$26,746 as an increase to pension expense for the support provided by direct aid.

Independent School District No. 2835

Janesville, Minnesota

Notes to Financial Statements

June 30, 2020

On June 30, 2020, the District had deferred resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 449	\$ 91,436
Changes in actuarial assumptions	2,850,936	4,933,776
Difference between projected and actual investment earnings	-	316,053
Change in proportion and differences between contributions made and District's proportionate share of contributions	952,149	20,786
District's contributions to TRA subsequent to the measurement date	<u>304,530</u>	<u>-</u>
Total	<u>\$ 4,108,064</u>	<u>\$ 5,362,051</u>

\$304,530 was reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	<u>Pension Expense Amount</u>
2021	\$ 324,960
2022	136,579
2023	(1,156,425)
2024	(894,991)
2025	31,360

**G. Pension Liability Sensitivity**

The following presents the net pension liability of TRA calculated using the discount rate of 7.50 %, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower ( 6.50 %) or one percentage point higher ( 8.50 %) than the current rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 6,340,931	\$ 3,977,389	\$ 2,028,684

The Janesville Waldorf Pemberton Public Schools ISD No. 2835's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis and Minneapolis School District.

**H. Pension Plan Fiduciary Net Position**

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

**I. Subsequent Events and the COVID-19 Pandemic Subsequent to Year-End**

The United States and global markets experienced declines in values resulting from uncertainty caused by COVID-19. The resulting declines are expected to have a negative impact on TRA's discount rate as well as the value of the Plan's investments. Any impact caused by the resulting declines have not been included in the schedules as of June 30, 2019.

**Note 6 - 403(b) Plan**

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Some employees are eligible to receive a match of employee contributions up to the qualifying amounts set forth in their Wage and Benefit Guidelines. Contributions are invested in tax deferred annuities hosted by a vendor from whom the District has obtained. The District's contributions for the years ended June 30, 2020, 2019, and 2018, were \$56,399, \$56,234, and \$51,797, respectively. The related employee contributions were \$104,967, \$97,996, and \$91,722, for the years ended June 30, 2020, 2019, and 2018, respectively.

**Note 7 - Other Information**

**A. Contingent Liabilities**

The District participates in a number of federal and state programs that are either partially or fully funded by grants or aids received from these agencies or other governmental units. Such programs are subject to audit by the grantor agencies which could result in requests for reimbursement to the granting agency for expenditures that are disallowed under the terms of the grant. Based on past experience, the District believes that any disallowed costs as a result of such audits will be immaterial.

**B. COVID-19 Pandemic**

The District received federal grant funding related to the global COVID-19 pandemic. \$80,566 was received under the Elementary and Secondary School Emergency Relief Fund (ESSER) formula and grant, \$6,495 was received under the Governor’s Emergency Education Relief Fund (GEER) grant, and \$166,775 was received as part of the Coronavirus Relief Fund (CRF). All grants will be used to cover COVID-19 expenditures of the District.

**Note 8 - Adoption of New Standard**

As of July 1, 2019, the District adopted GASB Statement No. 84, *Fiduciary Activities*. Due to the new Standard, the District’s Private Purpose Trust fund will now be held in and accounted for in the District’s General fund. This fund was previously accounted for in the District’s fiduciary funds. Beginning net position and fund balance in the Private Purpose Trust fund was restated to retroactively move the Private Purpose Trust fund to the net position/fund balance of the District as follows:

	Governmental Activities	General Fund
Net Position/Fund Balance - June 30, 2019, as previously reported	\$ 8,356,227	\$ 4,041,917
Restatement due to Private Purpose Trust Fund reported under the general fund	25,043	25,043
Net Position/Fund Balance - June 30, 2019, as restated	\$ 8,381,270	\$ 4,066,960



**Note 9 - Issued But Non-effective Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the District. The first statement issued but not yet implemented that will affect the District is Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This Statement will be implemented at the District in the year ended June 30, 2022.

The second statement issued but not yet implemented that will affect the District is Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period. This Statement will be implemented at the District in the year ended June 30, 2022.

The third statement issued but not yet implemented that will affect the District is Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. This Statement will be implemented at the District in the year ended June 30, 2023.

The final statement issued but not yet implemented that will affect the District is Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. This Statement will be implemented at the District in the year ended June 30, 2023.

Management has not yet determined the effect these pronouncements will have on the District's financial statements.

Independent School District No. 2835  
Janesville, Minnesota  
Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
Year Ended June 30, 2020

---

**Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Last 10 Fiscal years \***

	2020	2019	2018
Service cost	\$ 43,111	\$ 33,457	\$ 32,483
Interest	14,805	13,762	13,436
Assumption changes	(17,889)	-	-
Plan changes	(743)	-	-
Differences between expected and actual experience	84,100	-	-
Benefit payments	(23,625)	(28,701)	(45,779)
Net change in total OPEB liability	99,759	18,518	140
Total OPEB liability - beginning	404,057	385,539	385,399
Total OPEB liability - ending	<u>\$ 503,816</u>	<u>\$ 404,057</u>	<u>\$ 385,539</u>
Covered-employee payroll	\$ 4,542,636	\$ 4,094,432	\$ 4,094,432
District's total OPEB liability as a percentage of covered-employee payroll	11.09%	9.87%	9.42%

\*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Notes to the Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

**Benefit Changes**

- None

**Assumption Changes**

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated 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.
- The discount rate was changed from 3.40% to 3.10%.

Independent School District No. 2835

Janesville, Minnesota

Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

Year Ended June 30, 2020

**Schedule of Employer's Share of Net Pension Liability**

**Last 10 Fiscal Years\***

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (d) (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (d/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2019	0.0170%	\$ 939,892	\$ 29,332	\$ 969,224	\$ 1,205,675	80.4%	80.2%
	6/30/2018	0.0190%	1,054,042	34,710	1,088,752	1,294,924	84.1%	79.5%
	6/30/2017	0.0182%	1,161,876	14,583	1,176,459	1,173,268	100.3%	75.9%
	6/30/2016	0.0189%	1,534,586	19,993	1,554,579	1,120,356	138.8%	68.9%
	6/30/2015	0.0181%	938,036	N/A	938,036	1,053,493	89.0%	78.2%
	6/30/2014	0.0178%	836,155	N/A	836,155	1,001,606	83.5%	78.8%
	TRA	6/30/2019	0.0624%	\$ 3,977,389	\$ 351,872	\$ 4,329,261	\$ 3,623,025	119.5%
6/30/2018		0.0587%	3,688,765	346,314	4,035,079	3,264,408	123.6%	78.1%
6/30/2017		0.0568%	11,338,310	1,096,202	12,434,512	3,075,627	404.3%	51.6%
6/30/2016		0.0532%	12,689,469	1,272,824	13,962,293	2,826,640	494.0%	44.9%
6/30/2015		0.0495%	3,062,065	375,783	3,437,848	2,531,680	135.8%	76.8%
6/30/2014		0.0550%	2,534,360	178,382	2,712,742	2,580,287	105.1%	81.5%

**Schedule of Employer's Contributions**

**Last 10 Fiscal Years\***

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
PERA	6/30/2020	\$ 90,101	\$ 90,101	\$ -	\$ 1,204,908	7.5%
	6/30/2019	89,823	89,823	-	1,205,675	7.5%
	6/30/2018	96,670	96,670	-	1,294,924	7.5%
	6/30/2017	87,642	87,642	-	1,173,268	7.5%
	6/30/2016	83,866	83,866	-	1,120,356	7.5%
	6/30/2015	79,012	79,012	-	1,053,493	7.5%
TRA	6/30/2020	\$ 304,530	\$ 304,530	\$ -	3,854,810	7.9%
	6/30/2019	278,009	278,009	-	3,623,025	7.7%
	6/30/2018	244,066	244,066	-	3,264,408	7.5%
	6/30/2017	230,672	230,672	-	3,075,627	7.5%
	6/30/2016	211,998	211,998	-	2,826,640	7.5%
	6/30/2015	189,876	189,876	-	2,531,680	7.5%

\* GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions****2019 Changes**

## Changes in Actuarial Assumptions:

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

## Changes in Plan Provisions:

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

**2018 Changes**

## Changes in Actuarial Assumptions:

- The morality 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.

## Changes in Plan Provisions:

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

**2017 Changes**

## Changes in Actuarial Assumptions:

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions:

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

**2016 Changes**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**2015 Changes**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Independent School District No. 2835  
 Janesville, Minnesota  
 Budgetary Comparison Schedule: General Fund  
 Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Local property tax levies	\$ 1,516,074	\$ 1,516,848	\$ 1,526,015	\$ 9,167
Other local and county sources	618,100	656,445	502,066	(154,379)
State sources	6,923,374	6,748,217	6,789,810	41,593
Federal sources	343,000	380,275	342,828	(37,447)
Total revenues	<u>9,400,548</u>	<u>9,301,785</u>	<u>9,160,719</u>	<u>(141,066)</u>
<b>Expenditures</b>				
Administration	581,312	447,245	509,699	(62,454)
District support services	249,807	250,807	313,096	(62,289)
Regular instruction	4,389,517	4,887,041	4,349,585	537,456
Vocational instruction	194,365	203,184	233,450	(30,266)
Special education instruction	1,093,490	1,179,185	1,350,538	(171,353)
Instructional support services	552,791	493,575	355,273	138,302
Pupil support services	720,494	721,644	764,647	(43,003)
Sites and buildings	989,327	1,102,503	1,081,031	21,472
Fiscal and other fixed cost programs	90,000	90,000	107,953	(17,953)
Debt service				
Principal	139,611	139,611	139,611	-
Interest and fiscal charges	82,644	42,284	42,284	-
Total expenditures	<u>9,083,358</u>	<u>9,557,079</u>	<u>9,247,167</u>	<u>309,912</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	317,190	(255,294)	(86,448)	168,846
<b>Other Financing Sources</b>				
Sale of equipment	-	500	-	(500)
Net Change in Fund Balances	<u>\$ 317,190</u>	<u>\$ (254,794)</u>	(86,448)	<u>\$ 168,346</u>
Fund Balance - Beginning, as Restated (Note 8)			<u>4,066,960</u>	
Fund Balance - Ending			<u>\$ 3,980,512</u>	

**Independent School District No. 2835  
(Janesville-Waldorf-Pemberton),  
Waseca, Blue Earth, and Faribault Counties, Minnesota  
\$9,535,000\* General Obligation Facilities Maintenance Bonds, Series 2021A**

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of \$\_\_\_\_\_ (which may not be less than \$9,420,580) plus accrued interest, if any, to the date of delivery.

<u>Year</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Dollar Price</u>	<u>Year</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Dollar Price</u>
2023	_____ %	_____ %	_____ %	2033	_____ %	_____ %	_____ %
2024	_____ %	_____ %	_____ %	2034	_____ %	_____ %	_____ %
2025	_____ %	_____ %	_____ %	2035	_____ %	_____ %	_____ %
2026	_____ %	_____ %	_____ %	2036	_____ %	_____ %	_____ %
2027	_____ %	_____ %	_____ %	2037	_____ %	_____ %	_____ %
2028	_____ %	_____ %	_____ %	2038	_____ %	_____ %	_____ %
2029	_____ %	_____ %	_____ %	2039	_____ %	_____ %	_____ %
2030	_____ %	_____ %	_____ %	2040	_____ %	_____ %	_____ %
2031	_____ %	_____ %	_____ %	2041	_____ %	_____ %	_____ %
2032	_____ %	_____ %	_____ %	2042	_____ %	_____ %	_____ %

**Designation of Term Maturities**

Years of Term Maturities \_\_\_\_\_  
\_\_\_\_\_

In making this offer on the sale date of September 20, 2021 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated September 1, 2021 including the District’s right to modify the principal amount of the Bonds. (See “Terms of Proposal” herein.) In the event of failure to deliver these Bonds in accordance with said Terms of Proposal, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: \$ \_\_\_\_\_

TRUE INTEREST RATE: \_\_\_\_\_ %

The Bidder  will not  will purchase municipal bond insurance from \_\_\_\_\_.

Account Members

\_\_\_\_\_  
Account Manager

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

Phone: \_\_\_\_\_

.....  
The foregoing proposal has been accepted by the District.

Attest: \_\_\_\_\_

Date: \_\_\_\_\_

.....  
\* Preliminary; subject to change.