

## PRELIMINARY OFFICIAL STATEMENT DATED MARCH 7, 2024

In the opinion of Kennedy & Graven, Chartered, Bond Counsel to the District, 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 set forth in the resolution approving the issuance of the Bonds, interest to be paid on the Bonds is excludable from gross income for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, such interest is included in determining the adjusted financial statement income of applicable corporations for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding the other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "TAX EXEMPTION" herein.

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

**New Issue**

**Rating Application Made: S&P Global Ratings**

### INDEPENDENT SCHOOL DISTRICT NO. 330 (HERON LAKE-OKABENA), MINNESOTA (Jackson, Cottonwood and Nobles Counties)

(Minnesota School District Credit Enhancement Program)

### \$2,500,000\* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2024A

**PROPOSAL OPENING:** March 19, 2024, 10:30 A.M., C.T. **CONSIDERATION:** March 19, 2024, 7:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$2,500,000\* General Obligation School Building Bonds, Series 2024A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held August 8, 2023 by Independent School District No. 330 (Heron Lake-Okabena), Minnesota (the "District"), for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

**DATE OF BONDS:** April 11, 2024

**MATURITY:** February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2025	\$25,000	2030	\$285,000	2035	\$125,000
2026	265,000	2031	110,000	2036	135,000
2027	245,000	2032	110,000	2037	140,000
2028	260,000	2033	115,000	2038	145,000
2029	270,000	2034	120,000	2039	150,000

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

**TERM BONDS:** See "Term Bond Option" herein.

**INTEREST:** February 1, 2025 and semiannually thereafter.

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

**MINIMUM PROPOSAL:** \$2,500,000.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$50,000 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** Bond Trust Services Corporation.

**BOND COUNSEL:** Kennedy & Graven, Chartered.

**MUNICIPAL ADVISOR:** Ehlers and Associates, Inc.

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

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



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1 (800) 552-1171

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## REPRESENTATIONS

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

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

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

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

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

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

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

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

## CLOSING CERTIFICATES

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

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## **HERON LAKE-OKABENA SCHOOL BOARD**

		<u>Term Expires</u>
John Volk	Board Chair	January 2027
Mark Fest	Vice Chair	January 2027
Annie Rasche	Secretary	January 2027
Robert Egge	Treasurer	January 2025
Travis Hendel	Member	January 2027
Katie Janssen	Member	January 2025

## **ADMINISTRATION**

Paul Bang, Superintendent of Schools  
Tracy Freking, Business Manager

## **PROFESSIONAL SERVICES**

Kennedy & Graven, Chartered, Bond Counsel, Minneapolis, Minnesota

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

# INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 330 (Heron Lake-Okabena), Minnesota (the "District") and the issuance of its \$2,500,000\* General Obligation School Building Bonds, Series 2024A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the School Board on March 19, 2024.

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

## THE BONDS

### GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of April 11, 2024. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2025, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2025 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

\*Preliminary, subject to change.

**OPTIONAL REDEMPTION**

At the option of the District, the Bonds maturing on or after February 1, 2033 shall be subject to optional redemption prior to maturity on February 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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

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

**AUTHORITY; PURPOSE**

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held August 8, 2023, by the District, at which voters approved a building program by a vote of 209-34. Proceeds of the Bonds will be used to provide funds for the acquisition and betterment of school sites and facilities, including the completion of various deferred maintenance projects at school sites and facilities, including the construction of a new roof on a portion of the high school, the installation of a new pool filtering system at the elementary school, and repairs and maintenance to the building envelope at the elementary school.

**ESTIMATED SOURCES AND USES\***

<b>Sources</b>		
Par Amount of Bonds	\$2,500,000	
Reoffering Premium	<u>202,912</u>	
<b>Total Sources</b>		<b>\$2,702,912</b>
<b>Uses</b>		
Total Underwriter's Discount (1.500%)	\$37,500	
Costs of Issuance	63,500	
Deposit to Construction Fund	<u>2,601,912</u>	
<b>Total Uses</b>		<b>\$2,702,912</b>

\*Preliminary, subject to change.

**SECURITY**

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

## **RATING**

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

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

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

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

By resolution adopted for this issue on February 20, 2024 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, as amended, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

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

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

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

In its Official Statement dated August 1, 2023, for General Obligation State Bonds, Series 2023A, 2023B, 2023C, 2023D and 2023E, the State of Minnesota disclosed the following information about the State Credit Enhancement Program for School Districts:

"As of June 30, 2023, 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 \$17,500,000,000. 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, 2023, is currently estimated at \$2,700,000,000, with the maximum amount of principal and interest payable in any one month being \$1,060,000,000. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.

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

## **CONTINUING DISCLOSURE**

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

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

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

In the previous five years, the District believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The District has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the District.

## LEGAL OPINION

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

## TAX EXEMPTION

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

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

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

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

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

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

## **Legislative proposals**

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

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

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

## **MUNICIPAL ADVISOR**

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

## **MUNICIPAL ADVISOR AFFILIATED COMPANIES**

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

## INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2023 have been audited by Meulebroeck, Tauber & Co., PLLP, Luverne, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

## RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# VALUATIONS

## OVERVIEW

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

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

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

Type of Property	2020/21	2021/22	2022/23
Residential homestead <sup>1</sup>	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead <sup>1</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,880,000 - 0.50% <sup>2</sup> Over \$1,880,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% <sup>2</sup> Over \$1,900,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,890,000 - 0.50% <sup>2</sup> Over \$1,890,000 - 1.00% <sup>2</sup>
Agricultural non-homestead	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>
Seasonal recreational residential	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: First \$174,000 - .75% Over \$174,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%
Industrial/Commercial/Utility <sup>5</sup>	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

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

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

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

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

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

## CURRENT PROPERTY VALUATIONS

2022/23 Economic Market Value \$905,374,838<sup>1</sup>

### 2022/23 Assessor's Estimated Market Value

	<b>Jackson County</b>	<b>Cottonwood County</b>	<b>Nobles County</b>	<b>Total</b>
Real Estate	\$666,921,600	\$104,243,200	\$476,100	\$771,640,900
Personal Property	<u>19,311,000</u>	<u>749,800</u>	<u>0</u>	<u>20,060,800</u>
Total Valuation	<u><u>\$686,232,600</u></u>	<u><u>\$104,993,000</u></u>	<u><u>\$476,100</u></u>	<u><u>\$791,701,700</u></u>

### 2022/23 Net Tax Capacity

	<b>Jackson County</b>	<b>Cottonwood County</b>	<b>Nobles County</b>	<b>Total</b>
Real Estate	\$5,541,886	\$875,395	\$2,381	\$6,419,662
Personal Property	<u>386,220</u>	<u>14,996</u>	<u>0</u>	<u>401,216</u>
Net Tax Capacity	\$5,928,106	\$890,391	\$2,381	\$6,820,878
Less: Power Line Adjustment <sup>2</sup>	<u>(10,310)</u>	<u>0</u>	<u>0</u>	<u>(10,310)</u>
Taxable Net Tax Capacity	<u><u>\$5,917,796</u></u>	<u><u>\$890,391</u></u>	<u><u>\$2,381</u></u>	<u><u>\$6,810,568</u></u>

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<sup>1</sup> According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 87.50% of the actual selling prices of property most recently sold in the District. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the District of \$905,374,838.

<sup>2</sup> Ten percent of the net tax capacity of certain high voltage transmission lines is removed when setting local tax rates. However, taxes are paid on the full value of these lines. The taxes attributable to 10% of value of these lines are used to fund a power line credit. Certain property owners receive a credit when the high voltage transmission line runs over their property.

## 2022/23 NET TAX CAPACITY BY CLASSIFICATION

	2022/23 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$453,910	6.65%
Agricultural	5,406,520	79.26%
Commercial/industrial	319,035	4.68%
Public utility	47,180	0.69%
Railroad operating property	49,992	0.73%
Non-homestead residential	135,681	1.99%
Commercial & residential seasonal/rec.	7,344	0.11%
Personal property	<u>401,216</u>	<u>5.88%</u>
Total	<u><u>\$6,820,878</u></u>	<u><u>100.00%</u></u>

## TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity <sup>1</sup>	Taxable Net Tax Capacity <sup>2</sup>	Percent Increase/Decrease in Estimated Market Value
2018/19	\$697,026,600	\$684,067,390	\$5,964,765	\$5,942,153	-5.07%
2019/20	668,127,300	655,218,982	5,715,155	5,692,494	-4.15%
2020/21	663,356,700	650,403,112	5,720,391	5,697,208	-0.71%
2021/22	653,727,400	640,482,705	5,555,254	5,544,978	-1.45%
2022/23	791,701,700	778,906,019	6,820,878	6,810,568	21.11%

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<sup>1</sup> Net Tax Capacity includes power line values.

<sup>2</sup> Taxable Net Tax Capacity does not include power line values.

## LARGEST TAXPAYERS

Taxpayer	Type of Property	2022/23 Net Tax Capacity	Percent of District's Total Net Tax Capacity
ITC Midwest LLC	Utility	\$225,970	3.31%
Heron Lake Bioenergy LLC	Industrial	201,134	2.95%
Individual	Agricultural	121,744	1.78%
Xcel Energy	Utility	103,094	1.51%
Individual	Agricultural	98,657	1.45%
Agrinatural Gas LLC	Utility	80,022	1.17%
Individual	Agricultural	63,312	0.93%
New Vision Co-op	Commercial	59,790	0.88%
Alba Grain Inc.	Agricultural	57,204	0.84%
Individual	Agricultural	55,502	0.81%
Total		<u>\$1,066,429</u>	<u>15.63%</u>

District's Total 2022/23 Net Tax Capacity                      \$6,820,878

**Source:** Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by Jackson, Cottonwood and Nobles Counties.

## DEBT

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

#### General Obligation Debt (see schedule following)

Total G.O. debt secured by tax abatement revenues and state aids <sup>2</sup>	\$210,000
Total G.O. debt secured by taxes and state aids <sup>2</sup> (includes the Bonds)*	<u>2,755,000</u>
Total General Obligation Debt*	<u><u>\$2,965,000</u></u>

\*Preliminary, subject to change.

#### Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations <sup>3</sup>	<u><u>\$78,981</u></u>
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<sup>1</sup> Outstanding debt is as of the dated date of the Bonds.

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

<sup>3</sup> Non-general obligation debt has not been included in the debt ratios.

## **DEBT PAYMENT HISTORY**

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

## **FUTURE FINANCING**

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

## **STATE AID FOR DEBT SERVICE**

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

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

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

Some school districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minnesota Statutes, Section 273.1387). For taxes payable in 2023, and thereafter, the reimbursement percentage for each qualifying property is 70% of the property's eligible net tax capacity multiplied by the school debt tax rate determined under Minnesota Statutes, Section 275.08, subdivision 1b. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, and to rural vacant land and managed forest land. The amount of agricultural credit received in the debt service fund for taxes payable 2023 is approximately 53.65% of total annual debt service levies, based on the District's 2022/23 qualifying agricultural land valuation.

**BONDED DEBT LIMIT**

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

2022/23 Economic Market Value	\$905,374,838
Multiply by 15%	<u>0.15</u>
Statutory Debt Limit	\$135,806,226
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	<u>(2,755,000)</u>
Unused Debt Limit*	<u><u>\$133,051,226</u></u>

\*Preliminary, subject to change.

**Independent School District No. 330 (Heron Lake-Okabena), Minnesota**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Secured by Tax Abatement Revenues**  
**(As of 04/11/2024)**

Tax Abatement Bonds								
Series 2022A								
Dated	05/12/2022							
Amount	\$455,000							
Maturity	02/01							
Fiscal Year	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal	% Paid	Fiscal Year
Ending						Outstanding		Ending
2025	210,000	8,400	210,000	8,400	218,400	0	100.00%	2025
	210,000	8,400	210,000	8,400	218,400			

**Independent School District No. 330 (Heron Lake-Okabena), Minnesota**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Secured by Taxes**  
**(As of 04/11/2024)**

Facilities Maintenance Bonds Series 2016A			School Building Bonds Series 2024A							
Dated Amount	05/12/2016 \$450,000		04/11/2024 \$2,500,000*							
Maturity	02/01		02/01							
Fiscal Year Ending	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2025	40,000	6,690	25,000	98,318	65,000	105,008	170,008	2,690,000	2.36%	2025
2026	40,000	5,970	265,000	120,800	305,000	126,770	431,770	2,385,000	13.43%	2026
2027	40,000	5,250	245,000	107,550	285,000	112,800	397,800	2,100,000	23.77%	2027
2028	45,000	4,050	260,000	95,300	305,000	99,350	404,350	1,795,000	34.85%	2028
2029	45,000	2,700	270,000	82,300	315,000	85,000	400,000	1,480,000	46.28%	2029
2030	45,000	1,350	285,000	68,800	330,000	70,150	400,150	1,150,000	58.26%	2030
2031			110,000	54,550	110,000	54,550	164,550	1,040,000	62.25%	2031
2032			110,000	49,050	110,000	49,050	159,050	930,000	66.24%	2032
2033			115,000	43,550	115,000	43,550	158,550	815,000	70.42%	2033
2034			120,000	37,800	120,000	37,800	157,800	695,000	74.77%	2034
2035			125,000	31,800	125,000	31,800	156,800	570,000	79.31%	2035
2036			135,000	25,550	135,000	25,550	160,550	435,000	84.21%	2036
2037			140,000	18,800	140,000	18,800	158,800	295,000	89.29%	2037
2038			145,000	11,800	145,000	11,800	156,800	150,000	94.56%	2038
2039			150,000	6,000	150,000	6,000	156,000	0	100.00%	2039
	255,000	26,010	2,500,000	851,968	2,755,000	877,978	3,632,978			

\* Preliminary, subject to change.

Independent School District No. 330 (Heron Lake-Okabena), Minnesota  
Schedule of Bonded Indebtedness  
Non-General Obligation Debt Secured by Annual Appropriation  
(As of 04/11/2024)

Boiler Lease 1) of 2014								
Dated	08/25/2014							
Amount	\$700,000							
Maturity	08/25							
Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2025	78,981	2,204	78,981	2,204	81,184	0	100.00%	2025
	78,981	2,204	78,981	2,204	81,184			

1) This Issue is not subject to the debt limit

## OVERLAPPING DEBT<sup>1</sup>

Taxing District	2022/23 Taxable Net Tax Capacity	% In District	Total G.O. Debt <sup>2</sup>	District's Proportionate Share
Counties of:				
Jackson	\$36,181,788	16.3557%	\$69,975,000	\$11,444,901
Nobles	49,167,917	0.0048%	5,825,000	280
City of:				
Heron Lake	595,174	100.0000%	55,000	<u>55,000</u>
District's Share of Total Overlapping Debt				<u><u>\$11,500,181</u></u>

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

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

## DEBT RATIOS

	<b>G.O. Debt</b>	<b>Debt/Economic Market Value \$905,374,838</b>	<b>Debt/ Per Capita 1,502<sup>1</sup></b>
Direct G.O. Debt Secured By:			
Tax Abatement Revenues and State Aids	\$210,000		
Taxes and State Aids*	2,755,000		
Total General Obligation Debt*	\$2,965,000		
Less: Agricultural Credit <sup>2</sup>	(1,590,723)		
Tax Supported General Obligation Debt*	\$1,374,278	0.15%	\$914.97
District's Share of Total Overlapping Debt	\$11,500,181	1.27%	\$7,656.58
Total*	\$12,874,459	1.42%	\$8,571.54

\*Preliminary, subject to change.

## TAX LEVIES, COLLECTION AND RATES

### TAX LEVIES AND COLLECTIONS

<b>Tax Year</b>	<b>Net Tax Levy<sup>3</sup></b>	<b>Total Collected Following Year</b>	<b>Collected to Date</b>	<b>% Collected</b>
2018/19	\$982,266	\$969,423	\$981,922	99.97%
2019/20	1,017,272	1,003,379	1,017,175	99.99%
2020/21	956,646	951,205	955,271	99.86%
2021/22	931,283	747,665	926,986	99.54%
2022/23	916,062	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.<sup>4</sup> Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

<sup>1</sup> Estimated 2022 population.

<sup>2</sup> Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 53.65% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is \$1,590,723.

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

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

## TAX CAPACITY RATES<sup>1</sup>

	2018/19	2019/20	2020/21	2021/22	2022/23
I.S.D. No. 330 (Heron Lake-Okabena)	9.103%	9.517%	9.464%	10.238%	7.880%
Cottonwood County	38.380%	38.796%	38.830%	40.103%	34.764%
Jackson County	34.731%	36.861%	37.032%	38.592%	34.605%
Nobles County	34.783%	35.545%	35.502%	36.365%	33.469%
City of Heron Lake	54.030%	53.007%	53.960%	52.013%	44.760%
City of Okabena	103.577%	97.504%	88.213%	91.977%	80.946%
Town of Alba <sup>2</sup>	9.435%	10.107%	10.043%	10.058%	7.932%
Heron Lake Watershed	1.144%	1.153%	1.093%	1.093%	0.818%
Region 8 Development	0.154%	0.158%	0.152%	0.158%	0.131%
SWRDC	0.144%	0.149%	0.153%	0.155%	0.140%

### *Referendum Market Value Rates:*

I.S.D. No. 330 (Heron Lake-Okabena)	0.50507%	0.54756%	0.49924%	0.48057%	0.43453%
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**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by Jackson, Cottonwood and Nobles Counties.

## THE ISSUER

### EMPLOYEES

The District is governed by an elected school board and employs a staff of 73, including 43 non-licensed employees and 30 licensed employees (28 of whom are teachers). The District provides education for 288 students in grades kindergarten through twelve.

### PENSIONS; UNIONS

#### **Teachers' Retirement Association (TRA)**

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

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

<sup>2</sup> Representative town rate.

## **Public Employees' Retirement Association (PERA)**

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

### **Recognized and Certified Bargaining Unit**

<b>Bargaining Unit</b>	<b>Expiration Date of Current Contract</b>
Heron Lake-Okabena Education Association	June 30, 2025

## **POST EMPLOYMENT BENEFITS**

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent Audited Financial Statements (Audit) shows a total OPEB liability of \$241,984 as of June 30, 2023. The District has been funding these obligations on a pay-as-you-go basis.

**Source:** The District's most recent Audit.

## STUDENT BODY

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

<b>Year</b>	<b>Kindergarten</b>	<b>Grades 1-6</b>	<b>Grades 7-12</b>	<b>Total</b>
2019/20	11	113	168	292
2020/21	14	100	172	286
2021/22	16	115	187	318
2022/23	13	117	158	288
2023/24	17	116	155	288

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

<b>Year</b>	<b>Kindergarten</b>	<b>Grades 1-6</b>	<b>Grades 7-12</b>	<b>Total</b>
2024/25	13	104	150	267
2025/26	10	98	150	258
2026/27	12	95	145	252

## SCHOOL BUILDINGS

<b>School Building</b>	<b>Year Constructed</b>	<b>Years of Additions/ Remodelings</b>
Heron Lake- Okabena Elementary	1969	--
Southwest Star Concept Secondary	1917	1953, 1966, 1999

## LITIGATION

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

## MUNICIPAL BANKRUPTCY

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

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

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

**FUNDS ON HAND** (as of January 31, 2024)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$1,789,167
Food Service	76,823
Community Service	116,467
Debt Service	63,096
Escrow Account	<u>26,000</u>
Total Funds on Hand	<u><u>\$2,071,553</u></u>

## SUMMARY GENERAL FUND INFORMATION

The following are summaries of the revenues and expenditures and fund balances for the District's General Fund. These summaries are not purported to be the complete audited financial statements of the District, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the District. Copies of the complete statements are available upon request. Appendix A includes the 2023 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				2023-24 Adopted Budget <sup>1</sup>
	2020 Audited	2021 Audited	2022 Audited	2023 Audited	
Revenues					
Local property taxes	\$746,569	\$833,136	\$769,652	\$754,419	\$761,861
Other local and county revenues	328,196	459,384	507,623	461,381	229,201
Revenue from state sources	3,134,020	3,298,621	3,504,159	3,253,679	3,294,386
Revenue from federal sources	88,422	290,329	281,724	231,179	248,827
Other Revenue	60,554	78,443	99,468	115,501	40,495
<b>Total Revenues</b>	<b>\$4,357,761</b>	<b>\$4,959,913</b>	<b>\$5,162,626</b>	<b>\$4,816,159</b>	<b>\$4,574,770</b>
Expenditures					
Current:					
Administration	\$201,243	\$217,536	\$200,094	\$151,449	\$235,476
District support services	266,788	270,375	284,986	290,706	310,823
Regular instruction	2,096,669	2,090,037	2,465,943	2,589,075	2,151,312
Vocational education instruction	108,663	201,313	191,662	207,161	212,332
Special education instruction	561,296	568,401	557,051	503,085	573,612
Instructional support services	79,118	131,660	80,116	68,285	98,584
Pupil support services	251,312	330,083	287,781	400,187	288,348
Sites and buildings	659,554	742,664	823,372	672,840	780,235
Fiscal and other fixed cost programs	76,609	71,959	86,415	96,060	78,750
<b>Total Expenditures</b>	<b>\$4,301,252</b>	<b>\$4,624,028</b>	<b>\$4,977,420</b>	<b>\$4,978,848</b>	<b>\$4,729,472</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$56,509</b>	<b>\$335,885</b>	<b>\$185,206</b>	<b>(\$162,689)</b>	<b>(\$154,702)</b>
<b>Other Financing Sources (Uses)</b>					
Loan Proceeds	\$30,000	\$0	\$0	\$0	\$0
Insurance recovery proceeds	0	0	0	2,402	0
Operating transfers in	0	0	0	0	0
Operating transfers out	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$30,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,402</b>	<b>\$0</b>
<b>Net changes in Fund Balances</b>	<b>\$86,509</b>	<b>\$335,885</b>	<b>\$185,206</b>	<b>(\$160,287)</b>	<b>(\$154,702)</b>
General Fund Balance July 1	\$1,558,911	\$1,645,420	\$1,981,305	\$2,166,511	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance June 30	\$1,645,420	\$1,981,305	\$2,166,511	\$2,006,224	
<b>DETAILS OF JUNE 30 FUND BALANCE</b>					
Nonspendable	\$21,545	\$18,812	\$22,441	\$28,510	
Restricted	158,876	261,900	337,920	300,081	
Committed	12,042	12,042	0	0	
Unassigned	1,452,857	1,688,551	1,806,150	1,677,633	
<b>Total</b>	<b>\$1,645,320</b>	<b>\$1,981,305</b>	<b>\$2,166,511</b>	<b>\$2,006,224</b>	

<sup>1</sup> The 2023-24 budget was adopted on June 20, 2023.

## GENERAL INFORMATION

### LOCATION

The District, with a 2020 U.S. Census population of 1,495 and a 2022 population estimate of 1,502, and comprising an area of 154 square miles, is located approximately 155 miles southwest of Minneapolis, Minnesota.

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

Larger employers in the District include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
I.S.D. No. 330 (Heron Lake-Okabena)	Elementary and secondary education	73
Heron Lake BioEnergy Plant	Ethanol production plant	43
Lakeview Home	Nursing home	25
City of Heron Lake	Municipal government and service	20
Fest Trucking	Carrier service and semi-truck and trailer repair	15 <sup>2</sup>
Municipal Liquor Store <sup>3</sup>	Liquors-retail	14
New Vision Co-op <sup>4</sup>	Grain elevator	10
Nena's Bar & Grill	Full service restaurant	10
Midwest Bancshares	Bank and insurance agency	10
Security State Bank	Bank	10

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

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

<sup>2</sup> Includes MDF Truck and Trailer repair shop.

<sup>3</sup> Includes two locations in the District.

<sup>4</sup> Previously listed as Cargill, Inc and includes two locations in the District.

## U.S. CENSUS DATA

### Population Trend: The District

2010 U.S. Census population	1,658
2020 U.S. Census population	1,495
Percent of Change 2010 - 2020	-9.83%
2022 State Demographer Estimate	1,502

### Income and Age Statistics

	<b>The District</b>	<b>Jackson County</b>	<b>State of Minnesota</b>	<b>United States</b>
2022 per capita income	\$39,140	\$37,818	\$44,947	\$41,261
2022 median household income	\$76,563	\$68,368	\$84,313	\$75,149
2022 median family income	\$90,833	\$85,029	\$107,072	\$92,646
2022 median gross rent	\$725	\$764	\$1,178	\$1,268
2022 median value owner occupied units	\$108,900	\$140,500	\$286,800	\$281,900
2022 median age	45.1 yrs.	44.4 yrs.	38.5 yrs.	38.5 yrs.

	<b>State of Minnesota</b>	<b>United States</b>
District % of 2022 per capita income	87.08%	94.86%
District % of 2022 median family income	84.83%	98.04%

**Source:** 2010 and 2020 Census of Population and Housing, and 2022 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov>) and Minnesota State Demographer (<https://mn.gov/admin/demography/data-by-place/school-district-data.jsp>).

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	<u><b>Average Employment</b></u>	<u><b>Average Unemployment</b></u>
<b>Year</b>	<b>Jackson County</b>	<b>Jackson County State of Minnesota</b>
2019	5,536	3.5% 3.3%
2020	5,544	5.3% 6.3%
2021	5,314	3.5% 3.8%
2022	5,280	2.5% 2.7%
2023	5,249	3.1% 3.0%

**Source:** Minnesota Department of Employment and Economic Development.

### **FINANCIAL STATEMENTS**

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

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

**INDEPENDENT AUDITOR'S REPORT**  
**INDEPENDENT SCHOOL DISTRICT NO. 330**  
**OKABENA, MINNESOTA 56161**  
**FOR THE YEAR ENDING JUNE 30, 2023**

**Meulebroeck, Taubert & Co., PLLP**  
**Certified Public Accountants**  
**P.O. Box 685**  
**Luverne, Minnesota 56156**

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Independent School District No. 330  
Okabena, Minnesota

**BOARD OF EDUCATION AND ADMINISTRATIVE PERSONNEL**  
**JUNE 30, 2023**

**BOARD OF EDUCATION**

John Volk	Chairperson
Annie Rasche	Secretary
Robert Egge	Treasurer
Mark Fest	Director
Travis Hendel	Director
Katie Janssen	Director

**ADMINISTRATIVE PERSONNEL**

Paul Bang	Superintendent/Principal
Tracy Freking	Business Manager
Mikka Liepold	Administrative Assistant

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**MEULEBROECK, TAUBERT & CO., PLLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

PO Box 685  
109 S Freeman Avenue  
Luverne, Minnesota 56156  
507 283-4055 Fax 507 283-4076  
contactl@mtcocpa.com

PO Box 707  
216 East Main  
Pipestone, Minnesota 56164  
507 825-4288 Fax 507 825-4280  
contactp@mtcocpa.com

Tyler, Minnesota 56178  
507 247-3939  
Lake Wilson, Minnesota 56151  
507 879-3538  
Marshall, Minnesota 56258  
507 337-0501

**PARTNERS**

Matthew A. Taubert, CPA  
David W. Friedrichsen, CPA  
Daryl J. Kanthak, CPA  
Amy L. Mollberg, CPA  
Blake R. Klinsing, CPA

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Independent School District No. 330  
Okabena, Minnesota

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Independent School District No. 330, Okabena Minnesota as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Independent School District No. 330, Okabena Minnesota, as of June 30, 2023, and the respective changes in financial position and budgetary comparison for the General Fund and the major Special Revenue Funds (Food Service Fund and Community Service Fund), Capital Projects Fund and Debt Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Changes in Accounting Principle***

As described in Note 1 to the financial statements, the District adopted new accounting guidance *GASB Statement No. 96 – Subscription-Based Information Technology Arrangements*. Our opinion was not modified with respect to this matter.

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

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 6-13, the budgetary comparison information on pages 20-24 and the Schedule of Employer's Proportionate Share of Net Pension Liability, Schedule of Employer's Contributions and Schedule of Changes in District's Net OPEB Liability and Related Ratios and the Notes to Required Supplementary Information Other Than MD&A on pages 68-77 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual fund financial statements and the UFARS Compliance Table are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023, 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.

*Meulebroeck, Taubert & Co., PLLP*

Meulebroeck, Taubert & Co., PLLP  
Certified Public Accountants  
Luverne, Minnesota

November 30, 2023

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FISCAL YEAR ENDED JUNE 30, 2023**

This section of the Independent School District No. 330's annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the other components of the District's annual financial report.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 --*Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*. Certain comparative information between the current year (2023) and prior year (2022) is required to be presented in MD&A.

**Financial Highlights**

Key financial highlights for the 2022-2023 fiscal year include the following:

- Governmental Net Position decreased by \$54,615, or 1.9% from June 30, 2022, due to several different factors.
- Governmental Fund Balance decreased by \$144,084 or 5.9% from June 30, 2022 due to several different factors.
- Total governmental revenues decreased by \$412,926 or 7.0% in comparison to fiscal year 2022, total governmental expenditures decreased by \$417,464 or 6.9% in comparison to fiscal year 2022.

**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 supplemental information. The basic financial statements include District-wide financial statements and fund financial statements and the notes to the financial statements.

**District-Wide Statements**

The District-wide statements (statement of net position and statement of activities) report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the District's assets 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 and liabilities -- is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. You also need to consider other nonfinancial factors, however, such as changes in the District's property tax base, pupil enrollment, and the condition of school facilities.

Fund Financial Statements

The fund financial statements include more detailed information about a District's individual funds. The District maintains only one type of fund:

Governmental Funds - The District's services are included in this type of fund, which generally focuses 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 provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's activities. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

**Financial Analysis of the District As A Whole**

As noted, net position may serve over times as a useful indicator of the government's financial position. In the case of Independent School District No. 330, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,754,508 at the close of the most recent fiscal year. This was a decrease of \$54,615 from the prior year net position of \$2,809,123. The difference was due to various factors.

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

**Table 1**  
**Statement of Net Position**  
**As of June 30, 2023**

	<u><b>2023</b></u>	<u><b>2022</b></u>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Assets</b>		
Current and other assets	3,872,686	5,223,066
Capital assets, net of depreciation	4,745,340	4,917,527
Right-to-Use assets, net of amortization	<u>56,966</u>	<u>88,038</u>
<b>Total Assets</b>	<b>8,674,992</b>	<b>10,228,631</b>
<b>Deferred Outflows of Resources</b>		
Related to OPEB	111,356	128,981
Related to Pensions	<u>850,999</u>	<u>1,651,434</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>962,355</u></b>	<b><u>1,780,415</u></b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>9,637,347</u></b>	<b><u>12,009,046</u></b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Liabilities</b>		
Current and other liabilities	632,740	1,833,427
Long-term liabilities	<u>4,144,256</u>	<u>3,222,985</u>
<b>Total Liabilities</b>	<b>4,776,996</b>	<b>5,056,412</b>
<b>Deferred Inflows of Resources</b>		
Unearned Revenue	10,998	6,645
Property Taxes Levied for Subsequent Year	940,874	950,729
Related to OPEB	22,984	15,902
Related to Pensions	<u>1,130,987</u>	<u>3,170,235</u>
<b>Total Deferred Inflows of Resources</b>	<b>2,105,843</b>	<b>4,143,511</b>
<b>Net Position</b>		
Net Investment in Capital Assets	3,839,522	3,636,958
Restricted	617,474	633,041
Unrestricted	<u>(1,702,488)</u>	<u>(1,460,876)</u>
<b>Net Position</b>	<b><u>2,754,508</u></b>	<b><u>2,809,123</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b><u>9,637,347</u></b>	<b><u>12,009,046</u></b>

The District's financial position is the product of numerous factors. Therefore, it is important to view the net position balance as a starting point to evaluate future years' results, rather than to just focus on the current balance.

Table 2 presents a condensed version of the change in net position of the District.

**Table 2**  
**Change in Net Position**  
**For the year ended June 30, 2023**

	<u>2023</u>	<u>2022</u>
<b><u>Revenues</u></b>		
Program Revenues		
Charges for Services	134,857	98,765
Operating Grants and Contributions	1,039,392	1,210,571
General Revenues		
Property Taxes	938,740	948,997
Unrestricted Federal and State Aid	2,807,102	3,036,342
Other	<u>541,274</u>	<u>567,629</u>
<b>Total Revenues</b>	<b>5,461,365</b>	<b>5,862,304</b>
<b><u>Expenses</u></b>		
District and School Administration	152,591	202,574
District Support Services	290,706	284,986
Regular Instruction	2,716,275	2,383,542
Vocational Instruction	208,976	193,534
Exceptional Instruction	504,338	558,304
Instructional Support Services	68,598	80,429
Pupil Support Services	324,525	332,905
Site, Buildings, and Equipment	826,963	832,142
Fiscal and Other Fixed Cost Programs	90,200	59,006
Food Service	242,760	245,644
Community Service	51,652	53,482
Interest and Fiscal Charges on		
Long-term Liabilities	<u>38,396</u>	<u>45,019</u>
<b>Total Expenses</b>	<b><u>5,515,980</u></b>	<b><u>5,271,567</u></b>
<b>Change in Net Position</b>	<b><u>(54,615)</u></b>	<b><u>590,737</u></b>

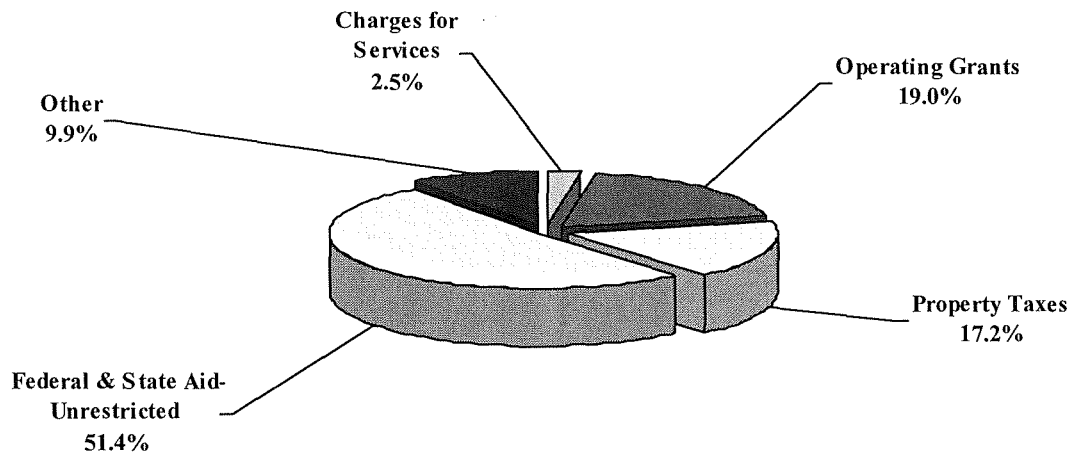
The District's total revenue consisted of program revenues of \$1,174,249, property taxes of \$938,740, unrestricted federal and state aids of \$2,807,102, and other miscellaneous revenues of \$541,274.

The cost of all governmental activities this year was \$5,515,980.

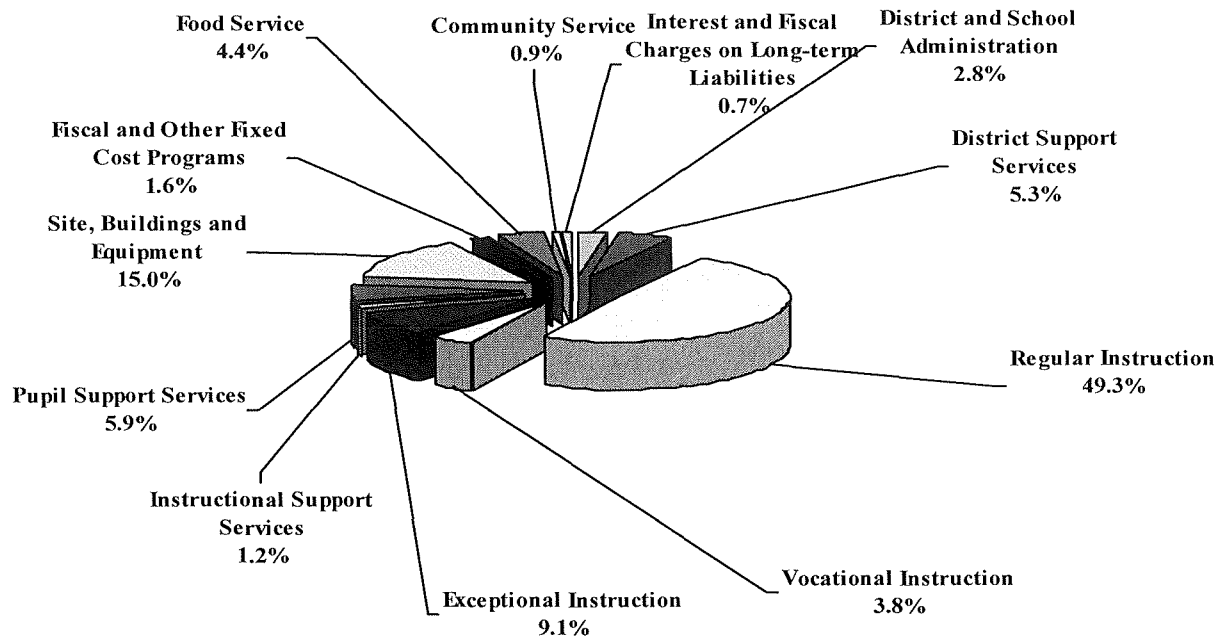
- The users of the district programs paid for 2.4%, or \$134,857 of the costs.
- The federal and state government subsidized certain programs with grants and contributions. This totaled \$1,039,392, or 18.8%, of the total costs.

Figure A and B show further analysis of these revenue sources and expenditure functions.

**Figure A - Sources of Revenues for Fiscal Year 2023**



**Figure B - Expenses for Fiscal Year 2023**



### **Financial Analysis of the District's Funds**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the district completed the fiscal year, the governmental funds reported a combined fund balance of \$2,295,107. The prior fiscal year governmental fund balance was \$2,439,191, which is a decrease of \$144,084.

### **Revenues and Expenditures**

Revenues of the District's governmental funds totaled \$5,456,265 and expenditures totaled \$5,602,751. A summary of the revenues and expenditures reported on the governmental financial statements is as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance Increase (Decrease)</u>
General Fund	4,816,159	4,978,848	2,402	(160,287)
Food Service Fund	245,964	242,760		3,204
Community Service Fund	75,753	51,412		24,341
Capital Projects Fund	-0-	-0-	(40,667)	(40,667)
Debt Service Fund	318,389	329,731	40,667	29,325
Total	<u>5,456,265</u>	<u>5,602,751</u>	<u>2,402</u>	<u>(144,084)</u>

### **General Fund Budgetary Highlights**

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. During the year, the District might amend that budget for known changes such as legislative funding. The District revised the original budget during the current fiscal year.

- Actual revenues were over final budget by \$326,389.
- Actual expenditures were over final budget by \$16,308.

### **Capital Assets**

Table 3 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal year ending June 30, 2023.

**Table 3**  
**Capital Assets**

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
Land	497,975	497,975	
Land Improvements	671,780	671,780	
Buildings and Improvements	8,186,080	8,186,080	
Equipment	2,149,339	2,141,959	7,380
Pupil Transportation Vehicles	863,769	740,483	123,286
Less: Accumulated Depreciation	<u>(7,623,603)</u>	<u>(7,320,750)</u>	<u>(302,853)</u>
Total	<u>4,745,340</u>	<u>4,917,527</u>	<u>(172,187)</u>
Depreciation Expense	<u>302,853</u>	<u>289,898</u>	<u>12,955</u>

Capital asset additions during the fiscal year included a new server and transportation vehicles.

### **Long-Term Liabilities**

In fiscal year 2023, the District made principal and interest payments on the general obligation facilities maintenance bond of \$40,000 and \$8,130, respectively. The District made principal and interest payments on their general obligation bond of \$260,000 and \$6,370, respectively. The District made interest payments on their general obligation tax abatement bond of \$13,094, there were no principal payments made on this bond. The District made principal payments on their financed purchase agreement for the new boiler system in the amount of \$74,751. More detailed information about the district's long-term liabilities is presented in Note 10.

Independent School District No. 330  
Okabena, Minnesota

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

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for the vast majority of its funding. Recent experience shows that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

**Contacting the District's Management**

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Independent School District No. 330, 124 N. Minnesota Ave, PO Box 97, Okabena, Minnesota, 56161-0097.

**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	<u>2023</u>	<u>2022</u>
<b><u>Assets and Deferred Outflows of Resources</u></b>		
<b><u>Assets</u></b>		
Cash and Investments	2,459,877	3,679,083
Receivables: Other		565
Property Taxes	534,265	515,721
Governmental Units	838,336	994,952
Inventory	11,698	10,304
Prepaid Expenses	28,510	22,441
Capital Assets:		
Non-Depreciable	497,975	497,975
Depreciable-Net of Accumulated Depreciation	4,247,365	4,419,552
Right-to-Use Asset-Net of Accumulated Amortization	56,966	88,038
<b>Total Assets</b>	<u>8,674,992</u>	<u>10,228,631</u>
<b><u>Deferred Outflows of Resources</u></b>		
Related to OPEB	111,356	128,981
Related to Pensions	850,999	1,651,434
<b>Total Deferred Outflows of Resources</b>	<u>962,355</u>	<u>1,780,415</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u><u>9,637,347</u></u>	<u><u>12,009,046</u></u>
<b><u>Liabilities, Deferred Inflows of Resources and Net Position</u></b>		
<b><u>Liabilities</u></b>		
Salaries Payable	211,944	220,459
Accounts Payable	98,520	417,844
Interest Payable	14,475	25,667
Certificates of Indebtedness		868,860
Due To Other Minnesota Districts	106,886	117,875
Payroll Deductions	200,915	182,722
Long Term Liabilities:		
Portion Due Within One Year	361,837	374,751
Portion Due in More Than One Year	543,981	905,818
Net OPEB Liability	214,960	241,984
Pension Liability	2,963,952	1,610,445
Lease Liability	59,526	89,987
<b>Total Liabilities</b>	<u>4,776,996</u>	<u>5,056,412</u>
<b><u>Deferred Inflows of Resources</u></b>		
Unearned Revenue	10,998	6,645
Property Taxes Levied for Subsequent Year	940,874	950,729
Related to OPEB	22,984	15,902
Related to Pensions	1,130,987	3,170,235
<b>Total Deferred Inflows of Resources</b>	<u>2,105,843</u>	<u>4,143,511</u>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	3,839,522	3,636,958
Restricted for:		
General Fund State Mandated Purposes	328,591	360,361
Food Service	84,023	80,819
Community Service	111,764	87,423
Capital Projects		40,667
Debt Service	93,096	63,771
Unrestricted	(1,702,488)	(1,460,876)
<b>Total Net Position</b>	<u>2,754,508</u>	<u>2,809,123</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u><u>9,637,347</u></u>	<u><u>12,009,046</u></u>

See accompanying notes to the financial statements.

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

<b><u>Functions</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenues</u></b>			<b><u>Net (Expense) Revenues and Changes in Net Position</u></b>	
		<b><u>Charges For Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	<b><u>Capital Grants and Contributions</u></b>	<b><u>Total Government Activities</u></b>	
					<b><u>2023</u></b>	<b><u>2022</u></b>
Governmental Activities						
District and School Administration	152,591				(152,591)	(202,574)
District Support Services	290,706				(290,706)	(284,986)
Regular Instruction	2,716,275	49,124	307,743		(2,359,408)	(1,992,153)
Vocational Instruction	208,976				(208,976)	(193,534)
Exceptional Instruction	504,338		370,013		(134,325)	(137,870)
Instructional Support Services	68,598				(68,598)	(80,429)
Pupil Support Services	324,525				(324,525)	(332,905)
Site, Buildings and Equipment	826,963				(826,963)	(832,142)
Fiscal and Other Fixed Cost Programs	90,200				(90,200)	(59,006)
Food Service	242,760	69,231	174,013		484	55,385
Community Service	51,652	16,502	31,144		(4,006)	(2,033)
Interest and Fiscal Charges on Long-Term Liabilities	38,396		156,479		118,083	100,016
Total	<u>5,515,980</u>	<u>134,857</u>	<u>1,039,392</u>	<u>-0-</u>	<u>(4,341,731)</u>	<u>(3,962,231)</u>
<b><u>General Revenues</u></b>						
Property Taxes Levied for:						
General Purposes					757,205	753,826
Community Service					22,128	20,978
Debt Service					159,407	174,193
Federal and State Aid Not Restricted to Specific Purposes					2,807,102	3,036,342
Earnings on Investments					9,828	8,733
Miscellaneous					531,446	558,896
Total General Revenues					<u>4,287,116</u>	<u>4,552,968</u>
Change in Net Position					(54,615)	590,737
Net Position - Beginning					<u>2,809,123</u>	<u>2,218,386</u>
Net Position - Ending					<u>2,754,508</u>	<u>2,809,123</u>

See accompanying notes to the financial statements.

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Projects	Debt Service	2023	2022
<b>Assets</b>							
Cash	2,096,643	72,858	130,050		160,326	2,459,877	3,679,083
Accounts Receivable							565
Current Property Taxes Receivable	297,181		9,043		220,599	526,823	510,977
Delinquent Property Taxes Receivable	6,077		181		1,184	7,442	4,744
Due From Other Minnesota Districts	251,829					251,829	290,337
Due From Federal Government							
Through the Department of Education	197,753	5,437				203,190	160,471
Due From Department of Education	357,850	52	2,429		15,648	375,979	544,144
Due From Other Governmental Units		7,338				7,338	
Inventory		11,698				11,698	10,304
Prepaid Expenses	28,510					28,510	22,441
Total Assets	<u>3,235,843</u>	<u>97,383</u>	<u>141,703</u>	<u>-0-</u>	<u>397,757</u>	<u>3,872,686</u>	<u>5,223,066</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
<b>Liabilities</b>							
Salaries Payable	203,311	2,098	6,535			211,944	220,459
Accounts Payable	96,916	264	1,340			98,520	417,844
Interest Payable							13,997
Due To Other Minnesota Districts	106,886					106,886	117,875
Certificates of Indebtedness							868,860
Payroll Deductions	200,915					200,915	182,722
Total Liabilities	<u>608,028</u>	<u>2,362</u>	<u>7,875</u>	<u>-0-</u>		<u>618,265</u>	<u>1,821,757</u>
<b>Deferred Inflows of Resources</b>							
Unavailable Revenue - Other		10,998				10,998	6,645
Unavailable Revenue - Delinquent Taxes	6,077		181		1,184	7,442	4,744
Property Taxes Levied for Subsequent Years	615,514		21,883		303,477	940,874	950,729
Total Deferred Inflows of Resources	<u>621,591</u>	<u>10,998</u>	<u>22,064</u>	<u>-0-</u>	<u>304,661</u>	<u>959,314</u>	<u>962,118</u>
<b>Fund Balances</b>							
Fund Balance-Non Spendable	28,510	11,698				40,208	32,745
Fund Balance-Restricted	300,081	72,325	111,764		93,096	577,266	600,296
Fund Balance-Unassigned	1,677,633					1,677,633	1,806,150
Total Fund Balances	<u>2,006,224</u>	<u>84,023</u>	<u>111,764</u>	<u>-0-</u>	<u>93,096</u>	<u>2,295,107</u>	<u>2,439,191</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>3,235,843</u>	<u>97,383</u>	<u>141,703</u>	<u>-0-</u>	<u>397,757</u>	<u>3,872,686</u>	<u>5,223,066</u>

See accompanying notes to the financial statements.

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO**  
**NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2023**

	<u>2023</u>		<u>2022</u>
Total Governmental Fund Balances	2,295,107		2,439,191
Amounts reported in Governmental Activities in The Statement of Net Position are Different Because:			
Capital and Right-to-Use Assets in the governmental activities are not financial resources and therefore are not reported in the funds			
Cost of Capital Assets	12,368,943		12,238,277
Less: Accumulated Depreciation	<u>(7,623,603)</u>	4,745,340	<u>(7,320,750)</u> 4,917,527
Right-to-Use Assets	119,110		119,110
Less: Accumulated Amortization	<u>(62,144)</u>	56,966	<u>(31,072)</u> 88,038
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.			
		7,442	4,744
Deferred outflows and inflows of resources related to pensions and other post employment benefits (OPEB) are applicable to future periods and, therefore, are not reported in the funds.			
Deferred Outflow of Resources - Related to OPEB	111,356		128,981
Deferred Inflow of Resources - Related to OPEB	(22,984)		(15,902)
Deferred Outflow of Resources - Related to Pensions	850,999		1,651,434
Deferred Inflow of Resources - Related to Pensions	<u>(1,130,987)</u>	(191,616)	<u>(3,170,235)</u> (1,405,722)
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:			
Long-Term Lease Liability	(59,526)		(89,987)
Bonds Payable	(750,000)		(1,050,000)
Financed Purchase Obligation	(155,818)		(230,569)
OPEB Obligation	(214,960)		(241,984)
Pension Benefits Payable	<u>(2,963,952)</u>	(4,144,256)	<u>(1,610,445)</u> (3,222,985)
Interest on long-term debt is not accrued in governmental funds but rather is recognized as an expenditure when due.			
The accrued interest on long-term debt at year end is:		<u>(14,475)</u>	<u>(11,670)</u>
Net Position of Governmental Activities		<u>2,754,508</u>	<u>2,809,123</u>

See accompanying notes to the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Project	Debt Service	2023	2022
<b><u>Revenues</u></b>							
Local Property Tax Levies	754,419		22,041		159,582	936,042	967,551
Other Local and County Revenues	461,381	2,720	22,568		2,328	488,997	529,858
Revenue from State Sources	3,253,679	8,778	31,144		156,479	3,450,080	3,694,682
Revenue from Federal Sources	231,179	165,235				396,414	552,231
Other Revenue	115,501	69,231				184,732	124,869
Total Revenues	4,816,159	245,964	75,753	-0-	318,389	5,456,265	5,869,191
<b><u>Expenditures</u></b>							
District and School Administration	151,449					151,449	200,094
District Support Services	290,706					290,706	284,986
Regular Instruction	2,589,075					2,589,075	2,465,943
Vocational Instruction	207,161					207,161	191,662
Exceptional Instruction	503,085					503,085	557,051
Community Education and Services			51,412			51,412	53,242
Instructional Support Services	68,285					68,285	80,116
Pupil Support Services	400,187	242,760				642,947	533,425
Site, Buildings and Equipment	672,840					672,840	1,249,783
Fiscal and Other Fixed Cost Programs	96,060				329,731	425,791	403,913
Total Expenditures	4,978,848	242,760	51,412	-0-	329,731	5,602,751	6,020,215
Excess Revenues (Expenditures)	(162,689)	3,204	24,341	-0-	(11,342)	(146,486)	(151,024)
<b><u>Other Financing Sources (Uses)</u></b>							
Insurance Recovery	2,402					2,402	
Bond Proceeds							466,667
Transfers				(40,667)	40,667	-0-	
Total Other Financing Sources (Uses)	2,402	-0-	-0-	(40,667)	40,667	2,402	466,667
Net Change in Fund Balance	(160,287)	3,204	24,341	(40,667)	29,325	(144,084)	315,643
Fund Balance-Beginning	2,166,511	80,819	87,423	40,667	63,771	2,439,191	2,123,548
Fund Balance-Ending	2,006,224	84,023	111,764	-0-	93,096	2,295,107	2,439,191

See accompanying notes to the financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>2023</u>		<u>2022</u>
Net Change in Governmental Fund Balances	(144,084)		315,643
Amounts reported for the governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures, however, in the statement of activities, assets with an initial, individual cost of more than \$5,000.00 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The same reporting is used for right-to-use assets under lease transactions. The net effect of these differences is as follows:			
Capital Outlay	130,666		546,829
Depreciation Expense	<u>(302,853)</u>	(172,187)	<u>(289,898)</u> 256,931
Right-to-Use Asset Amortization Expense		(31,072)	(31,072)
Governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. The same reporting is used for long-term lease transactions and and payments. 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. The net effect of these differences is as follows:			
Payment of Long-Term Lease Principal Component	30,461		29,123
Accrued Interest (Increase) Decrease	(2,805)		4,888
Severance Obligation (Increase) Decrease			540
Bond Proceeds			(455,000)
Payment of Bond Principal	300,000		295,000
Payment of Note Principal			15,113
Payment of Financed Purchase Obligation	<u>74,751</u>	402,407	<u>72,722</u> (37,614)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Pension Expense		(114,694)	107,832
Other Post Employment Benefits		2,317	(2,429)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and therefore are unearned in the funds.			
		2,698	(18,554)
Change in Net Position of Governmental Activities	<u>(54,615)</u>		<u>590,737</u>

See accompanying notes to the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL**

**GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>with Final Budget</b>
<b><u>Revenues</u></b>				
Local Property Tax Levies	750,513	761,039	754,419	(6,620)
Other Local and County Revenues	294,053	291,936	461,381	169,445
Revenue from State Sources	3,376,972	3,118,518	3,253,679	135,161
Revenue from Federal Sources	89,920	248,827	231,179	(17,648)
Sales and Insurance Recovery	69,450	69,450	115,501	46,051
Total Revenues	4,580,908	4,489,770	4,816,159	326,389
<b><u>Expenditures</u></b>				
District and School Administration	228,243	128,311	151,449	(23,138)
District Support Services	301,301	324,008	290,706	33,302
Regular Instruction	2,315,038	2,481,705	2,589,075	(107,370)
Vocational Instruction	205,693	213,578	207,161	6,417
Exceptional Instruction	554,984	465,044	503,085	(38,041)
Instructional Support Services	94,580	102,663	68,285	34,378
Pupil Support Services	277,596	474,211	400,187	74,024
Site, Building and Equipment	743,078	673,020	672,840	180
Fiscal and Other Fixed Cost Programs	75,000	100,000	96,060	3,940
Total Expenditures	4,795,513	4,962,540	4,978,848	(16,308)
Excess Revenues (Expenditures)	(214,605)	(472,770)	(162,689)	310,081
<b><u>Other Financing Sources</u></b>				
Insurance Recovery			2,402	2,402
Total Other Financing Sources	-0-	-0-	2,402	2,402
Net Change in Fund Balance	(214,605)	(472,770)	(160,287)	312,483
Fund Balance-Beginning			2,166,511	
Fund Balance-Ending			2,006,224	

See accompanying notes to the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**MAJOR FOOD SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<b><u>Budgeted Amounts</u></b>		<b><u>Actual</u></b>	<b><u>Variance</u></b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amounts</u></b>	<b><u>with Final</u></b>
				<b><u>Budget</u></b>
<b><u>Revenues</u></b>				
Other Local and County Revenues	6,500	6,500	2,720	(3,780)
Revenue from State Sources	15,100	15,100	8,778	(6,322)
Revenue from Federal Sources	101,700	134,700	165,235	30,535
Other Revenue	74,550	74,550	69,231	(5,319)
Total Revenues	197,850	230,850	245,964	15,114
<b><u>Expenditures</u></b>				
Pupil Support Services	229,184	221,404	242,760	(21,356)
Total Expenditures	229,184	221,404	242,760	(21,356)
Net Change in Fund Balance	<u>(31,334)</u>	<u>9,446</u>	3,204	<u>(6,242)</u>
Fund Balance-Beginning			80,819	
Fund Balance-Ending			<u>84,023</u>	

See accompanying notes to the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**MAJOR COMMUNITY SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<b><u>Budgeted Amounts</u></b>		<b><u>Actual</u></b>	<b><u>Variance</u></b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amounts</u></b>	<b><u>with Final</u></b>
				<b><u>Budget</u></b>
<b><u>Revenues</u></b>				
Local Property Tax Levies	22,209	22,157	22,041	(116)
Other Local and County Revenues	6,625	9,300	22,568	13,268
Revenue from State Sources	39,932	39,171	31,144	(8,027)
Total Revenues	68,766	70,628	75,753	5,125
<b><u>Expenditures</u></b>				
Community Education and Services	59,445	59,445	51,412	8,033
Total Expenditures	59,445	59,445	51,412	8,033
Net Change in Fund Balance	9,321	11,183	24,341	13,158
Fund Balance-Beginning			87,423	
Fund Balance-Ending			111,764	

See accompanying notes to the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**MAJOR CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
<b><u>Revenues</u></b>				
Other Local and County Revenues				
Total Revenues	-0-	-0-	-0-	-0-
<b><u>Expenditures</u></b>				
Site, Building and Equipment				
Total Expenditures	-0-	-0-	-0-	-0-
Excess Revenues (Expenditures)	-0-	-0-	-0-	-0-
<b><u>Other Financing Sources (Uses)</u></b>				
Transfer Out			(40,667)	(40,667)
Total Other Financing Sources	-0-	-0-	(40,667)	(40,667)
Net Change in Fund Balance	-0-	-0-	(40,667)	40,667
Fund Balance-Beginning			40,667	
Fund Balance-Ending			-0-	

See accompanying notes to the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**MAJOR DEBT SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<b><u>Budgeted Amounts</u></b>		<b><u>Actual</u></b>	<b><u>Variance</u></b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amounts</u></b>	<b><u>with Final</u></b>
				<b><u>Budget</u></b>
<b><u>Revenues</u></b>				
Local Property Tax Levy	172,235	159,639	159,582	(57)
Other Local and County Revenues	100		2,328	2,328
Revenue from State Sources	145,037	156,477	156,479	2
Total Revenues	317,372	316,116	318,389	2,273
<b><u>Expenditures</u></b>				
Fiscal and Other Cost Programs	317,600	329,733	329,731	2
Total Expenditures	317,600	329,733	329,731	2
Excess Revenues (Expenditures)	(228)	(13,617)	(11,342)	2,275
<b><u>Other Financing Sources</u></b>				
Transfer In			40,667	40,667
Total Other Financing Sources	-0-	-0-	40,667	40,667
Net Change in Fund Balance	(228)	(13,617)	29,325	42,942
Fund Balance-Beginning			63,771	
Fund Balance-Ending			93,096	

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 1     Summary of Significant Accounting Policies**

**A.     Basis of Presentation**

The financial statements of Independent School District No. 330 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principle.

**B.     Changes in Accounting Principles**

GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements* establish requirements for subscription-based information technology arrangements (SBITAs). Under this standard, the District would recognize a right-to-use subscription asset and corresponding subscription liability. This statement is effective for the year ending June 30, 2023. Due to the nature of the District's subscription-based technology arrangements, no adjustments were required in the current or prior years.

**C.     Financial Reporting Entity**

Independent School District 330, Okabena, Minnesota, was formed and operates pursuant to applicable Minnesota laws and statutes. The District operates under an elected six member Board of Education form of government. The Board has control over all activities related to the public school education in the Heron Lake / Okabena District.

As required by generally accepted accounting principles, these financial statements present the District and its component units, entities for which the government is considered to be financially accountable.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

**C.      Financial Reporting Entity - continued**

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board has a fiduciary responsibility in establishing policies and ensuring that appropriate financial records are maintained for student activities. The District's School Board has elected to control and exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are included in the financial statements under the General Fund activity.

**D.      Basic Financial Statement Presentation**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

**D.     Basic Financial Statement Presentation - continued**

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary fund assets are held for the benefit of a third party and cannot be used for activities or obligations of the District. No activities of the District were determined to be fiduciary funds, so no fiduciary funds are present in the financial statements.

Proprietary funds are used to report business-type activities carried on by a school district. No activities of the District were determined to be of this nature, so no proprietary funds are present in the financial statements.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary 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, except for amounts advanced recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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. Property taxes are considered to be available if collected within 60 days of fiscal year-end. Federal revenue is recorded in the year which the related expenditures is made. State revenue is recognized in the year to which it applies according to Minnesota Statutes of U.S. generally accepted accounting principles.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

**E.      Basis of Accounting and Measurement Focus - continued**

Other miscellaneous revenues (except investment earnings) are recorded as revenues when received because they are generally not measureable until then. Investment earnings are recorded when earned because they are measurable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

All major revenues are susceptible to accrual. Property tax revenues for all funds, which are payable by property owners on a calendar-year basis, are recognized as revenues in the fiscal years for 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.

The District reports unavailable revenue on its balance sheet. Unavailable revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unavailable revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurring qualified expenditures. In subsequent periods, when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for unavailable revenue is removed and revenue is recognized.

**Description of Funds**

The existence of the various District funds has been established by the State of Minnesota, Department of Education. Each fund is accounted for as an independent entity. A description of the funds included in this report is as follows:

**Governmental Funds**

**General Fund**

The General Fund includes all financial transactions relating to the administration, instruction, maintenance, transportation, and capital expenditures of the District which are not accounted for in other funds.

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for expenditures for specified purposes. These funds include the Food Service and Community Service funds.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

**E.      Basis of Accounting and Measurement Focus - continued**

**Capital Projects Fund**

The Capital Projects Fund is used to record all operations of a District's buildings construction program that are funded by the proceeds of bond.

**Debt Service Fund**

Debt Service Funds account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

**F.      Budgets and Budgetary Accounting**

The budgeted amounts included in the statement of revenues and expenditures were accounted for and presented on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with generally accepted accounting principles. The budgets are prepared by the school personnel and approved by the school board. Encumbrances are not considered in the budget process nor in the regular district accounting.

Once a budget is approved, it can be amended by school personnel with approval by the school board. Amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end.

**G.      Cash and Temporary Investments**

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value. The school District uses the average cash balance method of allocating investment income to the various funds.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

**H.     Accounts Receivable**

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

**I.     Inventories**

Inventories consist of expendable supplies held for consumption and are stated at moving, weighted average cost. Inventory of the General Fund is recorded as expenditure when items are issued from central stores. Accordingly, inventory items on hand at the school are not included in inventory. Inventory of the Food Service Fund is recorded as expenditure when items are used. United States Department of Agriculture (USDA) commodities received are recorded at cost determined using the USDA standard price list and are included in the Food Service Fund inventory when received. Revenue is recognized and the expenditure is recorded when commodities are used.

**J.     Prepaid Items**

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

**K.     Property Tax Recognition**

The levy certification is made in December of each year. The tax levy is collectible as of January 2<sup>nd</sup> of the following year and the taxes are due to the county treasurer in May and October of each year. The taxes levied during the fall of the year are recognized in the subsequent fiscal year for the school district.

Current taxes receivable includes the amount of Homestead Market Value Credit Aid and Disparity Reduction Aid to be received after July 1, 2022, and will be recognized as revenue during the fiscal year ending June 30, 2023. The delinquent taxes receivable are reserved as 100% uncollectible except for the amount received during the first sixty days of the subsequent fiscal year.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

**L.     Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at their estimated fair market value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the district-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for buildings and improvements, and 5 to 20 years for equipment and vehicles. Land is not depreciated. The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

**M.     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(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The District has two types, related to pensions and related to OPEB obligation, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resource, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as inflows of resources (revenue) until this time.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 1      Summary of Significant Accounting Policies – continued**

**M.      Deferred Outflows/Inflows of Resources-continued**

The District has four types, unearned revenue, property taxes levied for subsequent years, related to OPEB and related to pensions, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, unearned revenue and property taxes levied for subsequent years are reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

**N.      Long-Term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premium and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as an expense in the period incurred.

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

**O.      Fund Balance**

In the fund financial statements, governmental funds report fund balances as non-spendable, restricted, committed, assigned or unassigned. (see Note 12).

**P.      Net Position**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

**Q.      Certain Comparative Date and Reclassifications**

Certain comparative total data for the prior year have been presented in the District-wide and fund financial statements in order to provide an understanding of the change in financial position and operations. Such comparative total data does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

**R.      Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

**S.      Pensions**

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

**T.      Postemployment Benefits Other Than Pensions (OPEB)**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 1      Summary of Significant Accounting Policies – continued**

**U.      Leases**

The District records right-to-use assets and corresponding lease liabilities for agreements that convey the right to control the use of an asset for a period of time greater than twelve months in exchange for consideration. The District defines control of the right of the asset as the right to obtain substantially all of the economic benefits from the use of the identified asset as well as the right to direct the use of the identified asset. Right-to-Use assets represent the District's right to use leased assets over the term of the lease. Lease liabilities represent the District's contractual obligation to make lease payments and are measured at the present value of the future lease payments over the lease term. Right-to-use assets and lease liabilities are recognized at the lease commencement date. The District uses the rate implicit in the lease if it is determinable and if not determinable, the District uses the incremental borrowing rate at the lease commencement date to determine the present value of the future lease payments. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease amortization expense is recognized on a straight-line basis over the lease term. To the extent a lease arrangement includes both lease and non-lease components, the components are accounted for separately. See Note 11 for more information.

**V.      Subsequent Events**

Subsequent events have been evaluated through November 30, 2023 which is the date the financial statements were available to be issued.

**W.      Certain Comparative Data and Reclassifications**

Certain comparative total data for the prior year have been presented in the District-wide and fund financial statements in order to provide an understanding of the change in financial position and operations. Such comparative total data does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 2     Deposits and Investments**

**A.     Deposits**

Minnesota Stat. 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Stat. 118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

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

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a financial institution 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, 2023, none of the District's bank balance was exposed to custodial credit risk.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 2     Deposits and Investments**

**B.     Investments**

Minnesota Stat. 118A.04 and 118A.05 generally authorize the following types of investments as available to the District:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minnesota Stat. 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 2     Deposits and Investments - continued**  
**B.        Investments - continued**

The District's investments are potentially subject to various risks including the following:

Custodial Credit Risk

The risk that in the event of a failure of the counter party to an investment transaction, a district will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Credit Risk

The risk that an issuer or other counter party to an investment will not fulfill its obligations to the holder of the investment.

Concentration of Credit Risk

The risk of loss that may be caused by the District's investment in a single issuer.

Interest Rate Risk

The risk that changes in the market interest rates will adversely affect the fair value of an investment.

As of June 30, 2023, the District has no investments.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 3     Due From Other Minnesota School Districts**

The amounts due from other Minnesota School Districts as of June 30, 2023 and 2022 are as follows:

	<b><u>June 30</u></b>	
<b><u>General Fund</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>
Independent School District No. 2907		
Round Lake Brewster – Reimbursements	179,329	201,884
Independent School District No. 505		
Fulda – Reimbursements	72,500	71,834
Independent School District No. 518		
Worthington – Nobles County Integration Collaborative, Reimbursements	<u>          </u>	<u>16,619</u>
Total General Fund	<u>251,829</u>	<u>290,337</u>
Total All Funds	<u>251,829</u>	<u>290,337</u>

**Note 4     Due From Federal Government Through the Department of Education**

Amounts due from the federal government through the Department of Education as of June 30, 2023 and 2022 are as follows:

	<b><u>June 30</u></b>	
<b><u>General Fund</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>
Federal Program - Title I, Part A	60,752	56,612
- Title IV, Part A	9,693	10,000
- Special Education	19,859	
- ESSER	<u>107,449</u>	<u>93,859</u>
Total General Fund	197,753	160,471
<b><u>Special Revenue Funds</u></b>		
<b><u>Food Service Fund</u></b>		
Reimbursements	<u>5,437</u>	<u>-0-</u>
Total Food Service Fund	<u>5,437</u>	<u>-0-</u>
Total Special Revenue Funds	<u>5,437</u>	<u>-0-</u>
Total All Funds	<u>203,190</u>	<u>160,471</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 5      Due From Department of Education**

Amounts due from the Department of Education for aids and reimbursements receivable for the fiscal years as of June 30, 2023 and 2022 are as follows:

	<b><u>June 30</u></b>	
<b><u>General Fund</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>
General Education Aid	284,214	446,831
Homestead/Agricultural Credit	642	548
Other State Credits	4,997	4,515
Special Education	<u>67,997</u>	<u>75,261</u>
Total General Fund	357,850	527,155
 <b><u>Special Revenue Funds</u></b>		
<b><u>Food Service Fund</u></b>		
Other State Credits	<u>52</u>	<u>-0-</u>
Total Food Service Fund	52	-0-
 <b><u>Community Service Fund</u></b>		
Homestead/Agricultural Credit	65	60
Other State Credits	<u>2,364</u>	<u>2,427</u>
Total Community Service Fund	<u>2,429</u>	<u>2,487</u>
Total Special Revenue Funds	2,481	2,487
 <b><u>Debt Service Fund</u></b>		
Homestead/Agricultural Credit	889	876
Other State Credits	<u>14,759</u>	<u>13,626</u>
Total Debt Service Fund	<u>15,648</u>	<u>14,502</u>
 Total All Funds	 <u>375,979</u>	 <u>544,144</u>

**Note 6      Due From Other Governmental Units**

The amounts due from other governmental units as of June 30, 2023 and 2022 are as follows:

	<b><u>June 30</u></b>	
<b><u>General Fund</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>
Minnesota Department of Agriculture	<u>7,338</u>	<u>-0-</u>
Total General Fund	<u>7,338</u>	<u>-0-</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 7    Due To Other Minnesota Districts**

The amounts due to other Minnesota School Districts as of June 30, 2023 and 2022 are as follows:

	<b><u>June 30</u></b>	
<b><u>General Fund</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>
Independent School District No. 518		
Worthington – Reimbursements	11,648	
Independent School District No. 505		
Fulda – Reimbursements	51,243	74,070
Independent School District No. 991		
SW/WC Service Coop – Reimbursements	<u>43,995</u>	<u>43,805</u>
Total All Funds	<u>106,886</u>	<u>117,875</u>

**Note 8    Capital Assets**

Capital asset activity for the year ended June 30, 2023 was as follows:

	<b><u>Balance</u></b>			<b><u>Balance</u></b>
	<b><u>7/01/22</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>6/30/23</u></b>
Capital assets not depreciated				
Land	497,975			497,975
Capital assets depreciated				
Land Improvements	671,780			671,780
Buildings	8,186,080			8,186,080
Equipment	2,141,959	7,380		2,149,339
Eligible Pupil Trans. Vehicles	<u>740,483</u>	<u>123,286</u>		<u>863,769</u>
Total capital assets depreciated	11,740,302	130,666		11,870,968
Less accumulated depreciation for				
Land Improvements	( 232,737)	( 26,631)		( 259,368)
Buildings	(4,549,803)	(198,838)		(4,748,641)
Equipment	(1,948,659)	( 36,213)		(1,984,872)
Eligible Pupil Trans. Vehicles	( 589,551)	( 41,171)		( 630,722)
Total accum. depreciation	(7,320,750)	(302,853)	-0-	(7,623,603)
Total capital assets depreciated-net	<u>4,419,552</u>	<u>(172,187)</u>	-0-	<u>4,247,365</u>
Net Capital Assets	<u>4,917,527</u>	<u>(172,187)</u>	-0-	<u>4,745,340</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 8     Capital Assets - continued**

Depreciation expense of \$302,853 for the year ended June 30, 2023 was charged to the following governmental functions:

District and School Administration	531
Regular Instruction	22,203
Vocational Education Instruction	1,815
Special Education Instruction	1,253
Instruction Support Services	313
Pupil Support Services	47,624
Sites, Buildings, and Equipment	228,874
Community Education	240
Total	<u>302,853</u>

**Note 9     Short-Term Debt**

**A.     General Obligation Aid Anticipation Certificate of Indebtedness**

During the fiscal year 2023, the District redeemed the outstanding General Obligation Aid Anticipation Certificates of Indebtedness of \$868,860. The principal and interest paid totaled \$886,237. Following is a summary of the activity during fiscal year 2023.

<b><u>Balance</u></b>			<b><u>Balance</u></b>
<b><u>7/1/22</u></b>	<b><u>Issued</u></b>	<b><u>Redeemed</u></b>	<b><u>6/30/23</u></b>
868,860	-0-	(868,860)	-0-

**Note 10     Long-Term Debt**

**A.     Financed Purchase**

The District entered into a financing agreement for the purchase of a boiler system. The agreement was entered into August 15, 2014, with annual installments due of \$81,184, including interest at 2.79%.

The annual requirements to amortize the financed purchase outstanding as of June 30, 2023, including interest payments, are listed below.

<b><u>Year Ended</u></b>			
<b><u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2024	76,837	4,347	81,184
2025	78,981	2,203	81,184
Total	<u>155,818</u>	<u>6,550</u>	<u>162,368</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 10    Long-Term Debt - continued**

**B.    General Obligation School Building Refunding Bonds**

The District issued General Obligation School Building Refunding Bonds, Series 2013B of \$2,105,000 to provide funds for the improvement of a major capital facility. General obligation bonds are direct obligations and pledge the full faith and credit of the District, and are paid from the debt service fund. The bonds are due at annual installments of \$205,000 to \$260,000, with interest rates of 0.4% to 2.45%, from August 1, 2014 to February 1, 2023.

The District paid the final payment on this bond of \$260,000 during the fiscal year. The outstanding balance of this bond is -0- at June 30, 2023.

**C.    General Obligation Facilities Maintenance Refunding Bonds**

The District issued General Obligation Facilities Maintenance Bond, Series 2016A of \$450,000 to provide funds for the maintenance of a major capital facility. General obligation bonds are direct obligations and pledge the full faith and credit of the District, and are paid from the debt service fund. The bonds are due at annual installments of \$35,000 to \$45,000, with interest rates of 1.4% to 3.0%, from February 1, 2017 to February 1, 2030.

The annual requirements to amortize the bonds outstanding as of June 30, 2023, including interest payments, are listed below.

<b>Year Ended</b>			
<b><u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2024	40,000	7,410	47,410
2025	40,000	6,690	46,690
2026	40,000	5,970	45,970
2027	40,000	5,250	45,250
2028	45,000	4,050	49,050
2029-2030	<u>90,000</u>	<u>4,050</u>	<u>94,050</u>
Total	<u>295,000</u>	<u>33,420</u>	<u>328,420</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 10    Long-Term Debt - continued**

**D.    General Obligation Tax Abatement Bonds**

The District issued General Obligation Tax Abatement Bond, Series 2022A of \$455,000 to provide funds for the construction and improvement to the parking lots. General obligation bonds are direct obligations and pledge the full faith and credit of the District, and are paid from the debt service fund. The bonds are due at annual installments of \$210,000 to \$245,000, with an interest rate of 4.0%, from February 1, 2023 to February 1, 2025.

The annual requirements to amortize the bonds outstanding as of June 30, 2023, including interest payments, are listed below.

**Year Ended**

<b><u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2024	245,000	18,200	263,200
2025	<u>210,000</u>	<u>8,400</u>	<u>218,400</u>
Total	<u>455,000</u>	<u>26,600</u>	<u>481,600</u>

**E.    Changes in Long-Term Debt**

The following is a schedule of the changes in Long-Term Debt:

	<b><u>Balance</u></b>			<b><u>Balance</u></b>	<b><u>Due Within</u></b>
	<b><u>7/1/22</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>6/30/23</u></b>	<b><u>One Year</u></b>
Financed Purchase-Boiler	230,569		74,751	155,818	76,837
General Obligation Bond	260,000		260,000	-0-	-0-
General Obligation Bond	335,000		40,000	295,000	40,000
General Obligation Bond	<u>455,000</u>		<u>-0-</u>	<u>455,000</u>	<u>245,000</u>
Totals	<u>1,280,569</u>	<u>-0-</u>	<u>374,751</u>	<u>905,818</u>	<u>361,837</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 11    Leases**

The District has implemented GASB Statement No. 87, *Leases*. As a result, the District will recognize right-to-use assets and lease liabilities for agreements that convey the right to control the use of an asset for a period of time greater than twelve months in exchange for consideration.

The District has a lease agreement for the use of multiple copier/printers. The lease term is 60 months, beginning April 2020, with monthly payments of \$2,824 and an interest rate of 4.5%.

There are no variable lease payments, residual value guarantees, termination penalties, restrictions or escalation clauses factored into the lease measurements. The District has no commitments under leases before the commencement of the lease terms. There is no loss associated with an impairment. There are no lease agreements with related parties.

Right-to-Use asset activity for the year ended June 30, 2023 was as follows:

	<b><u>Balance</u></b> <b><u>7/01/22</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>Balance</u></b> <b><u>6/30/23</u></b>
Right-to-Use Assets				
Office Equipment	<u>119,110</u>	<u>      </u>	<u>      </u>	<u>119,110</u>
Total Right-to-Use Assets	<u>119,110</u>	<u>-0-</u>	<u>-0-</u>	<u>119,110</u>
Accumulated Amortization				
Office Equipment	<u>(31,072)</u>	<u>(31,072)</u>	<u>      </u>	<u>(62,144)</u>
Total Accum. Amortization	<u>(31,072)</u>	<u>(31,072)</u>	<u>-0-</u>	<u>(62,144)</u>
Net Right-to-Use Assets	<u><u>88,038</u></u>	<u><u>(31,072)</u></u>	<u><u>-0-</u></u>	<u><u>56,966</u></u>

Amortization expense of \$31,072 for the year ended June 30, 2023 was charged to the following governmental functions:

District and School Administration	<u>31,072</u>
Total	<u><u>31,072</u></u>

Following is a summary of the lease liability activity for the year ended June 30, 2023 for the District:

	<b><u>Balance</u></b> <b><u>7/1/22</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance</u></b> <b><u>6/30/23</u></b>	<b><u>Due Within</u></b> <b><u>One Year</u></b>
Lease-Office Equipment	<u>89,987</u>	<u>-0-</u>	<u>30,461</u>	<u>59,526</u>	<u>31,860</u>
Totals	<u><u>89,987</u></u>	<u><u>-0-</u></u>	<u><u>30,461</u></u>	<u><u>59,526</u></u>	<u><u>31,860</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 11    Leases - continued**

Following is a schedule of the principal and interest requirements to maturity for the District's corresponding lease liabilities:

<b>Year Ended</b>			
<b><u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2024	31,860	2,027	33,887
2025	<u>27,666</u>	<u>574</u>	<u>28,240</u>
Total	<u>59,526</u>	<u>2,601</u>	<u>62,127</u>

**Note 12    Fund Balances**

The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the natures and extent of the constraints placed on a government's fund balance more transparent. Following are the fund balance categories used by the District:

**Non-Spendable Fund Balance**

Fund balance amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

The District has the following non-spendable fund balances as of June 30, 2023:

General Fund	28,510
Food Service Fund	<u>11,698</u>
Total All Funds	<u>40,208</u>

**Restricted Fund Balance**

Fund balance amounts that can be spent only for specific purposes imposed by laws or regulations, external resource providers, constitutional provisions or enabling legislation.

Negative restricted fund balance amounts were offset and shown as unassigned fund balance. (See also, Schedule 9).

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 12    Fund Balances - continued**

**Restricted Fund Balance - continued**

The District has various restricted fund balances that are based on state requirements to track certain program funding, to provide funding for long-term debt requirements, or for other requirements.

The District has the following restricted fund balances as of June 30, 2023.

**General Fund**

Student Activities	184,054
Staff Development	89,554
Gifted & Talented	668
Basic Skills	73,989
Safe Schools	9,537
Long Term Facility Maintenance	(84,707)
Restricted	<u>26,986</u>
Total General Fund	300,081

**Special Revenue Funds**

**Food Service Fund**

Restricted	72,325
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**Community Service Fund**

Community Education	(121)
Early Childhood and	
Family Education	90,513
Adult Basic Education	966
Restricted	<u>20,406</u>
Total Community Service Fund	<u>111,764</u>
Total Special Revenue	184,089

**Debt Service Fund**

Restricted	<u>93,096</u>
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Total All Funds	<u><u>577,266</u></u>
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**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 12   Fund Balances - continued**

**Committed Fund Balance**

Fund balance amounts that can be used only for the specific purpose determined by a formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority is the district school board. In order to establish, modify or rescind a committed fund balance amount, the school board would need to approve the action at a school board meeting.

The District has no committed fund balances as of June 30, 2023.

**Assigned Fund Balance**

Fund balance amounts that are intended to be used by the government for a specific purpose, but do not meet the criteria to be classified as restricted or committed.

The District school board has delegated the authority to assign fund balance amounts to the district finance director and superintendent. Assigned amounts or changes to assigned amounts are presented to the school board for review.

The District has no assigned fund balances as of June 30, 2023.

**Unassigned Fund Balance**

Fund balance amounts that are available for any purpose. These amounts represent the remaining fund balance in the General Fund that has not been classified as non-spendable, restricted, committed or assigned. Also, for funds other than the general fund, unassigned fund balance is used to report a deficit fund balance.

The District has the following unassigned fund balances as of June 30, 2023:

General Fund	1,677,633
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**Stabilization Amounts**

Amounts formally set aside by the governmental unit for use in emergency situations such as revenue shortages or budgetary imbalances.

The District has no stabilization amounts as of June 30, 2023.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 13    Defined Benefit Pension Plans**

**A.    Public Employees Retirement Association (PERA)**

**1. Plan Description**

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association (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.

**General Employees Retirement Plan (GERF)**

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

**2. Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

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

**1. General Employees Plan Benefits:**

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 13    Defined Benefit Pension Plans - continued**

**A.    Public Employees Retirement Association (PERA) - continued**

**2.    Benefits Provided-continued**

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

**3.    Contributions**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can be modified by the state legislature.

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District contributions to the General Employees Fund for the year ended June 30, 2023, were \$43,685. The contributions were equal to the required contributions as set by state statute.

**4.    Pension Costs**

At June 30, 2023, the District reported a liability of \$617,763 for its proportionate share of the GERS' net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$18,046. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

## NOTES TO THE FINANCIAL STATEMENTS

**JUNE 30, 2023**

**Note 13**    **Defined Benefit Pension Plans - continued**

**A. Public Employees Retirement Association (PERA) - continued**

#### 4. Pension Costs - continued

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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0078% at the end of the measurement period and 0.0083% for the beginning of the period.

District proportionate share of the net pension liability \$617,763

State of Minnesota's proportionate share of the net pension liability associated with the District	18,046
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Total	\$635,809
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For the year ended June 30, 2023, the District recognized pension expense of \$90,335 for its proportionate share of GERS's pension expense. In addition, the District recognized an additional \$2,697 as pension expense for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2023, the District reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$5,160	\$7,068
Changes in actuarial assumptions	\$148,503	\$2,867
Net Difference between projected and actual investment earnings on Pension Plan Investments		\$1,220
Changes in proportion	\$13,822	\$34,001
Contributions paid to PERA subsequent to the measurement date	\$50,691	
Total	\$218,176	\$45,156

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 13    Defined Benefit Pension Plans - continued**

**A.    Public Employees Retirement Association (PERA) - continued**

**4.    Pension Costs - continued**

\$50,691 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

Year ended June 30:	Pension Expense Amount
2024	\$53,758
2025	\$42,772
2026	(\$30,068)
2027	\$55,867

**5.    Long-Term Expected Rate of Return on Investment**

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25%	0.75%
Private Markets	25%	5.90%
Total	100%	

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 13    Defined Benefit Pension Plans – continued**

**A.    Public Employees Retirement Association (PERA) - continued**

**6.    Actuarial Assumptions**

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service and 6.0 percent per year thereafter.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

**Changes in Actuarial Assumptions:**

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

**Changes in Plan Provisions:**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 13    Defined Benefit Pension Plans – continued**

**A.    Public Employees Retirement Association (PERA) - continued**

**7.    Discount Rate**

The discount rate used to measure the total pension liability in 2022 was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

**8.    Pension Liability Sensitivity**

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

	1% Decrease in Discount Rate (5.5%)	Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
District's proportionate share of the GERS net pension liability:	\$975,788	\$617,763	\$324,126

**9.    Pension Plan Fiduciary Net Position**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 13    Defined Benefit Pension Plans – continued**

**B.        Teachers Retirement Association**

**1.    Plan Description**

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

Educators employed in Minnesota's public elementary and secondary school, charter schools and certain educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State colleges and universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through Minnesota State's Individual Retirement Account Plan (IRAP) within one year of eligible employment.

**2.    Benefits Provided**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 13    Defined Benefit Pension Plans – continued**

**B.    Teachers Retirement Association - continued**

**2.    Benefits Provided - continued**

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 as described.

<b><u>Tier I</u></b>	<b><u>Step Rate Formula</u></b>	<b><u>Percentage</u></b>
<b>Basic</b>	1 <sup>st</sup> ten years if service years	2.2 percent per year
	1 <sup>st</sup> ten years if service years	2.7 percent per year
<b>Coordinated</b>	1 <sup>st</sup> ten years if service years are prior to July 1, 2006	1.2 percent per year
	1 <sup>st</sup> ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are prior to July 1, 2006	1.7 percent per year
	All other years of service if Service years are July 1, 2006 or after	1.9 percent per year

With these provisions:

- (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 factors 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).

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 13    Defined Benefit Pension Plans – continued**

**B.        Teachers Retirement Association - continued**

**2.    Benefits Provided – continued**

**Tier II:** 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, for favorable to the members, 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 (A-1) 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 which 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 provisions in effect at the time they last terminated their public service.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 13    Defined Benefit Pension Plans - continued**

**B.    Teachers Retirement Association - continued**

**3.    Contribution Rate**

Minnesota Statute, Chapter 354 sets the contribution rates for employers and employees. Contribution rates can only be modified by the state legislature. Rates for each fiscal year ended June 30, 2020, June 30, 2021 and June 30, 2022 were:

	June 30, 2020		June 30, 2021		June 30, 2022	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.92%	11.00%	12.13%	11.00%	12.34%
Coordinated	7.50%	7.92%	7.50%	8.13%	7.50%	8.34%

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 the Schedule of Employer and Non-Employer Pension Allocations.

	<u>in thousands</u>
Employer contributions reported in TRA's CAFR	
Statement of Changes in Fiduciary Net Position	\$482,679
Employer contributions not related to future	
contribution efforts	(2,178)
Deduct TRA's contributions not included in allocations	<u>(572)</u>
Total employer contributions	\$479,929
Total non-employer contributions	<u>35,590</u>
Total contributions reported in schedule of employer	
and non-employer pension allocations	<u>\$515,519</u>

Amounts reported in the allocation schedules may not precisely agree with the 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 13    Defined Benefit Pension Plans - continued**

**B.        Teachers Retirement Association - continued**

**4.    Actuarial Assumptions**

The total pension liability in the June 30, 2021 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, 2022
Measurement Date	June 30, 2022
Experience Study	June 28, 2019 (demographic and economic assumption)
Actuarial Cost Method	Entry Age Normal
<b>Actuarial Assumptions:</b>	
Investment Rate of Return	7.0%
Price Inflation	2.50%
Wage Growth Rate	2.85-3.25%
Projected Salary Increase	2.85-9.25%
Cost of living adjustment	1.0-1.5%
<b>Mortality Assumption</b>	
Pre-Retirement	RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale.
Post-Retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational 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 expenses 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 13    Defined Benefit Pension Plans - continued**

**B.        Teachers Retirement Association - continued**

**4.    Actuarial Assumptions - continued**

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

<b>Asset Class</b>	<b>Final Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	35.5%	5.10%
International Equity	16.5%	5.30%
Private Markets	25%	5.90%
Fixed Income	25%	0.75%
Total	100%	

The TRA actuary had determined the average of the expected remaining service lives of all members for fiscal year 2023 is 6 years. The “Difference between expected and actual experience” and “changes of assumptions” use the amortization period of 6 years in the schedules 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 2021 valuation:**

- For GASB Valuation:
  - None.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 13    Defined Benefit Pension Plans - continued**

**B.    Teachers Retirement Association - continued**

**5.    Discount Rate**

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2022 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

**6.    Net Pension Liability**

On June 30, 2023, the District reported a liability of \$2,346,189 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0293% at the end of the measurement period and 0.0287% 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	\$2,346,189
State's proportionate share of the net pension Liability associated with the District	\$174,141

For the year ended June 30, 2023, the District recognized pension expense of \$354,039. It also recognized \$23,945 as an increase to pension expense for the support provided by direct aid.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 13    Defined Benefit Pension Plans - continued**

**B.    Teachers Retirement Association - continued**

**6.    Net Pension Liability - continued**

As of June 30, 2023, the District recorded deferred resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$36,817	\$29,842
Net difference between projected and actual investment earnings on pension plan investments	\$15,617	
Change in assumption	\$383,570	\$960,487
Changes in proportion	\$46,670	\$95,502
Contributions paid to TRA subsequent to measurement date	\$150,149	
<b>Total</b>	<b>\$632,823</b>	<b>\$1,085,831</b>

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

2024	(\$561,423)
2025	(\$382,727)
2026	\$55,922
2027	\$31,621
2028	\$248,424
Thereafter	\$5,026

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 13    Defined Benefit Pension Plans - continued**

**B.    Teachers Retirement Association - continued**

**7.    Pension Liability Sensitivity**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent and the liability measured using one percent lower and one percent higher.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
District's proportionate share of NPL:	\$3,698,639	\$2,346,189	\$1,237,602

The Employer'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.

**8.    Pension Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That report may be accessed at the TRA Web site [www.tra.state.mn.us](http://www.tra.state.mn.us). Alternatively, a copy of the report may be obtained by writing or calling TRA:

Teachers Retirement Association  
60 Empire Drive, Suite 400  
St Paul MN 55103-4000  
(651) 296-2409  
(800) 657-3669

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 14    Other Postemployment Benefits**

The District has implemented Governmental Accounting Standards Board (GASB), Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

**General Information about the OPEB Plan**

Plan Description

The District provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses.

Benefits Provided

The plan offers medical insurance benefits. Benefits are provided through a third-party insurer. Retirees and their spouses contribute to the healthcare plan at the same cost as District employees.

Employees covered by benefit terms

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>48</u>
	<u>52</u>

Contributions

The contribution requirements of the plan members and the District are established and may be amended by the Board of Education. For the year ended June 30, 2023, the District's average contribution rate was 4.0 percent of covered-employee payroll.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 14    Other Postemployment Benefits - continued**  
**Net OPEB Liability**

The District's net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	Service graded table
Investment rate of return	3.80%
Healthcare cost trend rates	6.25% for 2022, grading to 5.0% over 5 years

Mortality rates were based on the Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

As of the year ended June 30, 2023, the District had no plan assets.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.8 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 14    Other Postemployment Benefits - continued**  
**Changes in the Net OPEB Liability**

	<b>Total OPEB Liability <u>(a)</u></b>	<b>Plan Fiduciary Net Position <u>(b)</u></b>	<b>Net OPEB Liability <u>(a)-(b)</u></b>
Balances at 6/30/2022	<u>241,984</u>	<u>-0-</u>	<u>241,984</u>
Changes for the year:			
Service cost	8,328		8,328
Interest cost	4,974		4,974
Assumption Changes	(13,273)		(13,273)
Difference between Expected and Actual Experience	-0-		-0-
Benefit Payment	<u>(27,053)</u>	<u>-0-</u>	<u>(27,053)</u>
Net changes	<u>(27,024)</u>		<u>(27,024)</u>
Balances at 6/30/2023	<u>214,960</u>	<u>-0-</u>	<u>214,960</u>

Assumption changes since the prior measurement date include the following:

- The inflation rate changed from 2.0% to 2.5%.
- The discount rate changed from 2.10% to 3.80%.

Sensitivity of the net OPEB liability to changes in discount rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.8 percent) or 1-percentage-point higher (4.8 percent) than the current discount rate:

	1% Decrease (2.8%)	Discount Rate (3.8%)	1% Increase (4.8%)
Net OPEB liability	\$223,932	\$214,960	\$206,328

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 14    Other Postemployment Benefits - continued**

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.25 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.25 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (5.25% decreasing to 4.0%)	Healthcare Cost Trend Rates (6.25 decreasing to 5.0%)	1% Increase (7.25% decreasing to 6.0%)
Net OPEB liability	\$201,389	\$214,960	\$230,513

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$27,498. At June 30, 2023, the District reported deferred outflow of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Liability Gains	\$74,944	\$9,827
Assumption Changes	\$6,597	\$13,157
Contributions paid to plan subsequent to measurement date	\$29,815	
<b>Total</b>	<b>\$111,356</b>	<b>\$22,984</b>

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

June 30, 2024	\$14,196
June 30, 2025	\$14,196
June 30, 2026	\$14,206
June 30, 2027	\$18,167
June 30, 2028	(\$2,208)
Thereafter	\$0

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**Note 15    Vacation and Sick Leave**

The District has a policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from services with the District. Vacation leave is accrued as a liability and recorded as an expense of those funds as the benefits are earned by the employees. A liability for these amounts is reported only if they have matured as a result of employee resignation and retirement. All unused vacation leave expires at June 30, 2023.

**Note 16    Excess Expenditures over Budget Appropriations**

The following funds had excess expenditures over budget appropriations for the year ended June 30, 2023:

General Fund	16,308
Food Service Fund	21,356

**Note 17    Risk Management**

The District is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and dental; and natural disasters. Risks of loss associated with workers' compensation claims are insured through participation in the Minnesota School Boards Association Insurance Trust. All other risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years.

The Minnesota School Boards Association Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for member school districts. The district pays an annual premium based on its annual payroll and an experience modification factor for workers' compensation coverage.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**DEFINED BENEFIT PENSION PLANS**  
**JUNE 30, 2023**

Valuation Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability (a+b)	Employer's Covered- Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>PERA:</u>							
June 30, 2014	0.0087%	\$408,682		\$408,682	\$455,241	89.8%	78.7%
June 30, 2015	0.0074%	\$383,506		\$383,506	\$429,133	89.4%	78.2%
June 30, 2016	0.0079%	\$641,441	\$8,374	\$649,815	\$486,480	131.9%	68.9%
June 30, 2017	0.0087%	\$555,402	\$7,002	\$562,404	\$554,253	100.2%	75.9%
June 30, 2018	0.0074%	\$410,522	\$13,391	\$423,913	\$561,640	73.1%	79.5%
June 30, 2019	0.0079%	\$436,773	\$13,666	\$450,439	\$561,253	77.8%	80.2%
June 30, 2020	0.0089%	\$533,596	\$16,321	\$549,917	\$632,453	84.4%	79.1%
June 30, 2021	0.0083%	\$354,447	\$10,756	\$365,203	\$595,227	59.5%	87.0%
June 30, 2022	0.0078%	\$617,763	\$18,046	\$635,809	\$582,467	106.1%	76.7%
<u>TRA:</u>							
June 30, 2014	0.0339%	\$1,562,088	\$109,937	\$1,672,025	\$1,545,978	101.0%	81.5%
June 30, 2015	0.0291%	\$1,800,123	\$221,009	\$2,021,132	\$1,476,053	122.0%	76.8%
June 30, 2016	0.0302%	\$7,203,421	\$722,355	\$7,925,776	\$1,568,680	459.2%	44.88%
June 30, 2017	0.0301%	\$6,008,506	\$580,653	\$6,589,159	\$1,617,999	371.4%	51.57%
June 30, 2018	0.0290%	\$1,824,086	\$171,539	\$1,995,625	\$1,604,520	113.7%	78.07%
June 30, 2019	0.0282%	\$1,797,474	\$159,094	\$1,956,568	\$1,602,361	112.2%	78.07%
June 30, 2020	0.0289%	\$2,135,171	\$178,808	\$2,313,979	\$1,677,008	127.3%	75.48%
June 30, 2021	0.0287%	\$1,255,998	\$105,859	\$1,361,857	\$1,719,852	73.03%	86.63%
June 30, 2022	0.0293%	\$2,346,189	\$174,141	\$2,520,330	\$1,812,170	129.47%	76.17%

See Note 13, Defined Benefit Pension Plans, for more information

Governmental Accounting Standards Board Statement 68 was implemented in fiscal year 2015.  
The District will report the above RSI information prospectively as the information becomes available.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**SCHEDULE OF EMPLOYER'S CONTRIBUTIONS**  
**DEFINED BENEFIT PENSION PLANS**  
**JUNE 30, 2023**

<b>Valuation Fiscal Year Ending</b>	<b>Statutorily Required Contribution (a)</b>	<b>Contributions in Relation to the Statutorily Required Contribution (b)</b>	<b>Contribution Deficiency (Excess) (a-b)</b>	<b>Covered- Employee Payroll (d)</b>	<b>Contributions as a Percentage of Covered-Employee Payroll (b/d)</b>
<b><u>PERA:</u></b>					
June 30, 2014	\$33,005	\$33,005	\$0	\$455,241	7.25%
June 30, 2015	\$32,185	\$32,185	\$0	\$429,133	7.50%
June 30, 2016	\$36,486	\$36,486	\$0	\$486,480	7.50%
June 30, 2017	\$41,569	\$41,569	\$0	\$554,253	7.50%
June 30, 2018	\$42,123	\$42,123	\$0	\$561,640	7.50%
June 30, 2019	\$42,094	\$42,094	\$0	\$561,253	7.50%
June 30, 2020	\$47,434	\$47,434	\$0	\$632,453	7.50%
June 30, 2021	\$44,642	\$44,642	\$0	\$595,227	7.50%
June 30, 2022	\$43,685	\$43,685	\$0	\$582,467	7.50%
<b><u>TRA:</u></b>					
June 30, 2014	\$108,218	\$108,218	\$0	\$1,545,978	7.0%
June 30, 2015	\$110,704	\$110,704	\$0	\$1,476,053	7.5%
June 30, 2016	\$117,651	\$117,651	\$0	\$1,568,680	7.5%
June 30, 2017	\$121,350	\$121,350	\$0	\$1,617,999	7.5%
June 30, 2018	\$120,339	\$120,339	\$0	\$1,604,520	7.5%
June 30, 2019	\$123,542	\$123,542	\$0	\$1,602,361	7.71%
June 30, 2020	\$132,819	\$132,819	\$0	\$1,677,008	7.92%
June 30, 2021	\$139,824	\$139,824	\$0	\$1,719,852	8.13%
June 30, 2022	\$151,135	\$151,135	\$0	\$1,812,170	8.34%

See Note 13, Defined Benefit Pension Plans, for more information

Governmental Accounting Standards Board Statement 68 was implemented in fiscal year 2015.  
The District will report the above RSI information prospectively as the information becomes available.

**REQUIRED SUPPLEMENTAL INFORMATION OTHER THAN MD&A**  
**SCHEDULE OF CHANGES IN THE DISTRICT'S**  
**NET OPEB LIABILITY AND RELATED RATIOS**  
**JUNE 30, 2023**

	<b><u>2023</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Total OPEB liability</b>						
Service Cost	8,328	10,131	11,432	10,113	10,541	10,234
Interest Cost	4,974	2,942	3,384	4,214	3,814	3,493
Assumption Changes	(13,273)	6,755	3,666	(4,901)		
Difference between Expected and Actual Experience		112,418		(22,935)		
Benefit Payments	(27,053)	(5,378)	(2,181)	(2,979)	(1,349)	(7,790)
Net change in total OPEB liability	(27,024)	126,868	16,301	(16,488)	13,006	5,937
Total OPEB liability - beginning	241,984	115,116	98,815	115,303	102,297	96,360
Total OPEB liability - ending (a)	<u>214,960</u>	<u>241,984</u>	<u>115,116</u>	<u>98,815</u>	<u>115,303</u>	<u>102,297</u>
<b>Plan fiduciary net position (b)</b>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>District's Net OPEB liability - ending (a) - (b)</b>	<u>214,960</u>	<u>241,984</u>	<u>115,116</u>	<u>98,815</u>	<u>115,303</u>	<u>102,297</u>
 <b>Plan fiduciary net position as a percentage of Total OPEB liability</b>	 0.00%	 0.00%	 0.00%	 0.00%	 0.00%	 0.00%
 <b>Covered-employee payroll</b>	 2,185,833	 2,122,168	 2,031,241	 1,972,079	 1,901,018	 1,845,649
 <b>District's Net OPEB liability as a percentage of covered-employee payroll</b>	 9.83%	 11.40%	 5.67%	 5.01%	 6.07%	 5.54%

See Note 14, Other Postemployment Benefits, for more information.

Multi-year trend information is not available at this time.

The District will report the above RSI information prospectively as the information becomes available.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**JUNE 30, 2023**

**General Employees Fund**

**2022 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2021 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2020 Changes**

Changes in Actuarial Assumptions

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**JUNE 30, 2023**

**General Employees Fund – continued**

**2020 Changes - continued**

**Changes in Plan Provisions**

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

**2019 Changes**

**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.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**JUNE 30, 2023**

**General Employees Fund - continued**

**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.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**JUNE 30, 2023**

**TRA Retirement Funds**

**2022 Changes**

Changes in Actuarial Assumptions

- None

**2021 Changes**

Changes in Actuarial Assumptions

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

**2020 Changes**

Changes in Actuarial Assumptions

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

**2019 Changes**

Changes in Actuarial Assumptions

- None

**2018 Changes**

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- 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.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**JUNE 30, 2023**

**TRA Retirement Funds – continued**

**2018 Changes - continued**

**Changes in Actuarial Assumptions - continued**

- 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). The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**2017 Changes**

**Changes in Actuarial Assumptions**

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5 percent, but remain at 2.0 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4 percent to 0.0 percent, the vested inactive load increased from 4.0 percent to 7.0% and the non-vested inactive load increased from 4.0 percent to 9.0 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

**2016 Changes**

**Changes in Actuarial Assumptions**

- The discount rate was decreased to 4.66 to 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price of inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**JUNE 30, 2023**

**TRA Retirement Funds – continued**

**2016 Changes – continued**

- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

**2015 Changes**

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

**Post Employment Health Care Plan**

**2022 Changes**

Assumption changes

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**JUNE 30, 2023**

**Post Employment Health Care Plan – continued**

**2021 Changes**

Assumption changes

- The health care trend rates, mortality rates, withdrawal rates and salary increase rates were updated.
- The inflation rate was changed from 2.5% to 2.0%.
- The discount rate was changed from 2.4% to 2.1%.

**2020 Changes**

Assumption changes

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

**2019 Changes**

Assumption changes

- The medical increase rates, mortality tables, and salary scale assumptions were updated as of July 1, 2009.
- The discount rate changed from 3.40% to 3.10%.

**2018 Changes**

Assumption changes

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2000 Combined Healthy Mortality Tables projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 4.00% to 3.40%.
- The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 also were updated.

Method Changes

- The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.

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**GENERAL FUND**  
**BALANCE SHEET**  
**JUNE 30, 2023**

<b><u>Assets</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>
Cash and Investments	2,096,643	2,897,261
Accounts Receivable		565
Current Property Taxes Receivable	297,181	286,009
Delinquent Property Taxes Receivable	6,077	3,291
Due From Other Minnesota Districts	251,829	290,337
Due From Federal Government		
thru Department of Education	197,753	160,471
Due From Department of Education	357,850	527,155
Prepaid Expenses	28,510	22,441
Total Assets	<u>3,235,843</u>	<u>4,187,530</u>
 <b><u>Liabilities, Deferred Inflows of</u></b> <b><u>Resources and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Salaries Payable	203,311	209,217
Accounts Payable	96,916	13,645
Interest Payable		13,997
Due To Other Minnesota Districts	106,886	117,875
Certificates of Indebtedness		868,860
Payroll Deductions	200,915	182,722
Total Liabilities	<u>608,028</u>	<u>1,406,316</u>
 <b><u>Deferred Inflows of Resources</u></b>		
Unavailable Revenue-Delinquent Taxes	6,077	3,291
Property Taxes Levied for Subsequent Years	615,514	611,412
Total Deferred Inflows of Resources	<u>621,591</u>	<u>614,703</u>
 <b><u>Fund Balances</u></b>		
Fund Balance-Non Spendable	28,510	22,441
Fund Balance-Restricted	300,081	337,920
Fund Balance-Unassigned	1,677,633	1,806,150
Total Fund Balances	<u>2,006,224</u>	<u>2,166,511</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>3,235,843</u>	<u>4,187,530</u>

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Year Ended June 30</u>			<u>2022</u>
	<u>2023</u>			
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>	<u>Actual</u>
<u>Local Property Tax Levy</u>				
Local Tax Levy	761,039	754,419	(6,620)	769,652
<u>Other Local and County Revenues</u>				
County Apportionment	6,701	7,362	661	6,085
Interest Income	3,800	6,851	3,051	7,819
Fees	33,895	49,124	15,229	62,282
Other Minnesota Districts	203,500	290,965	87,465	318,273
Other Revenues	44,040	107,079	63,039	113,164
Total Other Local and County Revenues	291,936	461,381	169,445	507,623
<u>Revenue From State Sources</u>				
General Education	2,712,767	2,812,202	99,435	3,016,786
Special Education	332,529	370,013	37,484	420,434
Disparity Reduction Aid	3,869	3,869		3,549
Market Value Credit	6,422	6,422		5,478
Other State Aids	62,931	61,173	(1,758)	57,912
Total Revenue From State Sources	3,118,518	3,253,679	135,161	3,504,159
<u>Revenue From Federal Sources</u>				
Federal Aid Programs	248,827	231,179	(17,648)	281,724
<u>Sales and Other Conversion of Assets</u>				
Sale of Materials	69,450	115,501	46,051	99,468
Total Sales and Other Conversion of Assets	69,450	115,501	46,051	99,468
Total Revenues	4,489,770	4,816,159	326,389	5,162,626

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Year Ended June 30			
	2023			2022
			Variance	
<u>Expenditures</u>	<u>Budget</u>	<u>Actual</u>	<u>with Budget</u>	<u>Actual</u>
<u>District and School Administration</u>				
School Adminstration	10,083	10,013	70	29,286
Board of Education	19,175	19,925	(750)	13,078
Superintendent's Office	99,053	121,511	(22,458)	157,730
Total District and School Administration	128,311	151,449	(23,138)	200,094
<u>District Support Services</u>				
General Administrative Support	61,844	60,067	1,777	60,976
Administrative Technical Services	87,950	88,532	(582)	74,678
Business Services	174,214	142,107	32,107	149,332
Total District Support Services	324,008	290,706	33,302	284,986
<u>Regular Instruction</u>				
Elementary Education (K)	73,135	73,426	(291)	66,080
Elementary Education (1-6)	532,496	347,103	185,393	469,420
Secondary-General	108,205	128,592	(20,387)	136,269
Voluntary Pre-Kindergarten	41,349	35,698	5,651	40,084
Visual Art	81,421	81,878	(457)	86,235
Gifted and Talented	560	3,102	(2,542)	4,314
English-Language Art	155,369	155,631	(262)	149,857
English Learners (EL)	132,676	129,466	3,210	174,876
Family Living Science	150	150		
Foreign Language	24,280	24,636	(356)	23,524
Health, Physical Education, Recreation	232,307	222,080	10,227	163,813
Mathematics	137,179	137,900	(721)	131,814
Computer Science	99,710	95,016	4,694	103,632
Music	158,269	155,177	3,092	152,350
Natural Sciences	165,780	159,608	6,172	143,830
Remedial Education	10,734	208,799	(198,065)	20,799
Social Sciences/Social Studies	105,181	103,995	1,186	100,259
Title I Improving the Acedemics	44,275	60,752	(16,477)	56,612
Title II Part D	25,595	30,168	(4,573)	28,838
Title III Part A	3,060	2,630	430	6,266
Title IV Part A	10,000	9,693	307	10,000
Boys Athletics	80,759	102,585	(21,826)	108,911
Girls Athletics	74,286	92,667	(18,381)	98,047
Extra Curricular	147,648	179,352	(31,704)	162,432
Co-Curricular	37,281	48,971	(11,690)	27,681
Total Regular Instruction	2,481,705	2,589,075	(107,370)	2,465,943

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Year Ended June 30			
	2023		Variance	2022
<b><u>Expenditures - continued</u></b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>with Budget</u></b>	<b><u>Actual</u></b>
<b><u>Vocational Instruction</u></b>				
Agriculture Education	90,105	88,755	1,350	76,414
Family and Consumer Science	34,186	33,792	394	32,985
Trade and Industrial Education	89,287	84,614	4,673	82,263
Total Vocational Instruction	213,578	207,161	6,417	191,662
<b><u>Exceptional Instruction</u></b>				
Special Educational-General	11,077	27,784	(16,707)	79,079
Development Cognitive Disabilities	53,932	52,237	1,695	52,199
Development Cognitive Disabilities-Severe Profound	12,950	12,953	(3)	17,571
Deaf-Hard of Hearing		2,895	(2,895)	
Special Learning-Disabled	220,215	225,199	(4,984)	192,936
Speech/Language Impaired	57,000	59,995	(2,995)	38,734
Emotional/Behavioral Disorder	32,486	42,340	(9,854)	77,068
Developmentally Delayed Education	44,764	46,490	(1,726)	50,140
Other Health Disabilities	4,900	4,794	106	1,608
Autistic Spectrum Disorder	6,850	6,796	54	18,684
Physically Impaired	20,870	21,602	(732)	29,032
Total Exceptional Instruction	465,044	503,085	(38,041)	557,051
<b><u>Instructional Support Services</u></b>				
Library Media Center	42,115	24,910	17,205	32,198
Staff Development	47,528	30,578	16,950	35,819
General Instruction Support	13,020	12,797	223	12,099
Total Instructional Support Services	102,663	68,285	34,378	80,116
<b><u>Pupil Support Services</u></b>				
Health Services	6,139	3,061	3,078	8,760
Counseling and Guidance Services	6,000	5,970	30	5,796
Other Pupil Support	12,832	12,941	(109)	11,436
Pupil Transportation	449,240	378,215	71,025	261,789
Total Pupil Support Services	474,211	400,187	74,024	287,781
<b><u>Site, Building and Equipment</u></b>				
Supplies	43,820	44,681	(861)	41,257
Utilities	83,300	68,845	14,455	80,115
Repair and Maintenance Service	26,750	33,294	(6,544)	58,385
Equipment	6,860	908	5,952	120,815
Professional Services	363,650	370,054	(6,404)	371,038
Fuel	64,000	64,941	(941)	70,488
Financed Purchase Principal	76,000	82,591	(6,591)	72,722
Financed Purchase Interest	8,500	7,422	1,078	8,462
Other	140	104	36	90
Total Site, Building and Equipment	673,020	672,840	180	823,372

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Year Ended June 30</u>			<u>2022</u>
	<u>2023</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>	<u>Actual</u>
<b><u>Expenditures - continued</u></b>				
<b><u>Fixed Cost Programs</u></b>				
Interest		3,380	(3,380)	15,759
Property Insurance	100,000	92,680	7,320	70,656
Total Fixed Cost Programs	100,000	96,060	3,940	86,415
Total Expenditures	4,962,540	4,978,848	(16,308)	4,977,420
Excess Revenues (Expenditures)	(472,770)	(162,689)	310,081	185,206
<b><u>Other Financing Sources (Uses)</u></b>				
Insurance Recovery		2,402	2,402	
Total Other Financing Sources (Uses)	-0-	2,402	2,402	-0-
Excess Revenues and Other Financing Sources				
Over Expenditures and Other Financing Uses	<u>(472,770)</u>	<u>(160,287)</u>	<u>312,483</u>	185,206
Fund Balance-July 1		2,166,511		1,981,305
Fund Balance-June 30		<u>2,006,224</u>		<u>2,166,511</u>

**ALL SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2023**

	<b>Food</b>	<b>Community</b>	<b>Total</b>	
	<b><u>Service</u></b>	<b><u>Service</u></b>	<b>(Memo Only)</b>	
<b><u>Assets</u></b>			<b><u>2023</u></b>	<b><u>2022</u></b>
Cash	72,858	130,050	202,908	187,816
Current Property Taxes Receivable		9,043	9,043	9,806
Delinquent Property Taxes Receivable		181	181	94
Due from Department of Education	52	2,429	2,481	2,487
Due from Other Governmental Units	7,338		7,338	
Due From Federal Government				
Through the Department of Education	5,437		5,437	
Inventory	11,698		11,698	10,304
Total Assets	<u>97,383</u>	<u>141,703</u>	<u>239,086</u>	<u>210,507</u>
 <b><u>Liabilities, Deferred Inflows of</u></b>				
<b><u>Resources and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Accounts Payable	264	1,340	1,604	1,083
Salaries Payable	2,098	6,535	8,633	11,242
Total Liabilities	<u>2,362</u>	<u>7,875</u>	<u>10,237</u>	<u>12,325</u>
 <b><u>Deferred Inflows of Resources</u></b>				
Unavailable Revenue - Other	10,998		10,998	6,645
Unavailable Revenue - Delinquent Taxes		181	181	94
Property Taxes Levied for Subsequent Years		21,883	21,883	23,201
Total Deferred Inflows of Resources	<u>10,998</u>	<u>22,064</u>	<u>33,062</u>	<u>29,940</u>
 <b><u>Fund Balances</u></b>				
Fund Balance-Non Spendable	11,698		11,698	10,304
Fund Balance-Restricted	72,325	111,764	184,089	157,938
Total Fund Balances	<u>84,023</u>	<u>111,764</u>	<u>195,787</u>	<u>168,242</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>97,383</u>	<u>141,703</u>	<u>239,086</u>	<u>210,507</u>

**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Food</b>	<b>Community</b>	<b>Total</b>	
	<b>Service</b>	<b>Service</b>	<b>(Memo Only)</b>	
<b><u>Revenues</u></b>			<b><u>2023</u></b>	<b><u>2022</u></b>
Local Property Tax Levy		22,041	22,041	21,084
Other Local and County Revenues	2,720	22,568	25,288	21,949
Revenue from State Sources	8,778	31,144	39,922	45,488
Revenue from Federal Sources	165,235		165,235	270,507
Other	69,231		69,231	24,990
Total Revenues	<u>245,964</u>	<u>75,753</u>	<u>321,717</u>	<u>384,018</u>
 <b><u>Expenditures</u></b>				
Community Education and Services		51,412	51,412	53,242
Pupil Support Services	242,760		242,760	245,644
Total Expenditures	<u>242,760</u>	<u>51,412</u>	<u>294,172</u>	<u>298,886</u>
 Excess Revenues (Expenditures)	3,204	24,341	27,545	85,132
Fund Balance-July 1	<u>80,819</u>	<u>87,423</u>	<u>168,242</u>	<u>83,110</u>
Fund Balance-June 30	<u><u>84,023</u></u>	<u><u>111,764</u></u>	<u><u>195,787</u></u>	<u><u>168,242</u></u>

**FOOD SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Year Ended June 30</u>			
	<u>2023</u>			<u>2022</u>
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>	<u>Actual</u>
<u>Other Local and County Revenues</u>				
Interest Income		258	258	35
Other	6,500	2,462	(4,038)	9,100
Total Local and County Revenues	6,500	2,720	(3,780)	9,135
<u>Revenue From State Sources</u>				
State Lunch Reimbursement	7,600	3,382	(4,218)	225
Other State Aids	7,500	5,396	(2,104)	5,307
Total Revenue From State Sources	15,100	8,778	(6,322)	5,532
<u>Revenue From Federal Sources</u>				
Federal Lunch Reimbursement	122,000	147,467	25,467	252,097
Commodities	12,700	17,768	5,068	18,410
Total Revenue From Federal Sources	134,700	165,235	30,535	270,507
<u>Sales and Other Conversion of Assets</u>				
Sale of Lunches	74,550	69,231	(5,319)	24,990
Total Revenues	230,850	245,964	15,114	310,164
<u>Expenditures</u>				
<u>Pupil Support Services</u>				
Food	94,110	92,415	1,695	108,126
Commodities	14,200	17,768	(3,568)	18,410
Salaries	97,829	114,431	(16,602)	101,530
Equipment				2,991
Repair and Maintenance	4,300	7,370	(3,070)	2,198
Supplies	7,000	7,053	(53)	8,597
Other	3,965	3,723	242	3,792
Total Expenditures	221,404	242,760	(21,356)	245,644
Excess Revenues (Expenditures)	9,446	3,204	(6,242)	64,520
Fund Balance-July 1		80,819		16,299
Fund Balance-June 30		84,023		80,819

**COMMUNITY SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Year Ended June 30			2022
	2023		Variance	
<b><u>Revenues</u></b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>with Budget</u></b>	<b><u>Actual</u></b>
<u>Local Property Tax Levy</u>				
Local Tax Levy	22,157	22,041	(116)	21,084
Total Local Property Tax Levy	22,157	22,041	(116)	21,084
<u>Other Local and County Revenues</u>				
Fees from Patrons	8,750	16,502	7,752	11,493
Interest Income	50	391	341	182
Other	500	5,675	5,175	1,139
Total Other Local and County Revenues	9,300	22,568	13,268	12,814
<u>Revenue From State Sources</u>				
Disparity Reduction Credit	392	392		390
Market Value Credit	652	652		602
Other State Aids	38,127	30,100	(8,027)	38,964
Total Revenue from State Sources	39,171	31,144	(8,027)	39,956
Total Revenues	70,628	75,753	5,125	73,854
<b><u>Expenditures</u></b>				
<u>Community Education and Services</u>				
Salaries	48,197	34,388	13,809	39,357
Supplies	9,228	14,258	(5,030)	10,629
Contracted Services	840	1,221	(381)	445
Travel	750	1,189	(439)	2,456
Other	430	356	74	355
Total Expenditures	59,445	51,412	8,033	53,242
Excess Revenues (Expenditures)	11,183	24,341	13,158	20,612
Fund Balance-July 1		87,423		66,811
Fund Balance-June 30		111,764		87,423

**CAPITAL PROJECTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Year Ended June 30			
	2023			2022
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>	<u>Actual</u>
<b><u>Revenues</u></b>				
<u>Other Local and County Revenues</u>				
Interest Income				411
Total Revenues	-0-	-0-	-0-	411
<b><u>Expenditures</u></b>				
<u>Site, Buildings and Equipment</u>				
Professional Services				23,295
Building Construction				403,116
Total Expenditures	-0-	-0-	-0-	426,411
Excess Revenues (Expenditures)	-0-	-0-	-0-	(426,000)
<b><u>Other Financing Sources (Uses)</u></b>				
Transfer Out		(40,667)	(40,667)	
Bond Proceeds				466,667
Total Other Financing Sources (Uses)	-0-	(40,667)	(40,667)	466,667
Excess Revenues and Other Financing Sources				
Over Expenditures and Other Financing Uses	-0-	(40,667)	(40,667)	40,667
Fund Balance-July 1		40,667		-0-
Fund Balance-June 30		-0-		40,667

**DEBT SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Year Ended June 30</u>			<u>2022</u>
	<u>2023</u>			
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>	<u>Actual</u>
<u>Local Property Tax Levy</u>				
Local Tax Levy	159,639	159,582	(57)	176,815
<u>Other Local and County Revenues</u>				
Interest Income		2,328	2,328	286
<u>Revenue From State Sources</u>				
Disparity Reduction Credit	5,355	5,355		5,677
Market Value Credit	8,888	8,888		8,762
School Building Bond Ag Credit	142,234	142,234		129,442
Other State Aid		2	2	1,154
Total Revenue from State Sources	<u>156,477</u>	<u>156,479</u>	<u>2</u>	<u>145,035</u>
Total Revenues	<u>316,116</u>	<u>318,389</u>	<u>2,273</u>	<u>322,136</u>
<u>Expenditures</u>				
<u>Fiscal and Other Cost Programs</u>				
Bond Principal	303,185	300,000	3,185	295,000
Bond Interest	24,410	27,594	(3,184)	20,798
Other	2,138	2,137	1	1,700
Total Expenditures	<u>329,733</u>	<u>329,731</u>	<u>2</u>	<u>317,498</u>
Excess Revenues (Expenditures)	(13,617)	(11,342)	2,275	4,638
<u>Other Financing Sources (Uses)</u>				
Transfer In		40,667	40,667	
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>40,667</u>	<u>40,667</u>	<u>-0-</u>
Excess Revenues and Other Financing Sources				
Over Expenditures and Other Financing Uses	<u>(13,617)</u>	29,325	<u>42,942</u>	4,638
Fund Balance-July 1		<u>63,771</u>		<u>59,133</u>
Fund Balance-June 30		<u>93,096</u>		<u>63,771</u>

**UNIFORM FINANCIAL ACCOUNTING & REPORTING STANDARDS**  
**COMPLIANCE TABLE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

<b><u>01 GENERAL FUND</u></b>	<b><u>Audit</u></b>	<b><u>UFARS</u></b>	<b><u>Difference</u></b>
Total Revenues	<u>4,816,159</u>	<u>4,816,159</u>	0
Total Expenditures	<u>4,978,848</u>	<u>4,978,848</u>	0
Non Spendable:			
4.60 Non Spendable	28,510	28,510	0
Restricted/Reserve:			
4.01 Student Activities	184,054	184,054	0
4.03 Staff Development	89,554	89,554	0
4.38 Gifted & Talented	668	668	0
4.41 Basic Skills Programs	73,989	73,989	0
4.49 Safe Schools	9,537	9,537	0
4.67 Long Term Facility Maintenance	(84,707)	(84,707)	0
Restricted:			
4.64 Restricted	26,986	26,986	0
Unassigned:			
4.22 Unassigned	1,677,633	1,677,633	0
<b><u>02 FOOD SERVICE</u></b>			
Total Revenues	<u>245,964</u>	<u>245,964</u>	0
Total Expenditures	<u>242,760</u>	<u>242,760</u>	0
Non Spendable:			
4.60 Non Spendable	11,698	11,698	0
Restricted:			
4.64 Restricted	72,325	72,325	0
<b><u>04 COMMUNITY SERVICE</u></b>			
Total Revenues	<u>75,753</u>	<u>75,753</u>	0
Total Expenditures	<u>51,412</u>	<u>51,412</u>	0
Restricted/Reserve:			
4.31 Community Education	(121)	(121)	0
4.32 Early Child & Family Education	90,513	90,513	0
4.47 Adult Basic Education	966	966	0
4.64 Restricted	20,406	20,406	0
<b><u>06 CAPITAL PROJECTS</u></b>			
Total Revenues	<u>-0-</u>	<u>-0-</u>	0
Total Expenditures	<u>-0-</u>	<u>-0-</u>	0
Restricted:			
4.64 Restricted	-0-	-0-	0
<b><u>07 DEBT SERVICE</u></b>			
Total Revenues	<u>318,389</u>	<u>318,389</u>	0
Total Expenditures	<u>329,731</u>	<u>329,731</u>	0
Restricted:			
4.64 Restricted	93,096	93,096	0

**MEULEBROECK, TAUBERT & CO., PLLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

PO Box 685  
109 S Freeman Avenue  
Luverne, Minnesota 56156  
507 283-4055 Fax 507 283-4076  
contactl@mtcocpa.com

PO Box 707  
216 East Main  
Pipestone, Minnesota 56164  
507 825-4288 Fax 507 825-4280  
contactp@mtcocpa.com

Tyler, Minnesota 56178  
507 247-3939  
Lake Wilson, Minnesota 56151  
507 879-3538  
Marshall, Minnesota 56258  
507 337-0501

**PARTNERS**

Matthew A. Taubert, CPA  
David W. Friedrichsen, CPA  
Daryl J. Kanthak, CPA  
Amy L. Mollberg, CPA  
Blake R. Klinsing, CPA

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

To The Board of Education  
Independent School District No. 330  
Okabena, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 330, Okabena, Minnesota as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Independent School District No. 330, Okabena, Minnesota's basic financial statements, and have issued our report thereon dated November 30, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Independent School District No. 330, Okabena, Minnesota's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Recommendations as items 23-I, 23-II and 23-III to be material weaknesses.

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

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

### **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 330 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

### **Independent School District No. 330's Response to Findings**

Governmental Auditing Standards requires the auditor to perform limited procedures on the Independent School District No. 330's response to the findings identified in our audit and is described in the accompanying Schedule of Findings and Recommendations. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control 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. This report is an integral part of an audit conducted in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*Meulebroeck, Taubert & Co. PLLP*

Meulebroeck, Taubert & Co., PLLP  
Certified Public Accountants  
Luverne, Minnesota

November 30, 2023

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**I. Financial Statement Audit-Internal Controls**

**Previously Reported Items Not Resolved**

***2023-I          Lack of Segregation of Duties***

Due to the limited number of office personnel within the accounting department, proper segregation of the accounting functions necessary to ensure adequate internal accounting control in the areas of bank reconciliation, receipts, disbursements, payroll, journal entries and budgets are not possible. Although this is not unusual in small office situations, management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

The District has implemented internal control procedures which utilize the existing staff to provide for segregation of duties in accounting functions whenever possible.

We recommend that the District's management be aware of the lack of segregation of the accounting functions and, if possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff.

**Corrective Action Plan (CAP)**

**Evaluation of disagreement with audit findings:**

There is no disagreement with the audit findings.

**Actions planned in response to the finding:**

Because it is economically infeasible to hire additional staff to adequately provide for the proper segregation of duties, the district will implement an internal control policy that will address the areas of segregation the district is lacking, including bank reconciliation's, receipts, disbursements, payroll, journal entries, and budget. The policy will utilize staff as well as board members to ensure that segregation of duties occurs in every area.

**Official responsible for Ensuring CAP:**

The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

**Planned completion date for CAP:**

December 31, 2023

**Plan to monitor completion of CAP:**

The Superintendent and Board of Education will monitor the internal control system.

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**I. Financial Statement Audit-Internal Controls - continued**

**Previously Reported Items Not Resolved - continued**

*2023-II            GAAP Financial Statements*

District personnel that lack the necessary expertise are responsible for financial statements required to be prepared in accordance with generally accepted accounting principles.

**Corrective Action Plan (CAP):**

**Evaluation of disagreement with audit findings:**

There is no disagreement with the audit findings.

**Actions planned in response to the finding:**

The District has studied the situation and found that it is economically infeasible to hire or provide adequate training required to adequately prepare financial statements in accordance with generally accepted accounting principles. The cost benefit of providing the necessary training to acquire and maintain this expertise prohibits it. The District will continue to have the auditor prepare the financial statements; however, the district has established an internal control policy to document the annual review of the financial statements, disclosures and schedules.

**Official Responsible for Ensuring CAP:**

The District's Superintendent in conjunction with the Business Manager are the officials responsible for ensuring corrective action.

**Planned Completion Date for CAP:**

December 31, 2023

**Plan to Monitor Completion of CAP:**

The Superintendent and Board of Education will monitor the internal control system to ensure it is functioning as the internal control policy states.

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**I. Financial Statement Audit-Internal Controls - continued**

**Previously Reported Items Not Resolved - continued**

*2023-III      Audit Adjustments*

During our audit, we proposed adjustments that resulted in significant changes to the District's financial statements.

**Corrective Action Plan (CAP):**

**Evaluation of disagreement with audit findings:**

There is no disagreement with the audit findings.

**Actions planned in response to the finding:**

Proposed audit adjustments will be reviewed and approved by the appropriate staff and approved adjustments will be posted and reflected in the financial statements.

**Official Responsible for Ensuring CAP:**

The Business Manager is responsible for ensuring corrective action.

**Planned Completion Date for CAP:**

December 31, 2023

**Plan to Monitor Completion of CAP:**

The Superintendent and Board of Education will review their procedures to ensure accuracy.

**FORM OF LEGAL OPINION**

(See following pages)



150 South Fifth Street, Suite 700  
Minneapolis, MN 55402  
(612) 337-9300 telephone  
(612) 337-9310 fax  
www.kennedy-graven.com  
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§ \_\_\_\_\_  
INDEPENDENT SCHOOL DISTRICT NO. 330  
(HERON LAKE-OKABENA)  
COTTONWOOD, JACKSON AND NOBLES COUNTIES, MINNESOTA  
GENERAL OBLIGATION SCHOOL BUILDING BONDS  
SERIES 2024A

We have acted as bond counsel to Independent School District No. 330 (Heron Lake-Okabena), Cottonwood, Jackson and Nobles Counties, Minnesota (the “Issuer”), in connection with the issuance by the Issuer of its General Obligation School Building Bonds, Series 2024A (the “Bonds”), originally dated April \_\_, 2024, and issued in the original aggregate principal amount of \$ \_\_\_\_\_. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings, and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed and are valid and binding general obligations of the Issuer, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable from ad valorem taxes levied by the Issuer on all taxable property of the Issuer, but if necessary for the payment thereof, additional ad valorem taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax, or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, such interest is included in determining the annual adjusted financial statement income (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) of applicable corporations (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such applicable corporations, and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

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

5. The resolution adopted by the School Board of the Issuer on February 20, 2024, 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 \_\_\_\_\_, 2024, at Minneapolis, Minnesota.

### BOOK-ENTRY-ONLY SYSTEM

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

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

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

(See following pages)

\$ \_\_\_\_\_  
INDEPENDENT SCHOOL DISTRICT NO. 330  
(HERON LAKE-OKABENA)  
COTTONWOOD, JACKSON AND NOBLES COUNTIES, MINNESOTA  
GENERAL OBLIGATION SCHOOL BUILDING BONDS  
SERIES 2024A

**CONTINUING DISCLOSURE CERTIFICATE**

April \_\_, 2024

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Independent School District No. 330 (Heron Lake-Okabena), Cottonwood, Jackson and Nobles Counties, Minnesota (the “District”), in connection with the issuance of its General Obligation School Building Bonds, Series 2024A (the “Bonds”), in the original aggregate principal amount of \$ \_\_\_\_\_. The Bonds are being issued pursuant to a resolution adopted by the School Board of the District (the “Resolution”). The Bonds are being delivered to \_\_\_\_\_[, as syndicate manager] (the “Purchaser”), on the date hereof. Pursuant to the Resolution, the District has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The District hereby covenants and agrees as follows:

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

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

“Annual Report” means the District’s Audited Financial Statements.

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

“Bonds” means the General Obligation School Building Bonds, Series 2024A, issued by the District in the original aggregate principal amount of \$ \_\_\_\_\_.

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“District” means Independent School District No. 330 (Heron Lake-Okabena), Cottonwood, Jackson and Nobles Counties, Minnesota, which is the obligated person with respect to the Bonds.

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

“Final Official Statement” means the Final Official Statement, dated \_\_\_\_\_, 2024, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

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

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

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

“GASB” means the Governmental Accounting Standards Board.

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

“Material Event” means any of the events listed in Section 4(a) of this Disclosure Certificate.

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

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

“Purchaser” means \_\_\_\_\_ [, as syndicate manager].

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

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

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

### Section 3. Provision of Annual Report.

(a) The District shall provide the Annual Report to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends June 30, 2024. The Annual Report may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The District shall clearly identify each such other document so incorporated by reference.

(b) The Annual Report may be submitted as a single document or as separate documents comprising a package.

Section 4.        Reporting of Material Events.

(a)        This Section 4 shall govern the giving of notice of the occurrence of any of the following events (“Material Events”) with respect to the Bonds:

1.        Principal and interest payment delinquencies;
2.        Non-payment related defaults, if material;
3.        Unscheduled draws on debt service reserves reflecting financial difficulties;
4.        Unscheduled draws on credit enhancements reflecting financial difficulties;
5.        Substitution of credit or liquidity providers, or their failure to perform;
6.        Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7.        Modifications to rights of security holders, if material;
8.        Bond calls, if material, and tender offers;
9.        Defeasances;
10.       Release, substitution, or sale of property securing repayment of the securities, if material;
11.       Rating changes;
12.       Bankruptcy, insolvency, receivership or similar event of the obligated person;
13.       The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14.       Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15.       Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16.       Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

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

Section 5. EMMA. The SEC has designated EMMA as a nationally-recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the District shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 6. Termination of Reporting Obligation. The District's obligations under the Resolution and this Disclosure Certificate shall terminate upon the redemption in full of all Bonds or payment in full of all Bonds.

Section 7. Agent. The District may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally-recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolution requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the District delivers to the Repository an opinion of nationally-recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolution and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolution requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the District to the Repository of the proposed amendment and an opinion of nationally-recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect compliance with the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 330  
(HERON LAKE-OKABENA), COTTONWOOD,  
JACKSON AND NOBLES COUNTIES,  
MINNESOTA**

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Board Chair

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Clerk

## TERMS OF PROPOSAL

### **\$2,500,000\* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2024A INDEPENDENT SCHOOL DISTRICT NO. 330 (HERON LAKE-OKABENA), MINNESOTA**

Proposals for the purchase of \$2,500,000\* General Obligation School Building Bonds, Series 2024A (the "Bonds") of Independent School District No. 330 (Heron Lake-Okabena), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com) or **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on March 19, 2024, at which time they will be opened, read and tabulated. The proposals will be presented to the School Board for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

### **AUTHORITY; PURPOSE; SECURITY**

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held August 8, 2023 by the District, for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged.

### **DATES AND MATURITIES**

The Bonds will be dated April 11, 2024, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2025	\$25,000	2030	\$285,000	2035	\$125,000
2026	265,000	2031	110,000	2036	135,000
2027	245,000	2032	110,000	2037	140,000
2028	260,000	2033	115,000	2038	145,000
2029	270,000	2034	120,000	2039	150,000

### **ADJUSTMENT OPTION**

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

### **TERM BOND OPTION**

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

## INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2025, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2025 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

## BOOK-ENTRY-ONLY FORMAT

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

## PAYING AGENT

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

## OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2033 shall be subject to optional redemption prior to maturity on February 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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

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

## DELIVERY

On or about April 11, 2024, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

## LEGAL OPINION

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

## SUBMISSION OF PROPOSALS

Proposals must not be for less than \$2,500,000 plus accrued interest on the principal sum of \$2,500,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com); or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:30 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

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

**A good faith deposit ("Deposit") in the amount of \$50,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals.** The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

## **AWARD**

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

## **BOND INSURANCE**

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

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

## **CUSIP NUMBERS**

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

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

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

## **CONTINUING DISCLOSURE**

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

## **NEW ISSUE PRICING**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **PRELIMINARY OFFICIAL STATEMENT**

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

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the School Board

Independent School District No. 330  
(Heron Lake-Okabena), Minnesota

# PROPOSAL FORM

The School Board  
Independent School District No. 330 (Heron Lake-Okabena), Minnesota (the "District")

March 19, 2024

RE: \$2,500,000\* General Obligation School Building Bonds, Series 2024A (the "Bonds")  
DATED: April 11, 2024

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$\_\_\_\_\_ (not less than \$2,500,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due 2025	_____ % due 2030	_____ % due 2035
_____ % due 2026	_____ % due 2031	_____ % due 2036
_____ % due 2027	_____ % due 2032	_____ % due 2037
_____ % due 2028	_____ % due 2033	_____ % due 2038
_____ % due 2029	_____ % due 2034	_____ % due 2039

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

**The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2025 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

**A good faith deposit ("Deposit") in the amount of \$50,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals.** The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about April 11, 2024.

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

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

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

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

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

Account Manager: \_\_\_\_\_ By: \_\_\_\_\_

Account Members:

**Award will be on a true interest cost basis.** According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from April 11, 2024 of the above proposal is \$\_\_\_\_\_ and the true interest cost (TIC) is \_\_\_\_\_%.

The foregoing offer is hereby accepted by and on behalf of the School Board of Independent School District No. 330 (Heron Lake-Okabena), Minnesota, on March 19, 2024.

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