

# Regular School Board Meeting

Monday, January 8, 2024 5:45 PM

School District Media Center, 131 Hickory Street North, Lester Prairie, MN 55354

## I. Call to Order

## II. Pledge of Allegiance

## III. Approval of Agenda

## IV. Recognition of Communications Since Last Meeting

## V. Open Dialogue

## VI. Approval of Consent Agenda

## VII. Reports

## VIII. New Business

## IX. Old Business

## X. School Finance

X.A. Action to approve Post-Issuance Compliance Policy.

X.B. Action to approve RESOLUTION RELATING TO \$835,000 GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2024A; AUTHORIZING ISSUANCE, AWARDED SALE, PRESCRIBING, THE FORM AND DETAILS AND PROVIDING FOR THE PAYMENT THEREOF.

X.C. Action to NHS fundraiser request.

## XI. Policy Administration

## XII. Personnel

XII.A. Action to approve MOUs for the following contracts:

- A. Kelly Elling - Business Official
- B. Alice Daak - Business Manager
- C. Mike Lee - Principal
- D. Ross Scheevel - AD/Dean
- E. Cheryl Bayerl - Data and Systems Coordinator
- F. Lori Bebo - Kitchen Supervisor

XII.B. Action to approve revised contract for Cheryl Bayerl - Data and Systems Coordinator.

XII.C. Action to approve contract for  
Cheryl Bayerl as Business Manager.

XII.D. Action to approve the following  
lane change request:

G. Matt Thode - BA+10 step 4

XIII. **Other Items for the Board**

XIV. **Adjourn the Regular Board Meeting**



# Lester Prairie Schools

District Office  
131 Hickory St. N  
Lester Prairie, MN 55354

Phone: 320-395-2521  
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Website: [www.lp.k12.mn.us/](http://www.lp.k12.mn.us/)

**REORGANIZATIONAL MEETING AGENDA  
LESTER PRAIRIE SCHOOL BOARD OF EDUCATION**

**DATE:** Monday, JANUARY 8, 2024

**LOCATION:** School Media Center

**TIME:** 5:45 PM

**REGULAR BOARD MEETING TO FOLLOW  
REORGANIZATIONAL MEETING**

**I. Call to Order**

- A. Board Chair Hentges to open the Lester Prairie School District REORGANIZATIONAL Board meeting at 5:45 pm.
- B. Welcome to public and guests

**II. Pledge of Allegiance**

**III. Approval of Agenda for Reorganizational Meeting**

*Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve agenda.*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against.*

**IV. Election of Officers**

**A. Chairperson**

*Motion by \_\_\_\_\_, seconded by \_\_\_\_\_, to elect \_\_\_\_\_ as Board Chairperson.*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against.*

*\*\*\*Elected Board Chairperson to take over meeting\*\*\**

**B. Vice-Chairperson**

*Motion by \_\_\_\_\_, seconded by \_\_\_\_\_, to elect \_\_\_\_\_ as Board Vice-Chairperson.*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against*

**C. Clerk**

*Motion by \_\_\_\_\_, seconded by \_\_\_\_\_, to elect \_\_\_\_\_ as Clerk.*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against*

**D. Treasurer**

Motion by \_\_\_\_\_, seconded by \_\_\_\_\_, to elect  
\_\_\_\_\_ as Treasurer.  
Voting was \_\_\_\_\_ for and \_\_\_\_\_ against

**V. Set School Board Items**

**A. SCHOOL BOARD MEETINGS**

Held on \_\_\_\_\_ of every month at \_\_\_\_\_pm to be held in  
the Media Center at Lester Prairie School (unless noted).

3<sup>rd</sup> Mondays for 2024 include:

February 12 (set already)	March 18
April 15	May 20
June 17	July 15
August 19	September 16
October 24 (MEA Oct 17 & 18)	November 18
December 16	

Motion by \_\_\_\_\_, seconded by \_\_\_\_\_ to approve meeting  
schedule for 2024.

Voting was \_\_\_\_\_ for and \_\_\_\_\_ against.

**B. SCHOOL BOARD SALARIES FOR 2024**

2023 pay: 0-3 hours at \$40  
4-6 hours at \$90  
>6 hours at \$140

Chairperson \$15 extra per meeting chaired  
Clerk \$30 extra per meeting  
Treasurer \$15 extra per meeting  
Negotiation Chairs \$10 extra per meeting

Motion by \_\_\_\_\_, seconded by \_\_\_\_\_ to approve School  
Board salaries for 2024.

Voting was \_\_\_\_\_ for and \_\_\_\_\_ against.

**C. SUBMITTED ITEMS FOR 2024**

- **Designate Depositories:** The First Community Bank of Lester Prairie and the Minnesota School District Liquid Asset Fund as official depositories for district funds and to approve a resolution to give check signing authority to Treasurer \_\_\_\_\_, Chairperson \_\_\_\_\_, and Clerk \_\_\_\_\_.
- **Designate Official Legal Publication:** To use the Herald Journal as the official publication for District #424 for the 2024 calendar year.
- **Legal Services Provider:** Squires, Waldspurgen & Mace, P.A. as legal counsel.
- **Mileage Rate:** Reimbursement at a rate of \$.10 per mile less than the set federal rate for the year (federal rate is \$.67/mile) so LP would be \$.57/mile.

- o **Annual Delegation:** Authority designating Payroll Specialist Kelly Elling, Business Manager Alice Daak, and Superintendent Melissa Radeke for Electronic Funds Transfers (EFT's) on behalf of Lester Prairie Schools.

Motion by \_\_\_\_\_, seconded by \_\_\_\_\_ to approve submitted items for 2024.

Voting was \_\_\_\_\_ for and \_\_\_\_\_ against.

**D. SCHOOL BOARD COMMITTEES**

**2023 Committee members:**

- o Community Ed - Hentges, R.Heimerl
- o PTO - Stifter-Knoll, R. Heimerl
- o Facilities/Maintenance - Engen, Hentges, B.Heimerl
- o Tech/Media - Christen, Stifter-Knoll
- o Activities - Hentges, Engen, B.Heimerl
- o Negotiations:
  1. Certified -Hentges, B.Heimerl, Christen
  2. Non-Certified - R.Heimerl, B.Heimerl, Engen
  3. Administration - R.Heimerl, Stifter-Knoll, Christen
- o Meet and Confer - Stifter-Knoll, R.Heimerl
- o Policy - Stifter-Knoll, Hentges
- o Legislative - B.Heimerl
- o City Council - B.Heimerl, Christen

**New 2024 Committee members:**

Community Ed: \_\_\_\_\_, \_\_\_\_\_  
 PTO: \_\_\_\_\_, \_\_\_\_\_  
 Facilities/Maintenance: \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_  
 Tech/Media: \_\_\_\_\_, \_\_\_\_\_  
 Activities: \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_  
 Negotiations:  
 • Certified - \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_  
 • Non-Certified - \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_  
 • Administrative - \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_  
 • Meet & Confer: \_\_\_\_\_, \_\_\_\_\_  
 Policy: Otto, \_\_\_\_\_, \_\_\_\_\_  
 Legislative: \_\_\_\_\_  
 City Council: \_\_\_\_\_, \_\_\_\_\_  
 Other?

Motion by \_\_\_\_\_, seconded by \_\_\_\_\_ to approve board committees for 2024.

Voting was \_\_\_\_\_ for and \_\_\_\_\_ against.

**VI. Adjourn the Reorganizational Meeting at \_\_\_\_\_**

**REGULAR BOARD MEETING**

**VII. Call to Order**

- a. Board Chair \_\_\_\_\_ to open Regular Board Meeting of Lester Prairie School District #424 at: \_\_\_\_\_pm.
- b. Welcome to public and guests

**VIII. Approval of Agenda**

*Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve agenda.*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against.*

**IX. Recognition of Communications Since the Last Meeting**

- A. Communications received by Board Members
  - o Good News Section:
    - 1. \_\_\_\_\_

- B. Open Dialogue. (Each person in the audience will be given three (3) minutes - total time - 15 minutes.)

**X. Approval of Consent Agenda**

- A. **Approve Previous Minutes**
  - o Regular Board Meeting: Dec. 18, 2023
- B. **Approve Bills** - Bills reviewed by \_\_\_\_\_ & \_\_\_\_\_
  - o Board Bills: \$92,484.06
  - o Student Activity Bills: \$804.98

*Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve consent agenda, board minutes, & payment of bills presented.*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against.*

**XI. Administrative Reports**

- A. **Principal - Mike Lee**
- B. **AD/DoS - Ross Scheevel**
- C. **Superintendent - Melissa Radeke**

**XII. School Board Committee Reports**

- A. Community Ed
- B. PTO
- C. Facilities/Maintenance
- D. Tech/Media
- E. Activities
- F. Negotiations:
  - Certified
  - Non-Certified
  - Administration
- G. Meet and Confer
- H. Policy

- I. Legislative
- J. City Council

**XIII. New Business**

- A. Resolution directing administration to make recommendations for reductions in programs and positions.

*Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve administration to make recommendations for reductions in programs and positions for 2024-25.*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against.*

**XIV. Old Business**

- A. None

**XV. School Finance**

- A. Ehlers presentation: Sale Day Report
  - o Aaron Bushberger - Municipal Advisor

- B. Action to approve Post-Issuance Compliance Policy.

*Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve policy as presented.*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against.*

- C. Action to approve RESOLUTION RELATING TO \$835,000 GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2024A; AUTHORIZING ISSUANCE, AWARDED SALE, PRESCRIBING, THE FORM AND DETAILS AND PROVIDING FOR THE PAYMENT THEREOF.

*Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve resolution as presented.*

*Roll call vote:    CH\_\_\_\_            RH\_\_\_\_            KC\_\_\_\_  
                          JE\_\_\_\_            BH\_\_\_\_            MS-K\_\_\_\_*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against.*

- D. Action to NHS fundraiser request.

*Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve fundraiser as presented.*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against.*

**XVI. Policy Administration**

- A. none

**XVII. Personnel**

A. Action to approve MOUs for the following contracts:

- o Kelly Elling - Business Official
- o Alice Daak - Business Manager
- o Mike Lee - Principal
- o Ross Scheevel - AD/Dean
- o Cheryl Bayerl - Data and Systems Coordinator
- o Lori Bebo - Kitchen Supervisor

*Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve MOUs as presented.*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against.*

B. Action to approve revised contract for Cheryl Bayerl - Data and Systems Coordinator.

*Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve contract as presented.*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against.*

C. Action to approve contract for Cheryl Bayerl as Business Manager 2024-25.

*Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve contract as presented.*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against.*

D. Action to approve the following lane change request:

- o Matt Thode - BA+10 step 4

*Motion by \_\_\_\_\_ and seconded by \_\_\_\_\_ to approve lane change as presented.*

*Voting was \_\_\_\_\_ for and \_\_\_\_\_ against.*

**XVIII. Other Items for the Board**

**XIX. Adjourn the Regular Board meeting at \_\_\_\_\_**

**UPCOMING DATES and NOTES:**

- A. January 11 & 12: MSBA Leadership Conference
- B. January 15: MLK Day - no school
- C. January 19: End of Semester - 11:40 dismissal
- D. Monday, February 12: Regular School Board Meeting 5:45pm
- E. February 22 & 26: Parent Teacher Conferences (3:30pm-7:30pm)

# Lester Prairie Public Schools Payment Reg by Bank and Check

Bank	Batch	Pmt No	Check No	Pay Type	Grp Code	Rcd	Vendor	Tax Class	Print	Recon	Void	Date	Amount
SA	40643	21979	Check	1	2633	American Express	Yes	No	No	01/08/2024	366.66		
SA	40644	21980	Check	1	2885	Glenn's Supervalu	Yes	No	No	01/08/2024	58.35		
SA	40642	21981	Check	1	2055	Unhinged Pizza	Yes	No	No	01/08/2024	379.97		
Bank Total:												\$804.98	
Report Total:												\$804.98	

# Lester Prairie Public Schools Payment Reg by Bank and Check

Bank	Batch	Pmt No	Check No	Pay Type	Grp Code	Rcd	Vendor	Tax Class	Print	Recon	Void	Pay/Void Date	Amount
100	40647	52889	52889	Check 1	00170		4.0 Bus Service		Yes	No	No	01/08/2024	39,738.50
100	40661	52890	52890	Check 1	2269		Advanced Health, Safety and Security		Yes	No	No	01/08/2024	705.00
100	40666	52891	52891	Check 1	2633		American Express		Yes	No	No	01/08/2024	889.02
100	40670	52892	52892	Check 1	3226		Ampion PBC C/o Department 850		Yes	No	No	01/08/2024	8.84
100	40655	52893	52893	Check 1	03821		CenturyLink		Yes	No	No	01/08/2024	635.58
100	40668	52894	52894	Check 1	2654		Cintas		Yes	No	No	01/08/2024	252.14
100	40646	52895	52895	Check 1	00061		CITY OF LESTER PRAIRIE		Yes	No	No	01/08/2024	1,124.15
100	40659	52896	52896	Check 1	2051		Creekview Images		Yes	No	No	01/08/2024	550.00
100	40667	52897	52897	Check 1	2644		Dalkin Applied		Yes	No	No	01/08/2024	1,307.56
100	40665	52898	52898	Check 1	2624		Dalco/ Imperial Dade		Yes	No	No	01/08/2024	1,855.07
100	40663	52899	52899	Check 1	2573		Dashir Management Services Inc		Yes	No	No	01/08/2024	23,526.92
100	40658	52900	52900	Check 1	1827		DVS Renewal		Yes	No	No	01/08/2024	20.25
100	40674	52901	52901	Check 1	3384		East Side Jersey Dairy		Yes	No	No	01/08/2024	1,869.39
100	40649	52902	52902	Check 1	00707		EDUCATION MINNESOTA		Yes	No	No	01/08/2024	2,789.26
100	40651	52903	52903	Check 1	01469		Educators Benefit Consultants		Yes	No	No	01/08/2024	66.61
100	40664	52904	52904	Check 1	2602		Eric's Auto		Yes	No	No	01/08/2024	53.17
100	40671	52905	52905	Check 1	3253		Game One		Yes	No	No	01/08/2024	435.99
100	40662	52906	52906	Check 1	2483		Greater MN Communications		Yes	No	No	01/08/2024	368.00
100	40648	52907	52907	Check 1	00358		GUARDIAN PEST SOLUTIONS INC		Yes	No	No	01/08/2024	85.45
100	40672	52908	52908	Check 1	3295		Healy Sportswear		Yes	No	No	01/08/2024	3,519.75
100	40650	52909	52909	Check 1	01306		Herald Journal Publishing		Yes	No	No	01/08/2024	165.60
100	40657	52910	52910	Check 1	1134		Innovative Office Solutions		Yes	No	No	01/08/2024	50.57
100	40656	52911	52911	Check 1	1124		Lester Prairie Student Activit		Yes	No	No	01/08/2024	5.00
100	40654	52912	52912	Check 1	03390		PAN-O-GOLD BAKING CO		Yes	No	No	01/08/2024	591.92
100	40652	52913	52913	Check 1	01974		Performance Foodservice		Yes	No	No	01/08/2024	2,128.35
100	40673	52914	52914	Check 1	3315		Pink's Hardware Store		Yes	No	No	01/08/2024	412.87
100	40645	52915	52915	Check 1	00025		Reserve Account		Yes	No	No	01/08/2024	750.00
100	40669	52916	52916	Check 1	3034		Social Studies School Service		Yes	No	No	01/08/2024	140.00
100	40660	52917	52917	Check 1	2239		Sysco Western Minnesota		Yes	No	No	01/08/2024	8,419.26
100	40653	52918	52918	Check 1	03218		WAL-MART Community		Yes	No	No	01/08/2024	19.84

Bank Total: \$92,484.05

Report Total: \$92,484.05

December 19, 2023

POST-ISSUANCE COMPLIANCE POLICY FOR:

# Independent School District No. 424 (Lester Prairie), Minnesota



**Prepared by:**

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Ehlers  
3060 Centre Pointe Drive  
Roseville, Minnesota 55113

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**BUILDING COMMUNITIES. IT'S WHAT WE DO.**

# Independent School District No. 424 (Lester Prairie), Minnesota Post-Issuance Debt Compliance Policy

The School Board (the “Board”) of Independent School District No. 424 (Lester Prairie), Minnesota (the “District”) has chosen, by policy, to take steps to help ensure that all obligations will be in compliance with all applicable federal regulations. This policy may be amended, as necessary, in the future.

## **IRS Background**

The Internal Revenue Service (“IRS”) is responsible for enforcing compliance with the Internal Revenue Code (the “Code”) and regulations promulgated thereunder (“Treasury Regulations”) governing certain obligations (for example: tax-exempt obligations, Build America Bonds, Recovery Zone Development Bonds and various “Tax Credit” Bonds). The IRS encourages issuers and beneficiaries of such obligations to adopt and implement a post-issuance debt compliance policy and procedures to safeguard against post-issuance violations.

## **SEC Background**

The Securities and Exchange Commission (“SEC”) is responsible for enforcing compliance with its Rule 15c2-12 (the “Rule”) of the securities act. Issuers and borrowers of municipal securities (referred to as “obligated persons”) generally have a requirement to meet specific continuing disclosure standards set forth in continuing disclosure agreements (“CDA”). Unless the issuer, obligated person, or a specific obligation is exempt from compliance with CDAs, these agreements are entered into at the time of issuance to enable underwriter(s) to comply with the Rule. The Rule sets forth certain obligations of (i) underwriters to receive, review and disseminate official statements of most primary offerings of municipal securities, (ii) underwriters to obtain CDAs from issuers and other obligated persons to provide material event disclosures and annual financial information on a continuing basis, and (iii) broker-dealers to have access to such continuing disclosures in order to make recommendations of municipal securities transactions in the secondary market. The SEC encourages issuers and obligated persons adopt and implement a post-issuance debt compliance policy and procedures to safeguard against Rule violations.

When obligations are issued, the CDA commits the issuer or obligated person to provide certain financial and statistical information and material event notices to the public. Issuers and other obligated persons may also choose to provide periodic, voluntary financial information and filings to investors in addition to fulfilling the specific responsibilities delineated in CDAs. It is important to note that issuers and other obligated persons should not give any one investor certain information that is not readily available to all market participants by disseminating information to the marketplace, at large. Issuers and other obligated persons should be aware that any disclosure activities determined to be “communicating to the market” can be subject to regulatory scrutiny.

## **Post-Issuance Debt Compliance Policy Objective**

The District desires to monitor these obligations to ensure compliance with the IRS Code, Treasury Regulations and the SEC Rule. To help ensure compliance, the District has developed the following policy (the “Post-Issuance Debt Compliance Policy”). The Post-Issuance Debt Compliance Policy shall apply to all obligations, including bonds, notes, loans, lease purchase contracts, lines of credit, commercial paper or any other form of debt that is subject to compliance.

## **Post-Issuance Debt Compliance Policy**

The Business Manager of the District is designated as the District’s agent who is responsible for post-issuance compliance obligations.

The Business Manager shall assemble all relevant documentation, records and activities required to ensure post-issuance debt compliance as further detailed in corresponding procedures (the "Post-Issuance Debt Compliance Procedures"). At a minimum, the Post-Issuance Debt Compliance Procedures for each qualifying obligation will address the following:

1. General Post-Issuance Compliance
2. General Recordkeeping
3. Arbitrage Yield Restriction and Rebate Recordkeeping
4. Expenditure and Asset Documentation to be Assembled and Retained
5. Miscellaneous Documentation to be Assembled and Retained
6. Additional Undertakings and Activities that Support Sections 1 through 5 above
7. Continuing Disclosure Obligations
8. Compliance with Future Requirements

The Business Manager shall apply the Post-Issuance Debt Compliance Procedures to each qualifying obligation and maintain a record of the results. Further, the Business Manager will ensure that the Post-Issuance Debt Compliance Policy and Procedures are updated on a regular and as needed basis.

The Business Manager or any other individuals responsible for assisting the Business Manager in maintaining records needed to ensure post-issuance debt compliance, are authorized to expend funds as needed to attend training or secure use of other educational resources for ensuring compliance such as consulting, publications, and compliance assistance.

Most of the provisions of this Post-Issuance Debt Compliance Policy are not applicable to taxable governmental obligations unless there is a reasonable possibility that the District may refund their taxable governmental obligation, in whole or in part, with the proceeds of a tax-exempt governmental obligation. If this refunding possibility exists, then the District shall treat the taxable governmental obligation as if such issue were an issue of tax-exempt governmental obligations and comply with the requirements of this Post-Issuance Debt Compliance Policy.

### **Private Activity Bonds**

The District may issue tax-exempt obligations that are "private activity" bonds because either (1) the bonds finance a facility that is owned by the District but used by one or more qualified 501(c)(3) organizations, or (2) the bonds are so-called "conduit bonds", where the proceeds are loaned to a qualified 501(c)(3) organization or another private entity that finances activities eligible for tax-exempt financing under federal law (such as certain manufacturing projects and certain affordable housing projects). Prior to the issuance of either of these types of bonds, the Business Manager shall take steps necessary to ensure that such obligations will remain in compliance with the requirements of this Post-Issuance Debt Compliance Policy.

In a case where compliance activities are reasonably within the control of a private party (i.e., a 501(c)(3) organization or conduit borrower), the Business Manager may determine that all or some portion of compliance responsibilities described in this Post-Issuance Debt Compliance Policy shall be assigned to the relevant party. In the case of conduit bonds, the conduit borrower will be assigned all compliance responsibilities other than those required to be undertaken by the District under federal law. In a case where the Business Manager is concerned about the compliance ability of a private party, the Business Manager may require that a trustee or

other independent third party be retained to assist with record keeping for the obligation and/or that the trustee or such third party be responsible for all or some portion of the compliance responsibilities.

The Business Manager is additionally authorized to seek the advice, as necessary, of bond counsel, disclosure counsel, and/or its financial advisor to ensure the District is in compliance with this Post-Issuance Debt Compliance Policy.

Adopted this date \_\_\_\_\_ by Independent School District No. 424 (Lester Prairie), Minnesota

# PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 28, 2023

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

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

**New Issue**

**Rating Application Made: Moody's Investors Service, Inc.**

## INDEPENDENT SCHOOL DISTRICT NO. 424 (LESTER PRAIRIE SCHOOLS), MINNESOTA (McLeod and Carver Counties)

(Minnesota School District Credit Enhancement Program)

### **\$835,000\* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2024A**

**PROPOSAL OPENING:** January 8, 2024, 10:30 A.M., C.T.      **CONSIDERATION:** January 8, 2024, 5:45 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$835,000\* 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 13, 2019 by Independent School District No. 424 (Lester Prairie), Minnesota (the "District"), for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

**DATE OF BONDS:** February 1, 2024

**MATURITY:** February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2025	\$145,000	2028	\$100,000	2031	\$105,000
2026	95,000	2029	100,000	2032	105,000
2027	90,000	2030	95,000		

**\*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:** August 1, 2024 and semiannually thereafter.

**OPTIONAL**

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

**MINIMUM PROPOSAL:** \$835,000.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$16,700 shall be made by the winning bidder by wire transfer of funds.

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

**BOND COUNSEL:** Dorsey & Whitney LLP.

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

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

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

## REPRESENTATIONS

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

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

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

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

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

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

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

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

## CLOSING CERTIFICATES

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

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**LESTER PRAIRIE  
SCHOOL BOARD**

		<u>Term Expires</u>
Corbey Hentges	Chairperson	January 2025
Brian Heimerl	Vice Chairperson	January 2025
Meganne Stifter-Knoll	Clerk	January 2025
Rebecca Heimerl	Treasurer	January 2025
Keith Christen	Member	January 2027
Jeff Engen	Member	January 2027

**ADMINISTRATION**

Melissa Radeke, Superintendent of Schools  
Alice Daak, Business Manager

**PROFESSIONAL SERVICES**

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

Dorsey & Whitney LLP, Bond Counsel, Minneapolis, Minnesota

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

# INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 424 (Lester Prairie), Minnesota (the "District") and the issuance of its \$835,000\* 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 January 8, 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 February 1, 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 August 1, 2024, 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

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

## **AUTHORITY; PURPOSE**

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held August 13, 2019, by the District, at which voters approved a building program by a vote of 589 - 581. Proceeds of the Bonds will be used to provide funds for the acquisition and betterment of school sites and facilities.

The referendum approved by the voters authorized the issuance of general obligation bonds in an amount not to exceed \$13,650,000. On November 20, 2019, the District issued General Obligation School Building Bonds, Series 2019A, totaling \$12,815,000, leaving a remaining unused authority of \$835,000. The District plans to issue the remainder of the bonds authorized with this issue.

## **ESTIMATED SOURCES AND USES\***

<b>Sources</b>		
Par Amount of Bonds	\$835,000	
Reoffering Premium	<u>15,745</u>	
<b>Total Sources</b>		<b>\$850,745</b>
<b>Uses</b>		
Total Underwriter's Discount (1.850%)	\$15,448	
Costs of Issuance	34,850	
Deposit to Construction Fund	<u>800,447</u>	
<b>Total Uses</b>		<b>\$850,745</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 Moody's Investors Service, Inc. ("Moody's"). Moody's has a policy which assigns a minimum rating of "Aa1" to issuers participating in the MNCEP. The "Aa1" rating is based on the State of Minnesota's current "Aaa" rating from Moody's. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS" for further details.

The District currently has an "A1" underlying rating from Moody's, however, it will not be requesting an underlying rating on this issue. *A rating for the Bonds may not be requested without contacting Ehlers and receiving the permission of the District.*

## STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on September 18, 2023 (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.

In the Award Resolution, the District will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the District are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

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

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

## TAX CONSIDERATIONS

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

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

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

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

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

### ***Tax Exempt Interest***

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

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

### ***Original Issue Discount***

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

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

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

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

### ***Market Discount***

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

### ***Bond Premium***

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

### ***Related Tax Considerations***

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

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

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

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

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

### ***Sale or Other Disposition***

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

### ***Information Reporting and Backup Withholding***

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

## **MUNICIPAL ADVISOR**

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

## **MUNICIPAL ADVISOR AFFILIATED COMPANIES**

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

## **INDEPENDENT AUDITORS**

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

## **RISK FACTORS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Impact of the Spread of COVID-19:** The effects of the spread of COVID-19 and the government and private responses to the spread continue to rapidly evolve. COVID-19 has caused significant disruptions to the global, national and State economy. The extent to which the coronavirus impacts the District and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the District, including the duration of the outbreak and measures taken to address the outbreak.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for federal payments from the Coronavirus Relief Fund to the State for the discrete purpose of covering expenses directly incurred as a result of COVID-19 between March 1 and December 30, 2020. On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021, which provides local governments an additional \$130.2 billion through the Coronavirus Local Fiscal Recovery Fund. These funds can be used to mitigate increased expenditures, lost revenue and economic hardship related to the COVID-19 pandemic.

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** \$540,726,383<sup>1</sup>

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

	<b>McLeod County</b>	<b>Carver County</b>	<b>Total</b>
Real Estate	\$479,088,000	\$558,600	\$479,646,600
Personal Property	<u>4,351,900</u>	<u>11,400</u>	<u>4,363,300</u>
Total Valuation	<u><u>\$483,439,900</u></u>	<u><u>\$570,000</u></u>	<u><u>\$484,009,900</u></u>

### 2022/23 Net Tax Capacity

	<b>McLeod County</b>	<b>Carver County</b>	<b>Total</b>
Real Estate	\$4,384,692	\$5,565	\$4,390,257
Personal Property	<u>83,953</u>	<u>228</u>	<u>84,181</u>
Net Tax Capacity	\$4,468,645	\$5,793	\$4,474,438
Less: Captured Tax Increment Tax Capacity <sup>2</sup>	(19,982)	0	(19,982)
Fiscal Disparities Contribution <sup>3</sup>	<u>0</u>	<u>(64)</u>	<u>(64)</u>
Taxable Net Tax Capacity	\$4,448,663	\$5,729	\$4,454,392
Plus: Fiscal Disparities Distribution <sup>3</sup>	<u>0</u>	<u>64</u>	<u>64</u>
Adjusted Taxable Net Tax Capacity	<u><u>\$4,448,663</u></u>	<u><u>\$5,793</u></u>	<u><u>\$4,454,456</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 89.58% 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 \$540,726,383.

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

<sup>3</sup> Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base to an area pool which is then distributed among the municipalities on the basis of population, special needs, etc. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

## 2022/23 NET TAX CAPACITY BY CLASSIFICATION

	<b>2022/23 Net Tax Capacity</b>	<b>Percent of Total Net Tax Capacity</b>
Residential homestead	\$2,412,707	53.92%
Agricultural	1,310,998	29.30%
Commercial/industrial	417,095	9.32%
Public utility	5,354	0.12%
Non-homestead residential	237,848	5.32%
Commercial & residential seasonal/rec.	6,255	0.14%
Personal property	<u>84,181</u>	<u>1.88%</u>
 Total	 <u><u>\$4,474,438</u></u>	 <u><u>100.00%</u></u>

## TREND OF VALUATIONS

<b>Levy Year</b>	<b>Assessor's Estimated Market Value</b>	<b>Assessor's Taxable Market Value</b>	<b>Net Tax Capacity<sup>1</sup></b>	<b>Adjusted Taxable Net Tax Capacity<sup>2</sup></b>	<b>Percent Increase/Decrease in Estimated Market Value</b>
2018/19	\$347,983,400	\$327,329,500	\$3,070,631	\$3,070,608	4.14%
2019/20	366,403,500	346,095,500	3,238,785	3,238,764	5.29%
2020/21	384,065,400	364,394,200	3,413,738	3,413,766	4.82%
2021/22	400,141,500	381,540,200	3,589,076	3,589,070	4.19%
2022/23	484,009,900	469,070,400	4,474,438	4,454,456	20.96%

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<sup>1</sup> Net Tax Capacity is before fiscal disparities adjustments and includes tax increment values.

<sup>2</sup> Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments and does not include tax increment values.

## LARGEST TAXPAYERS

Taxpayer	Type of Property	2022/23 Net Tax Capacity	Percent of District's Total Net Tax Capacity
DSMN002, LLC	Industrial	\$71,116	1.59%
IM Properties, LLC	Industrial	38,442	0.86%
Individual	Agriculture	35,635	0.80%
Minnesota Pipeline Co.	Utility	31,776	0.71%
Lester Properties Minnesota, LLC	Industrial	25,828	0.58%
Individual	Agriculture	22,688	0.51%
ARG PFB4PCK001, LLC	Commercial	20,450	0.46%
WHM Properties, LLC	Apartment	18,044	0.40%
Glencoe Regional Health Services	Commercial	17,692	0.40%
Individual	Agriculture	17,038	0.38%
Total		<u>\$298,709</u>	6.68%

District's Total 2022/23 Net Tax Capacity \$4,474,438

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

## DEBT

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

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

Total G.O. debt secured by taxes and state aids<sup>2</sup> (includes the Bonds)\* \$13,685,000

\*Preliminary, subject to change.

### 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.

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

## 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 school district's debt service fund and must be used for payments on the bonds; any payment of state aid into the debt service fund causes a reduction in the tax levy for Alternative Facilities Bonds and Facilities Maintenance Bonds. The amount of aid received in the debt service fund will vary each year, depending on a number of factors. Although the District expects to receive some Long Term Facilities Maintenance Aid in its debt service fund, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aid.

Some school districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minnesota Statutes, Section 273.1387). The reimbursement percentage is 70% for taxes payable in 2023, and thereafter. 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 14.17% 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	\$540,726,383
Multiply by 15%	0.15
Statutory Debt Limit	<u>\$81,108,957</u>
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	<u>(13,685,000)</u>
Unused Debt Limit*	<u><u>\$67,423,957</u></u>

\*Preliminary, subject to change.

**Independent School District No. 424 (Lester Prairie), Minnesota**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Secured by Taxes**  
**(As of 02/01/2024)**

	School Building Bonds Series 2019A		Alt Facilities & Cap Facilities Bonds Series 2020A		School Building Bonds Series 2024A							
Dated Amount	11/20/2019 \$12,815,000		12/30/2020 \$2,425,000		02/01/2024 \$835,000*							
Maturity	02/01		02/01		02/01							
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2025	510,000	381,881	250,000	26,600	145,000	33,400	905,000	441,881	1,346,881	12,780,000	6.61%	2025
2026	535,000	356,381	250,000	21,600	95,000	27,600	880,000	405,581	1,285,581	11,900,000	13.04%	2026
2027	560,000	329,631	260,000	16,600	90,000	23,800	910,000	370,031	1,280,031	10,990,000	19.69%	2027
2028	590,000	301,631	180,000	11,400	100,000	20,200	870,000	333,231	1,203,231	10,120,000	26.05%	2028
2029	615,000	272,131	190,000	7,800	100,000	16,200	905,000	296,131	1,201,131	9,215,000	32.66%	2029
2030	650,000	241,381	195,000	5,900	95,000	12,200	940,000	259,481	1,199,481	8,275,000	39.53%	2030
2031	675,000	215,381	195,000	3,950	105,000	8,400	975,000	227,731	1,202,731	7,300,000	46.66%	2031
2032	700,000	188,381	200,000	2,000	105,000	4,200	1,005,000	194,581	1,199,581	6,295,000	54.00%	2032
2033	715,000	171,756			715,000	171,756	715,000	171,756	886,756	5,580,000	59.23%	2033
2034	735,000	153,881			735,000	153,881	735,000	153,881	888,881	4,845,000	64.60%	2034
2035	755,000	135,506			755,000	135,506	755,000	135,506	890,506	4,090,000	70.11%	2035
2036	775,000	115,688			775,000	115,688	775,000	115,688	890,688	3,315,000	75.78%	2036
2037	795,000	94,375			795,000	94,375	795,000	94,375	889,375	2,520,000	81.59%	2037
2038	815,000	72,513			815,000	72,513	815,000	72,513	887,513	1,705,000	87.54%	2038
2039	840,000	50,100			840,000	50,100	840,000	50,100	890,100	865,000	93.68%	2039
2040	865,000	25,950			865,000	25,950	865,000	25,950	890,950	0	100.00%	2040
	11,130,000	3,106,569	1,720,000	95,850	835,000	146,000	13,685,000	3,348,419	17,033,419			

\* Preliminary, subject to change.

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

<b>Taxing District</b>	<b>2022/23 Adjusted Taxable Net Tax Capacity</b>	<b>% In District</b>	<b>Total G.O. Debt<sup>2</sup></b>	<b>District's Proportionate Share</b>
Counties of:				
Carver	\$221,610,364	0.0026%	\$13,539,000	\$352
McLeod	53,476,476	8.3189%	14,285,000	1,188,355
Cities of:				
Lester Prairie	1,617,078	0.0027%	620,224	17
Winsted	2,672,751	0.0016%	805,000	13
Special Districts of:				
Metropolitan Council	5,878,109,833	0.0001%	238,225,000 <sup>3</sup>	<u>238</u>
District's Share of Total Overlapping Debt				<u><u>\$1,188,975</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.

<sup>3</sup> The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation wastewater revenue, grant anticipation notes and certificates of participation outstanding all of which are supported entirely by revenues and have not been included in the overlapping debt or debt ratios sections.

## DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$540,726,383	Debt/ Per Capita 3,168 <sup>1</sup>
Direct G.O. Debt Paid From Taxes and State Aids (includes the Bonds)*	\$13,685,000		
Less: Agricultural Credit <sup>2</sup>	<u>(2,013,064)</u>		
Tax Supported General Obligation Debt*	\$11,671,937	2.16%	\$3,684.32
District's Share of Total Overlapping Debt	<u>\$1,189,055</u>	<u>0.22%</u>	<u>\$375.33</u>
Total*	<u><u>\$12,860,992</u></u>	<u><u>2.38%</u></u>	<u><u>\$4,059.66</u></u>

\*Preliminary, subject to change.

## TAX LEVIES, COLLECTION AND RATES

### TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy <sup>3</sup>	Total Collected Following Year	Collected to Date	% Collected
2018/19	\$934,775	\$928,291	\$934,668	99.99%
2019/20	1,785,847	1,774,060	1,784,785	99.94%
2020/21	1,813,883	1,787,181	1,809,863	99.78%
2021/22	1,826,933	1,813,463	1,823,373	99.81%
2022/23	1,887,120	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 14.71% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is \$2,013,064.

<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. 424 (Lester Prairie)	13.813%	41.704%	40.172%	38.143%	30.371%
Carver County	36.488%	35.179%	34.634%	34.170%	29.267%
McLeod County	58.888%	60.777%	59.487%	58.437%	51.351%
City of Lester Prairie	74.363%	88.856%	86.102%	80.276%	72.566%
City of Winsted	72.041%	73.628%	74.659%	76.356%	65.569%
Town of Bergen <sup>2</sup>	15.814%	16.949%	19.133%	19.787%	14.341%
Metropolitan Council (in Carver County only)	0.650%	0.590%	0.628%	0.637%	0.544%
Buffalo Creek Watershed (portion attributed to McLeod County)	1.258%	1.553%	1.509%	1.823%	1.593%
MID-MN Development	0.203%	0.206%	0.208%	0.208%	0.180%
Buffalo Creek Watershed (portion attributed to Carver County)	1.213%	1.583%	1.510%	1.830%	1.594%
Carver County WMO	0.927%	0.893%	0.875%	0.859%	0.731%
Carver County CDA	1.626%	1.598%	1.664%	1.635%	1.396%
Carver County Rail Authority	0.104%	0.101%	0.099%	0.110%	0.088%

### *Referendum Market Value Rates:*

I.S.D. No. 424 (Lester Prairie)	0.23459%	0.24485%	0.23475%	0.22713%	0.20784%
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**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by McLeod and Carver Counties.

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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.

# THE ISSUER

## EMPLOYEES

The District is governed by an elected school board and employs a staff of 60, including 21 non-licensed employees and 39 licensed employees (36 of whom are teachers). The District provides education for 455 students in grades kindergarten through twelve.

## PENSIONS; UNIONS

### Teachers' Retirement Association (TRA)

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

### Public Employees' Retirement Association (PERA)

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

### Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
LPEA	June 30, 2023
MSEA	June 30, 2024

### Status of Contract

The contract which expired on June 30, 2023 is currently in negotiations.

## POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent Financial Statements (Audit) shows a total OPEB liability of \$565,953 as of July 1, 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	37	200	235	472
2020/21	27	207	245	479
2021/22	36	208	232	476
2022/23	26	215	236	477
2023/24	21	199	235	455

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	28	185	247	460
2025/26	25	172	241	438
2026/27	25	188	218	431

## SCHOOL BUILDING

<b>School Building</b>	<b>Year Constructed</b>	<b>Years of Additions/ Remodelings</b>
Lester Prairie Schools	1952	1955, 1965, 1995, 2021

## 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 October 31, 2023)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$3,977,355
Food Service	129,927
Community Service	(45,701)
Debt Service	924,889
Building/Construction	<u>5,111,495</u>
 Total Funds on Hand	 <u><u>\$10,097,965</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.

**FISCAL YEAR ENDING JUNE 30**

**COMBINED STATEMENT**

	<b>2020 Audited</b>	<b>2021 Audited</b>	<b>2022 Audited</b>	<b>2023 Audited</b>	<b>2023-24 Adopted Budget<sup>1</sup></b>
<b>Revenues</b>					
Local property taxes	\$724,672	\$818,917	\$794,510	\$840,834	\$925,514
Other local and county revenues	354,139	219,045	395,979	531,713	105,101
Revenue from state sources	4,641,509	4,571,702	4,555,812	4,677,601	4,304,150
Revenue from federal sources	126,364	384,701	468,808	449,603	153,960
Local sales and insurance recovery	5,669	7,900	16,303	16,088	39,760
Earnings and investments	0	0	0	0	90,000
<b>Total Revenues</b>	<b>\$5,852,353</b>	<b>\$6,002,265</b>	<b>\$6,231,412</b>	<b>\$6,515,839</b>	<b>\$5,618,485</b>
<b>Expenditures</b>					
Current:					
Administration	\$335,945	\$329,664	\$346,556	\$372,195	\$379,256
District support services	278,847	286,022	358,142	405,339	454,188
Elementary and secondary regular instruction	2,855,277	2,683,893	3,034,950	3,012,126	2,676,591
Vocational education instruction	54,348	62,958	58,654	46,085	17,782
Special education instruction	538,162	476,813	507,881	566,986	776,346
Community education and services	0	0	0	0	0
Instructional support services	285,789	317,277	160,262	215,080	244,980
Pupil support services	341,513	378,096	460,726	502,974	471,820
Sites and buildings	945,105	361,191	496,203	591,590	954,074
Fiscal and other fixed cost programs	966	0	0	0	0
Debt service	0	0	12,216	18,652	0
Capital outlay	0	0	277,337	307,773	467,908
<b>Total Expenditures</b>	<b>\$5,635,952</b>	<b>\$4,895,914</b>	<b>\$5,712,927</b>	<b>\$6,038,800</b>	<b>\$6,442,945</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$216,401</b>	<b>\$1,106,351</b>	<b>\$518,485</b>	<b>\$477,039</b>	<b>(\$824,460)</b>
<b>Other Financing Sources (Uses)</b>					
Insurance recovery	0	0	0	29,260	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29,260</b>	<b>0</b>
<b>Net changes in Fund Balances</b>	<b>\$216,401</b>	<b>\$1,106,351</b>	<b>\$518,485</b>	<b>\$506,299</b>	<b>(\$824,460)</b>
General Fund Balance July 1	\$2,043,309	\$2,259,710	\$3,366,061	\$3,884,546	\$4,390,845
Prior Period Adjustment	0	0	0	0	0
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance June 30	\$2,259,710	\$3,366,061	\$3,884,546	\$4,390,845	\$3,566,385
<b>DETAILS OF JUNE 30 FUND BALANCE</b>					
Nonspendable	\$28,522	\$15,781	\$17,292	\$19,876	\$19,876
Restricted	301,606	440,521	528,921	693,422	693,422
Committed	378,458	405,727	432,755	459,706	499,186
Assigned	0	0	0	0	0
Unassigned	1,551,124	2,504,032	2,905,578	3,217,841	3,067,199
<b>Total</b>	<b>\$2,259,710</b>	<b>\$3,366,061</b>	<b>\$3,884,546</b>	<b>\$4,390,845</b>	<b>\$4,279,683</b>

Note) The District has a history of adopting conservative budgets and of producing actual financial results that are more favorable than the budget. In the previous three years the actual year-end general fund balance has exceeded the budgeted balance.

<sup>1</sup> The 2023-24 budget was adopted on June 26, 2023.

## GENERAL INFORMATION

### LOCATION

The District, with a 2020 U.S. Census population of 3,093 and a 2022 population estimate of 3,168, and comprising an area of 41.59 square miles, is located approximately 50 miles west of the Minneapolis/St. Paul metropolitan area.

### 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>
LiquiBox	Manufacturing	150
Worldwide Dispensers USA	Plastics products	140
Lester Building Systems	Building construction	100
Riteway Conveyors	Conveyors & conveying equipment & manufactures	60
I.S.D. No. 424 (Lester Prairie)	Elementary and secondary education	60
Indoor Boat Storage	Detailing/Repair and storage	50
Fred Holasek & Sons Inc	Greenhouse & nursery	30
Plasti-Fab EPS Product	Plastics foam products	25
Prairie Bus Service	Buses- school transportation service	25
Andy's Lawn & Snow	Landscaping/Snow removal	25

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

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

## U.S. CENSUS DATA

### Population Trend: The District

2010 U.S. Census population	2,995
2020 U.S. Census population	3,093
Percent of Change 2010 - 2020	3.27%

2022 State Demographer Estimate	3,168
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### Income and Age Statistics

	The District	McLeod County	State of Minnesota	United States
2022 per capita income	\$38,635	\$39,361	\$44,947	\$41,261
2022 median household income	\$92,414	\$73,296	\$84,313	\$75,149
2022 median family income	\$104,250	\$96,492	\$107,072	\$92,646
2022 median gross rent	\$723	\$831	\$1,178	\$1,268
2022 median value owner occupied units	\$231,400	\$214,300	\$286,800	\$281,900
2022 median age	37.0 yrs.	41.3 yrs.	38.5 yrs.	38.5 yrs.

	State of Minnesota	United States
District % of 2022 per capita income	85.96%	93.64%
District % of 2022 median family income	97.36%	112.53%

**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/cedsci>) and Minnesota State Demographer (<https://mn.gov/admin/demography/data-by-place/school-district-data.jsp>).

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	McLeod County	McLeod County	State of Minnesota	State of Minnesota
2019	18,687	3.7%	3.3%	
2020	18,368	5.8%	6.3%	
2021	18,394	3.8%	3.8%	
2022	18,701	2.9%	2.7%	
2023, November	18,771	1.9%	1.9%	

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

**FINANCIAL STATEMENTS**

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

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

**Independent School District No. 424  
Lester Prairie Schools  
Lester Prairie, Minnesota**

**Basic Financial Statements**

**June 30, 2023**



**Independent School District No. 424**  
**Lester Prairie Schools**  
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**Independent School District No. 424  
Lester Prairie Schools  
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**Independent School District No. 424  
Lester Prairie Schools  
Board of Education and Administration  
June 30, 2023**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Corbey Hentges	Chair	December 31, 2024
Meganne Stifter-Knoll	Clerk	December 31, 2024
Rebecca Heimerl	Treasurer	December 31, 2024
Keith Christen	Director	December 31, 2026
Brian Heimerl	Director	December 31, 2024
Jeff Engen	Director	December 31, 2026
 <u>Administration</u>		
Dr. Melissa Radeke	Superintendent	
Alice Daak	Business Manager	

## Independent Auditor's Report

To the School Board  
Independent School District No. 424  
Lester Prairie, Minnesota

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 424, Lester Prairie, Minnesota, as of and for the year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 424, as of June 30, 2023, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 424 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.

### **Emphasis of Matter – Implementation of GASB 96**

The District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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

The management of Independent School District No. 424 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, which raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

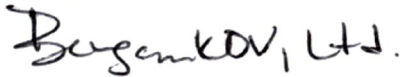
### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 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 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.



St. Cloud, Minnesota  
October 2, 2023

## **INDEPENDENT SCHOOL DISTRICT #424 MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Lester Prairie Public Schools ISD #424's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of a reporting model that is required by the Governmental Accounting Standards Board's (GASB) Statement No. 34 –*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Statement No. 34 contains significant requirements that enhance financial reporting. These requirements are also designed to make annual reports easier for the public to understand and more useful to stakeholders. Specifically, Statement No. 34 establishes reporting requirements that include additional financial statements, expanded disclosure, and supplemental information, including this MD&A, which contains certain comparative information between the current fiscal year and the prior fiscal year.

### **FINANCIAL HIGHLIGHTS**

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

- Overall revenues were \$8,326,974 while overall expenses totaled \$6,397,112.
- The District's ending net position is \$5,006,710.
- The District's net outstanding long-term debt decreased by \$770,284 or 5.0%.

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

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

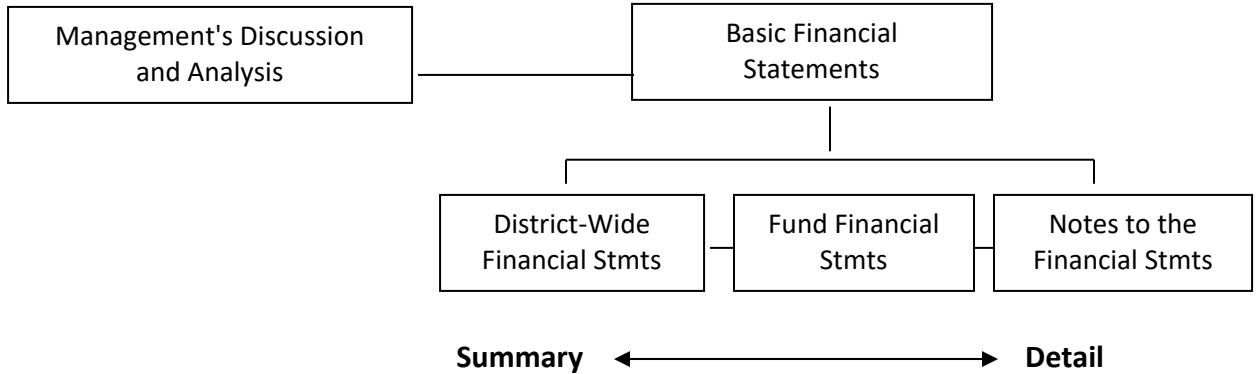
- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund-financial statements* that focus on individual parts of the District, reporting the District's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

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

**INDEPENDENT SCHOOL DISTRICT #424  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain, are summarized below. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.



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

**INDEPENDENT SCHOOL DISTRICT #424  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**District-wide Statements**

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

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

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

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

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

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

**Fund Financial Statements**

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

The District has one kind of fund:

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

**INDEPENDENT SCHOOL DISTRICT #424  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**Net Position**

The District's net position was \$5,006,710 on June 30, 2023. This represents an increase when compared to the \$3,076,848 position balance on June 30, 2022.

**Figure A-3  
Condensed Statement of Net Position**

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current assets	\$ 7,500,541	\$ 7,337,343
Capital assets	<u>18,394,813</u>	<u>18,276,039</u>
Total assets	<u>\$ 25,895,354</u>	<u>\$ 25,613,382</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 1,166,650</u>	<u>\$ 1,279,125</u>
<b>Liabilities</b>		
Other liabilities	\$ 1,422,775	\$ 1,511,734
Long-term liabilities	<u>17,784,306</u>	<u>17,137,681</u>
Total liabilities	<u>\$ 19,207,081</u>	<u>\$ 18,649,415</u>
<b>Deferred Inflows of Resources</b>	<u>\$ 2,848,213</u>	<u>\$ 5,166,244</u>
<b>Net Position</b>		
Net investment in capital assets	\$ 4,006,095	\$ 3,480,038
Restricted	1,072,166	819,112
Unrestricted	<u>(71,551)</u>	<u>(1,222,302)</u>
Total net position	<u>\$ 5,006,710</u>	<u>\$ 3,076,848</u>

**INDEPENDENT SCHOOL DISTRICT #424  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**Changes in Net Position from Operating Results**

	Governmental Activities	
	2023	2022
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 580,596	\$ 478,464
Operating grants and contributions	1,131,816	1,423,633
Capital grants and contributions	308,067	249,000
General revenues		
Property taxes	1,832,255	1,805,340
State aid formula grants	4,246,475	4,113,103
Other	227,765	48,235
Total revenues	<u>8,326,974</u>	<u>8,117,775</u>
<b>Expenses</b>		
Administration	287,614	339,837
District support services	408,598	354,545
Elementary and secondary regular instruction	2,437,433	2,996,225
Vocational educational instruction	47,658	49,595
Special education instruction	537,754	497,528
Instructional support services	217,289	276,693
Pupil support services	482,736	447,869
Sites and buildings	1,004,506	740,479
Food service	330,893	293,703
Community education services	196,681	245,302
Unallocated depreciation	48,652	48,652
Interest and fiscal charges on long-term debt	397,298	473,863
Total expenses	<u>6,397,112</u>	<u>6,764,291</u>
Increase in net position	<u>\$ 1,929,862</u>	<u>\$ 1,353,484</u>

**Changes in Net Position.** The District's total revenues were \$8,326,974 for the year ended June 30, 2023.

Unallocated state aid along with property taxes accounted for 73.0% of the total revenue for the year. Operating and capital grants and contributions for specific programs contributed 17.3% with the remaining 9.7% from fees charged for services and miscellaneous sources.

The total cost of all programs and services was \$6,397,112. The District's expenses are predominantly related to student education and student educational support 50.6%. The District's administrative activities accounted for 4.5% of the total costs. Total revenues were more than total expenses, increasing net position by \$1,929,862 from last year.

**INDEPENDENT SCHOOL DISTRICT #424  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**General Fund**

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

The following schedule presents a summary of General Fund Revenues.

	<u>Year Ended June 30,</u>		Amount of Increase (Decrease)	Percent Change
	<u>2023</u>	<u>2022</u>		
Local property taxes	\$ 840,834	\$ 794,510	\$ 46,324	5.8%
Other local sources	531,713	395,979	135,734	34.3%
State sources	4,677,601	4,555,812	121,789	2.7%
Federal sources	449,603	468,808	(19,205)	-4.1%
Miscellaneous	16,088	16,303	(215)	-1.3%
<b>Total</b>	<b><u>\$ 6,515,839</u></b>	<b><u>\$ 6,231,412</u></b>	<b><u>\$ 284,427</u></b>	<b><u>4.6%</u></b>

Total General Fund revenue increased by \$284,427 or 4.6% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue.

The following schedule presents a summary of General Fund expenditures.

	<u>Year Ended June 30,</u>		Amount of Increase (Decrease)	Percent Change
	<u>2023</u>	<u>2022</u>		
Salaries and benefits	\$ 3,796,505	\$ 3,692,614	\$ 103,891	2.8%
Purchased services	1,520,648	1,317,860	202,788	15.4%
Supplies and material	351,753	367,979	(16,226)	-4.4%
Capital expenditures	307,773	277,337	30,436	11.0%
Other expenditures	62,121	57,137	4,984	8.7%
<b>Total</b>	<b><u>\$ 6,038,800</u></b>	<b><u>\$ 5,712,927</u></b>	<b><u>\$ 325,873</u></b>	<b><u>5.7%</u></b>

Total General Fund expenditures increased by \$325,873 or 5.7% from the previous year. The overall increase resulted from various areas including increased salary/benefits for all staff, contracted services cost for Special Education, district busing contract and a significant increase in Special Education transportation, utility, shipping, and overall repair, and maintenance costs due to inflation caused by the pandemic.

**INDEPENDENT SCHOOL DISTRICT #424  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**General Fund Budgetary Highlights**

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

Actual revenues were \$897,354 *more than* budget as a result of under budget in General Ed Aid, LTFM, and increased funding from the Federal government related to COVID-19 aid.

Actual expenditures were \$488,328 *more than* budget due Special Education costs including contracted services and transportation costs. Also costs expensed to Federal COVID funds, including summer camps, and cost associated with staff salary and benefits.

**Debt Service Fund**

The Debt Service Fund revenues were \$1,218,403 and expenditures totaling \$1,160,331, thereby increasing fund balance by \$58,072 as revenues exceeded expenditures.

**Capital Project Fund**

The Capital Project Fund revenues were \$22,365 and expenditures were \$385,366, thereby decreasing fund balance by \$363,001. The decrease is a result of continued school building project expenditures during the current year.

**Other Non-Major Funds**

The Food Service Fund incurred a decrease in the fund balance of \$2,268 to an ending fund balance of \$185,562. The Community Service Fund incurred a decrease in fund balance of \$7,950 to an ending fund deficit of \$47,022.

**INDEPENDENT SCHOOL DISTRICT #424  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets:**

By the end of fiscal year 2023, the District had invested \$24,922,912 in a broad range of capital assets, including school buildings, land, computer and audio-visual equipment, and other equipment for various instructional programs. Total depreciation expense for the year was \$554,959. More detailed information about capital assets can be found in the notes to the financial statements.

	Year Ended June 30,	
	2023	2022
Land	\$ 404,999	\$ 404,999
Construction in progress	295,829	13,315,505
Buildings	18,069,556	4,714,438
Improvements	416,442	408,662
Equipment	5,697,889	5,367,377
Leased equipment	38,197	38,197
Accumulated Depreciation	(6,528,099)	(5,973,140)
Total	\$ 18,394,813	\$ 18,276,038

**Long-Term Debt**

At year end the District had \$14,546,657 of long-term debt consisting of bonded indebtedness and unamortized premiums.

The District has \$15,709 in lease liabilities at June 30, 2023.

The District has \$3,397,667 in net pension liability at June 30, 2023.

The District has \$565,953 in total OPEB liability at June 30, 2023.

**INDEPENDENT SCHOOL DISTRICT #424  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)**

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

- Enrollment is always an area of concern weighing on any District's financial future. The District's student enrollment, which determines the pupil units for the purpose of funding, has been increasing the last few years. Since FY16-17 enrollment has increased approximately 48 students and has remained steady over the past five years. Current projections do indicate a reduced student enrollment possibly in the future using the 0-4 census amounts and moving forward actual students per grade, but the District is aware of this and continues to work toward keeping the enrollment stable and will bear in mind budget/staffing issues that might need to be addressed. The District completed the majority of a Building addition/remodel project in the summer of 2021. We are anticipating that this may entice an increase in enrollment as well as hoping to keep enrollment stable.
- Labor costs account for over 80% of the District expenses. As costs of salaries and benefits continue to skyrocket, it becomes more important during the negotiations of labor contracts that the District be cognizant to this potential unknown long-term liability. The District must continue to follow enrollment trends and maintain a responsible balance between staffing and student enrollment.
- With the onset of the COVID-19 Pandemic in March 2020, and continuing thru FY20-21, the District fortunately remained fairly stable with Revenues and Expenditures. FY22-23 continued to remain stable with the budgeting process. Compensatory (F/R) revenue still remains a definite factor in the revenue projections due to the implementation of free breakfast and lunch for all students. The uncertainty of funding remains to be a factor in the general and food service funds. The District is continuing to provide educational opportunities to all students in spite of the various obstacles that have been encountered. FY23-24, school districts are experiencing new/additional requirements from the legislature with minimal or no additional funding other than the formula increase. This will be a major factor when developing a balanced budget along with the reduced federal funding from the COVID funds which will be the responsibility of the general fund moving forward. This will definitely affect the district's future.
- The District has maintained reserve balances which will help bridge financial gaps in revenue projections. The Pandemic created unprecedented challenges for Federal, State, and Local Government operations, creating uncertainty in the outcome of the future budgeting.

**INDEPENDENT SCHOOL DISTRICT #424  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)**

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

This financial report is designed to provide the District's citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact the Superintendent, Lester Prairie Public Schools ISD #424, 131 Hickory Street North, Lester Prairie, Minnesota 55354.

## **BASIC FINANCIAL STATEMENTS**

**Independent School District No. 424**  
**Statement of Net Position**  
**June 30, 2023**

	Governmental Activities
<b>Assets</b>	
Cash and investments (including cash equivalents)	\$ 5,636,227
Current property taxes receivable	1,057,281
Delinquent property taxes receivable	9,428
Accounts receivable	2,999
Due from Department of Education	347,180
Due from Federal Government through Department of Education	424,415
Inventory	3,135
Prepaid items	19,876
Capital assets, not being depreciated	
Land	404,999
Construction in progress	295,829
Capital assets, net of accumulated depreciation/amortization	
Land improvements	240,732
Buildings	14,883,651
Equipment	2,553,764
Leased Equipment	15,838
Total assets	25,895,354
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to OPEB	123,175
Deferred outflows related to pensions	1,043,475
Total deferred outflows of resources	1,166,650
 Total assets and deferred outflows of resources	 \$ 27,062,004
<b>Liabilities</b>	
Accounts payable	\$ 135,086
Salaries and benefits payable	361,151
Interest payable	180,130
Unearned revenue	4,728
Bond principal payable	
Payable within one year	730,000
Payable after one year	13,816,657
Lease payable	
Payable within one year	11,680
Payable after one year	4,029
Total OPEB liability	565,953
Net pension liability	3,397,667
Total liabilities	19,207,081
<b>Deferred Inflows of Resources</b>	
Property taxes levied for subsequent year's expenditures	2,034,827
Deferred inflows related to OPEB	66,349
Deferred inflows related to pensions	747,037
Total deferred inflows of resources	2,848,213
<b>Net Position</b>	
Net investment in capital assets	4,006,095
Restricted	
Debt service	77,338
Other purposes	994,828
Unrestricted	(71,551)
Total net position	5,006,710
 Total liabilities, deferred inflows of resources, and net position	 \$ 27,062,004

See notes to basic financial statements.

**Independent School District No. 424**  
**Statement of Activities**  
**Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental activities					
Administration	\$ 287,614	\$ 14,820	\$ -	\$ -	\$ (272,794)
District support services	408,598	33,529	17,440	-	(357,629)
Elementary and secondary regular instruction	2,437,433	266,587	392,597	-	(1,778,249)
Vocational education instruction	47,658	-	6,266	-	(41,392)
Special education instruction	537,754	20,742	309,373	-	(207,639)
Instructional support services	217,289	-	75,211	-	(142,078)
Pupil support services	482,736	3,750	86,708	-	(392,278)
Sites and buildings	1,004,506	-	-	308,067	(696,439)
Food service	330,893	113,176	205,586	-	(12,131)
Community education and services	196,681	127,992	38,635	-	(30,054)
Unallocated depreciation	48,652	-	-	-	(48,652)
Interest and fiscal charges on long-term debt	397,298	-	-	-	(397,298)
<b>Total governmental activities</b>	<b>\$ 6,397,112</b>	<b>\$ 580,596</b>	<b>\$ 1,131,816</b>	<b>\$ 308,067</b>	<b>(4,376,633)</b>
General revenues					
Taxes					
Property taxes, levied for general purposes					838,899
Property taxes, levied for community service					42,857
Property taxes, levied for debt service					950,499
State aid-formula grants					4,246,475
Other general revenues					60,813
Investment income					166,952
Total general revenues					<u>6,306,495</u>
Change in net position					1,929,862
Net position - beginning					<u>3,076,848</u>
Net position - ending					<u>\$ 5,006,710</u>

**Independent School District No. 424**  
**Lester Prairie, Minnesota**  
**Balance Sheet - Governmental Funds**  
**June 30, 2022**

	General	Debt Service	Capital Project
<b>Assets</b>			
Cash and investments	\$ 4,500,564	\$ 730,866	\$ 217,642
Current property taxes receivable	422,147	615,617	-
Delinquent property taxes receivable	4,043	5,180	-
Accounts receivable	656	-	-
Due from Department of Education	317,863	26,443	-
Due from Federal Government through Department of Education	424,415	-	-
Due from other funds	19,103	-	-
Inventory	-	-	-
Prepaid items	19,876	-	-
	<u>\$ 5,708,667</u>	<u>\$ 1,378,106</u>	<u>\$ 217,642</u>
<b>Liabilities</b>			
Accounts payable	\$ 90,774	\$ -	\$ 43,994
Salaries and benefits payable	349,998	-	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
Total liabilities	<u>440,772</u>	<u>-</u>	<u>43,994</u>
<b>Deferred Inflows of Resources</b>			
Property taxes levied for subsequent year's expenditures	873,007	1,120,638	-
Unavailable revenue - delinquent property taxes	4,043	5,180	-
Total deferred inflows of resources	<u>877,050</u>	<u>1,125,818</u>	<u>-</u>
<b>Fund Balances</b>			
Nonspendable	19,876	-	-
Restricted	693,422	252,288	173,648
Committed	459,706	-	-
Unassigned	3,217,841	-	-
Total fund balances	<u>4,390,845</u>	<u>252,288</u>	<u>173,648</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,708,667</u>	<u>\$ 1,378,106</u>	<u>\$ 217,642</u>

Nonmajor Funds	Total Governmental Funds
\$ 187,155	\$ 5,636,227
19,517	1,057,281
205	9,428
2,343	2,999
2,874	347,180
-	424,415
-	19,103
3,135	3,135
-	19,876
<u>\$ 215,229</u>	<u>\$ 7,519,644</u>
\$ 318	\$ 135,086
11,153	361,151
19,103	19,103
4,728	4,728
<u>35,302</u>	<u>520,068</u>
41,182	2,034,827
205	9,428
<u>41,387</u>	<u>2,044,255</u>
3,135	23,011
298,066	1,417,424
-	459,706
(162,661)	3,055,180
<u>138,540</u>	<u>4,955,321</u>
<u>\$ 215,229</u>	<u>\$ 7,519,644</u>

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**Independent School District No. 424**  
**Reconciliation of the Balance Sheet to**  
**the Statement of Net Position - Governmental Funds**  
**June 30, 2023**

Total fund balances - governmental funds	\$ 4,955,321
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	24,922,912
Less accumulated depreciation/amortization	(6,528,099)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bond principal payable	(13,580,000)
Premium on bonds payable	(966,657)
Lease payable	(15,709)
Total OPEB liability	(565,953)
Net pension liability	(3,397,667)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.	
Deferred outflows of resources related to OPEB	123,175
Deferred outflows of resources related to pensions	1,043,475
Deferred inflows of resources related to OPEB	(66,349)
Deferred inflows of resources related to pensions	(747,037)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	9,428
Governmental funds do not report a liability for accrued interest on bonds and other long term debt until due and payable.	<u>(180,130)</u>
Total net position - governmental activities	<u><u>\$ 5,006,710</u></u>

**Independent School District No. 424**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended June 30, 2023**

	General	Debt Service	Capital Project
<b>Revenues</b>			
Local property taxes	\$ 840,834	\$ 953,605	\$ -
Other local and county revenues	531,713	-	22,365
Revenue from state sources	4,677,601	264,798	-
Revenue from federal sources	449,603	-	-
Sales and other conversion of assets	16,088	-	-
Total revenues	6,515,839	1,218,403	22,365
<b>Expenditures</b>			
Current			
Administration	372,195	-	-
District support services	405,339	-	-
Elementary and secondary regular instruction	3,012,126	-	-
Vocational education instruction	46,085	-	-
Special education instruction	566,986	-	-
Instructional support services	215,080	-	-
Pupil support services	502,974	-	-
Sites and buildings	591,590	-	-
Food service	-	-	-
Community education and services	-	-	-
Capital outlay			
Elementary and secondary regular instruction	28,956	-	-
Vocational education instruction	3,675	-	-
Special education instruction	16,505	-	-
Instructional support services	52,024	-	-
Sites and buildings	206,613	-	385,366
Food service	-	-	-
Debt service			
Principal	11,994	695,000	-
Interest and fiscal charges	6,658	465,331	-
Total expenditures	6,038,800	1,160,331	385,366
Excess of revenues over (under) expenditures	477,039	58,072	(363,001)
<b>Other Financing Sources</b>			
Insurance recovery	29,260	-	-
Net change in fund balances	506,299	58,072	(363,001)
<b>Fund Balances</b>			
Beginning of year	3,884,546	194,216	536,649
End of year	\$ 4,390,845	\$ 252,288	\$ 173,648

Nonmajor Funds	Total Governmental Funds
\$ 42,951	\$ 1,837,390
140,147	694,225
43,314	4,985,713
189,799	639,402
113,176	129,264
<u>529,387</u>	<u>8,285,994</u>
-	372,195
-	405,339
-	3,012,126
-	46,085
-	566,986
-	215,080
-	502,974
-	591,590
320,331	320,331
218,575	218,575
-	28,956
-	3,675
-	16,505
-	52,024
-	591,979
699	699
-	706,994
-	471,989
<u>539,605</u>	<u>8,124,102</u>
(10,218)	161,892
-	29,260
(10,218)	191,152
<u>148,758</u>	<u>4,764,169</u>
<u>\$ 138,540</u>	<u>\$ 4,955,321</u>

**Independent School District No. 424**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances to the**  
**Statement of Activities - Governmental Funds**  
**Year Ended June 30, 2023**

Net change in fund balances - total governmental funds \$ 191,152

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

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

Capital outlays	673,733
Depreciation/amortization expense	(554,959)

Total OPEB are recognized as paid in the governmental funds, but recognized as the expense is incurred in the Statement of Activities.	58,489
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Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.	706,994
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Governmental funds report the effect of bond premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	63,290
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Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	784,897
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Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	(5,135)
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	11,401
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Change in net position - governmental activities	\$ 1,929,862
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**Independent School District No. 424**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Local property taxes	\$ 927,513	\$ 927,514	\$ 840,834	\$ (86,680)
Other local and county revenues	104,000	222,361	531,713	309,352
Revenue from state sources	4,356,046	4,304,150	4,677,601	373,451
Revenue from federal sources	136,257	153,960	449,603	295,643
Sales and other conversion of assets	10,500	10,500	16,088	5,588
Total revenues	<u>5,534,316</u>	<u>5,618,485</u>	<u>6,515,839</u>	<u>897,354</u>
<b>Expenditures</b>				
Current				
Administration	363,968	361,218	372,195	10,977
District support services	417,480	437,288	405,339	(31,949)
Elementary and secondary regular instruction	2,797,996	2,751,748	3,012,126	260,378
Vocational education instruction	15,709	15,709	46,085	30,376
Special education instruction	630,050	671,042	566,986	(104,056)
Instructional support services	207,642	146,802	215,080	68,278
Pupil support services	405,371	492,871	502,974	10,103
Sites and buildings	481,814	588,763	591,590	2,827
Capital outlay				
Elementary and secondary regular instruction	7,835	10,270	28,956	18,686
Vocational education instruction	3,000	3,675	3,675	-
Special education instruction	-	-	16,505	16,505
Instructional support services	61,238	60,527	52,024	(8,503)
Sites and buildings	13,083	10,559	206,613	196,054
Debt service				
Principal	-	-	11,994	11,994
Interest and fiscal charges	-	-	6,658	6,658
Total expenditures	<u>5,405,186</u>	<u>5,550,472</u>	<u>6,038,800</u>	<u>488,328</u>
Excess of revenues over expenditures	129,130	68,013	477,039	409,026
<b>Other Financing Sources</b>				
Insurance proceeds	-	29,260	29,260	-
Net change in fund balance	<u>\$ 129,130</u>	<u>\$ 97,273</u>	506,299	<u>\$ 409,026</u>
<b>Fund Balance</b>				
Beginning of year			<u>3,884,546</u>	
End of year			<u>\$ 4,390,845</u>	

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**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

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

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

**B. Basic Financial Statement Information**

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

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.

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

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

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

**B. Basic Financial Statement Information (Continued)**

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

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

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

**1. Revenue Recognition**

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

**2. Recording of Expenditures**

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

The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District applies unrestricted funds in this order if various levels of restricted fund balances do not exist: committed, assigned, and unassigned.

**Description of Funds:**

Major Funds:

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

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

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

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

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

**Description of Funds: (Continued)**

Major Funds: (Continued)

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

Nonmajor Funds:

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

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

**D. Deposits and Investments**

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments held by investment pools are measured at amortized cost.

Cash and investments at June 30, 2023, were comprised of deposits and shares in MSDLAF.

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

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

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

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

**D. Deposits and Investments (Continued)**

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

**E. Property Tax Receivable**

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

**F. Property Taxes Levied for Subsequent Year's Expenditures**

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2022, less various components, and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2023. The remaining portion of the levy will be recognized when measurable and available.

**G. Inventories**

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

**H. Prepaid Items**

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

**I. Property Taxes**

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

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

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

**I. Property Taxes (Continued)**

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

**J. Capital Assets**

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

Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation.

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

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

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

**K. Deferred Outflows/Inflows of Resources**

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

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

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

**K. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. Deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to OPEB is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

**L. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

**M. Other Postemployment Benefits (OPEB)**

The District provides postemployment health insurance benefits to some retired employees as established by contracts with bargaining units or other employment contracts.

**N. 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.

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

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

**N. Pensions (Continued)**

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis, and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015.

**O. Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2023.

**P. Fund Equity**

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in these funds can be spent.

- **Nonspendable Fund Balances** – These amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact and include inventory and prepaid items.
- **Restricted Fund Balances** – These are amounts that are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.
- **Committed Fund Balances** – These are amounts comprised of unrestricted funds that can only be used for specific purposes pursuant to constraints imposed by formal action (majority vote) of the School Board and that remain binding unless removed by the School Board by subsequent formal action.
- **Assigned Fund Balances** – These are amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The School Board, by a majority vote, may assign balances. The School Board also delegates authority to assign fund balances to the Superintendent and or the Business Manager.
- **Unassigned Fund Balances** – These are amounts that have not been restricted, committed, or assigned to a specific purpose in the General Fund. Other funds may also report a negative unassigned fund balance if the total nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

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

**P. Fund Balance (Continued)**

- Minimum Fund Balance Policy – The District will strive to maintain a minimum unassigned General Fund balance 18% of the annual operating expenditures.

**Q. Net Position**

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

**R. Use of Estimates**

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

**S. Budgetary Information**

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

1. Prior to July 1, the Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not required for the Debt Service and Capital Project Funds; however, during the year, the District approved Debt Service and Capital Project Fund budgets.
4. Budgets for the General, Special Revenue, Debt Service, and Capital Project Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**A. Deposits**

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

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The district does not have a deposit policy for custodial credit risk. As of June 30, 2023, none of the district's bank balances were exposed to custodial credit risk.

As of June 30, 2023, the District had the following deposits:

Checking	\$ 679,676
Certificates of Deposit	<u>459,706</u>
Total Deposits	<u><u>\$ 1,139,382</u></u>

**B. Investments**

As of June 30, 2023, the District had the following investments:

Investment Type	Investment Maturity (In Years)		
	Maturities	Fair Value	Moody's Rating
MSDLAF - Max Class	Various	\$ 4,316,625	AAAm
MSDLAF - Liquid	Various	<u>180,220</u>	AAAm
Total		<u><u>\$ 4,496,845</u></u>	

Interest Rate Risk: This is the risk that the market value of securities will be adversely affected due to the changes in market interest rates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to those in the top two ratings issued by nationally recognized statistical rating organizations. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of a District's investment in a single issuer. The District has no policy in place that would limit its investment in a single issue.

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

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

**B. Investments (Continued)**

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no policy that addresses this risk.

The following is a summary of total deposits and investments:

Deposits	1,139,382
Pooled Investment	4,201,111
Nonpooled Investments	<u>295,734</u>
Total	<u><u>\$ 5,636,227</u></u>

Deposits and investments are presented in the June 30, 2023, basic financial statements as follows:

Statement of Net Position	
Cash and investments	<u><u>\$ 5,636,227</u></u>

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 3 – CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 404,999	\$ -	\$ -	\$ 404,999
Construction in progress	13,315,505	295,829	13,315,505	295,829
Total capital assets not being depreciated	<u>13,720,504</u>	<u>295,829</u>	<u>13,315,505</u>	<u>700,828</u>
Other capital assets				
Land improvements	408,662	7,780	-	416,442
Buildings	4,714,439	13,355,117	-	18,069,556
Equipment	5,367,377	330,512	-	5,697,889
Leased equipment	38,197	-	-	38,197
Total other capital assets	<u>10,528,675</u>	<u>13,693,409</u>	<u>-</u>	<u>24,222,084</u>
Less accumulated depreciation for				
Land improvements	159,749	15,961	-	175,710
Buildings	2,938,205	247,700	-	3,185,905
Equipment	2,864,006	280,119	-	3,144,125
Less accumulated amortization for				
Leased equipment	11,180	11,179	-	22,359
Total accumulated depreciation/amortization	<u>5,973,140</u>	<u>554,959</u>	<u>-</u>	<u>6,528,099</u>
Total other capital assets, net	<u>4,555,535</u>	<u>13,138,450</u>	<u>-</u>	<u>17,693,985</u>
Governmental activities, capital assets, net	<u>\$ 18,276,039</u>	<u>\$ 13,434,279</u>	<u>\$ 13,315,505</u>	<u>\$ 18,394,813</u>

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 3 – CAPITAL ASSETS (CONTINUED)**

Depreciation and amortization expense for the year ended June 30, 2023, was charged to the following governmental functions:

Administration	\$ 980
District support services	541
Elementary and secondary regular instruction	30,147
Vocational instruction	1,776
Special education instruction	384
Instructional support services	26,731
Pupil support services	5,678
Sites and buildings	439,633
Food service	48,652
Community service	<u>437</u>
Total depreciation expense	<u><u>\$ 554,959</u></u>

**NOTE 4 – LONG-TERM DEBT**

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

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-Term Liabilities						
G.O. Bonds						
G.O. School Building Bonds 2019A	11/20/19	2.38%-5.00%	\$ 12,815,000	02/01/40	\$ 11,615,000	\$ 485,000
G.O Refunding Bonds 2020A	12/30/20	1.0%-2.0%	2,425,000	02/01/32	1,965,000	245,000
Unamortized premium on bonds					<u>966,657</u>	<u>-</u>
Total G.O. bonds, net of premium					<u>14,546,657</u>	<u>730,000</u>
Lease Liability					<u>15,709</u>	<u>11,680</u>
Total all long-term liabilities					<u><u>\$ 14,562,366</u></u>	<u><u>\$ 741,680</u></u>

The long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities. The Lease Liabilities includes leased copiers. The General Fund typically liquidates the liability related to leases.

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 4 – LONG-TERM DEBT (CONTINUED)**

**B. Minimum Debt Payments for Bonds and Loans**

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

Year Ending June 30,	G.O. Bonds		
	Principal	Interest	Total
2024	\$ 730,000	\$ 437,631	\$ 1,167,631
2025	760,000	408,481	1,168,481
2026	785,000	377,981	1,162,981
2027	820,000	346,231	1,166,231
2028	770,000	313,031	1,083,031
2029-2033	4,135,000	1,108,681	5,243,681
2034-2038	3,875,000	571,963	4,446,963
2039-2040	1,705,000	76,050	1,781,050
Total	<u>\$ 13,580,000</u>	<u>\$ 3,640,049</u>	<u>\$ 17,220,049</u>

**C. Lease Obligations**

The District entered into a lease agreement on November 15, 2019, for the lease of copiers. The lease agreement includes monthly payments of \$1,018 with an interest rate of 5.2%. The lease agreement expires on November 15, 2024.

Year Ending June 30,	Lease Liability		
	Principal	Interest	Total
2024	\$ 11,680	\$ 536	\$ 12,216
2025	4,029	43	4,072
Total	<u>\$ 15,709</u>	<u>\$ 579</u>	<u>\$ 16,288</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. school bonds	\$ 14,275,000	\$ -	\$ 695,000	\$13,580,000
Premium on bonds	1,029,947	-	63,290	966,657
Lease Liability	27,703	-	11,994	15,709
Total long-term liabilities	<u>\$ 15,332,650</u>	<u>\$ -</u>	<u>\$ 770,284</u>	<u>\$14,562,366</u>

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 5 – FUND BALANCES**

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

**Fund Equity**

Fund balances are classified below to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service Fund	Capital Project Fund	Other Nonmajor Funds	Total
<b>Nonspendable</b>					
Inventory	\$ -	\$ -	\$ -	\$ 3,135	\$ 3,135
Prepaid items	19,876	-	-	-	19,876
Total nonspendable	<u>19,876</u>	<u>-</u>	<u>-</u>	<u>3,135</u>	<u>23,011</u>
<b>Restricted/reserved for</b>					
Staff Development	12,294	-	-	-	12,294
LTFM	408,355	-	-	-	408,355
Disabled Accessibility	(600)	-	-	-	(600)
Basic skills	35,135	-	-	-	35,135
Student Activities	71,569	-	-	-	71,569
Medical Assistance	32,536	-	-	-	32,536
Learning and Development	36,563	-	-	-	36,563
Safe School Crime	70,079	-	-	-	70,079
Gifted and Talented	9,491	-	-	-	9,491
Lions Club Donations	18,000	-	-	-	18,000
Capital Projects	-	-	173,648	-	173,648
Debt Service	-	252,288	-	-	252,288
Food Service	-	-	-	182,427	182,427
Early Childhood Family Education	-	-	-	60,774	60,774
Adult Basic Education	-	-	-	2,396	2,396
Community Service	-	-	-	52,469	52,469
Total restricted/reserved	<u>693,422</u>	<u>252,288</u>	<u>173,648</u>	<u>298,066</u>	<u>1,417,424</u>
<b>Committed for</b>					
Seperation benefits	459,706	-	-	-	459,706
<b>Unassigned</b>					
General purposes	3,217,841	-	-	-	3,217,841
Negative school readiness	-	-	-	(110,413)	(110,413)
Negative community education	-	-	-	(52,248)	(52,248)
Total unassigned	<u>3,217,841</u>	<u>-</u>	<u>-</u>	<u>(162,661)</u>	<u>3,055,180</u>
Total fund balance	<u>\$ 4,390,845</u>	<u>\$ 252,288</u>	<u>\$ 173,648</u>	<u>\$ 138,540</u>	<u>\$ 4,955,321</u>

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

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

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

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

**Fund Equity (Continued)**

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

Restricted/Reserved for Disabled Accessibility – This balance represents resources restricted for disabled accessibility.

Restricted/Reserved for Learning and Development – Learning and development is funded by general education revenue. This reserve represents available general education revenues for learning and development, which is mainly for reducing the pupil to staff ratio.

Restricted/Reserved for Adult Basic Education – This account will represent the balance of carryover monies for all activity involving adult basic education. This would include all state aid and any grants or local funding used in support of ABE.

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

Restricted/Reserved for Gifted and Talented – The part of General Education Aid revenue for the gifted and talented program that is unspent at year end must be restricted in this Balance Sheet account.

Restricted/Reserved for Basic Skills Programs – This balance represents resources available for the basic skills uses listed in *Minnesota Statutes* § 126C.15, subd. 1.

Unassigned for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* § 124D.16). This balance is classified as unassigned as the balance was negative at year-end.

Unassigned for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education, and extended day programs. This balance is classified as unassigned as the balance was negative at year-end.

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

Restricted for Capital Projects – This balance represents available resources in the Capital Projects Fund for projects.

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

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

**Fund Equity (Continued)**

Restricted for Debt Service – This balance represents the positive Fund balance of the debt service funds.

Restricted for Lions Club Donations – This balance represents donations received from the Lions Club. These funds are only to be used with prior approval from the Lions Club.

Restricted for Food Service – This balance represents the positive fund balance of the Food Service Fund.

Restricted for Community Service – This balance represents the positive fund balance of the Community Service Fund.

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

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

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

The District participates in various pension plans. Total pension expense for the year ended June 30, 2022, was \$(525,549). The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the Liability related to the pensions.

**Teachers' Retirement Association**

**A. Plan Description**

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

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

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**B. Benefits Provided**

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

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

*Tier I Benefits*

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

With these provisions:

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

*Tier II Benefits*

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

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.

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

*Tier II Benefits (Continued)*

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

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

**C. Contribution Rate**

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2021, June 30, 2022, and June 30, 2023, were:

	<u>June 30, 2021</u>		<u>June 30, 2022</u>		<u>June 30, 2023</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	11.0%	12.13%	11.0%	12.34%	11.0%	12.55%
Coordinated	7.5%	8.13%	7.5%	8.34%	7.5%	8.55%

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**C. Contribution Rate (Continued)**

The following is a reconciliation of employer contributions in TRA's fiscal year 2022 ACFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations. Amounts are reported in thousands.

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

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

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**D. Actuarial Assumptions**

The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

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**Actuarial Information**

Valuation date	July 1, 2022
Measurement date	June 30, 2022
Experience study	June 28, 2019 (demographic and economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% thereafter.
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter.
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

**Mortality Assumptions**

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

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**D. Actuarial Assumptions (Continued)**

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

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

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

Changes in actuarial assumptions since the 2021 valuation:

- None

**E. Discount Rate**

The discount rate used to measure the total pension liability was 7.0%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 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).

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**F. Net Pension Liability**

On June 30, 2023, the District reported a liability of \$2,898,705 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 0.0362% at the end of the measurement period and 0.0374% 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	\$ 2,898,705
State's proportionate share of the net pension liability associated with the District	214,749

For the year ended June 30, 2023, the District recognized pension expense of \$(606,457) Included in this amount, the District recognized \$29,529 as pension expense for the support provided by direct aid.

On June 30, 2023, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,578	\$ 25,879
Net difference between projected and actual earnings on plan investments	45,400	-
Changes in assumptions	479,724	589,702
Changes in proportion	88,218	103,650
District's contributions to TRA subsequent to the measurement date	189,320	-
Total	\$ 845,240	\$ 719,231

The \$189,320 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**F. Net Pension Liability (Continued)**

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
2024	\$ (558,189)
2025	88,190
2026	27,295
2027	386,100
2028	(6,707)
Total	\$ (63,311)

**G. Pension Liability Sensitivity**

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

1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
\$ 4,569,650	\$ 2,898,705	\$ 1,529,050

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

**H. Pension Plan Fiduciary Net Position**

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

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association**

**A. Plan Description**

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

General Employees Retirement Plan

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

**B. Benefits Provided**

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

General Employees Plan Benefits

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

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

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**C. Contributions**

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2023, were \$38,308. The District's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

General Employees Fund Pension Costs

At June 30, 2023, the District reported a liability of \$498,962 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$14,663.

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 proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 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 0.0063%, at the end of the measurement period and 0.0056% for the beginning of the period.

District's proportionate share of net pension liability	\$ 498,962
State's proportionate share of the net pension liability associated with the District	14,663
	14,663
Total	\$ 513,625

For the year ended June 30, 2023, the District recognized pension expense of \$80,908 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$2,191 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

At June 30, 2023, the District reported its proportionate share of GERS's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,168	\$ 4,792
Changes in actuarial assumptions	100,756	2,030
Difference between projected and actual investment earnings	29,820	-
Change in proportion	25,183	20,984
District's contributions to PERA subsequent to the measurement date	38,308	-
Total	\$ 198,235	\$ 27,806

The \$38,308 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year End June 30,	Pension Expense
2024	\$ 44,582
2025	43,781
2026	(1,365)
2027	45,123
Total	\$ 132,121

**Independent School District No. 424  
Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

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

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

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

**F. Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. 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% was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

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

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Actuarial Methods and Assumptions (Continued)**

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the previous valuation.

**G. Discount Rate**

The discount rate used to measure the total pension liability in 2022 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**H. Pension Liability Sensitivity**

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

	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
District's proportionate share of the PERA net pension liability	\$ 788,137	\$ 498,962	\$ 261,794

**I. Pension Plan Fiduciary Net Position**

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

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN**

**A. Plan Description**

The District provides a single-employer defined benefit OPEB plan which provides medical and dental benefits to eligible retired employees and their dependents in accordance with the terms of the plan. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees. No assets are acclimated in a trust.

**B. Benefits Paid**

Various employee groups receive health insurance contributions at varying rates until they are Medicare eligible. The General Fund, Food Service Funds, and Community Service Fund typically liquidate the liability related to OPEB.

**C. Members**

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

Inactive employees or beneficiaries currently receiving benefits	14
Active employees	61
	61
Total	75

**D. Contributions**

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2023, the District contributed \$73,323 to the plan.

**E. Actuarial Assumptions**

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount Rate	3.80%
Salary Increases	Service graded table
Inflation	2.50%
Healthcare cost trend increases	6.25% in 2022, decreasing to 5.0% over 5 years and then to 4.0% over the next 48 years.
Mortality Assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**E. Actuarial Assumptions (Continued)**

The actuarial assumptions used in the July 1, 2022, valuation was based on the results of an actuarial experience study for the period July 1, 2021 through June 30, 2022.

The Discount rate was based on the 20-year Municipal Bond yield.

The following changes in actuarial assumptions in 2022:

Assumption changes

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

**F. Total OPEB Liability**

The District's total OPEB liability of \$565,953 was measured as of July 1, 2022, and was determined by an actuarial valuation as of July 1, 2021.

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at July 1, 2022	<u>\$ 636,144</u>
Changes for the year	
Service cost	24,486
Interest	13,107
Changes in assumptions	(34,461)
Benefit payments	<u>(73,323)</u>
Net changes	<u>(70,191)</u>
Balances at July 1, 2023	<u><u>\$ 565,953</u></u>

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**G. OPEB Liability Sensitivity**

The following presents the District's total OPEB liability calculated using the discount rate of 2.10% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (2.80%)	Current Discount Rate (3.80%)	1% Increase in Discount Rate (4.80%)
Total OPEB liability (asset)	\$ 590,072	\$ 565,963	\$ 542,866

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

**H. 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 \$29,069. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses	\$ 17,867	\$ -
Changes of assumptions	16,956	66,349
Subsequent contributions	88,352	-
Total	\$ 123,175	\$ 66,349

The \$88,352 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2024.

**Independent School District No. 424**  
**Notes to Basic Financial Statements**

**NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

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

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

Year Ending June 30,	Total
2024	\$ (8,524)
2025	(8,524)
2026	(8,524)
2027	526
2028	(1,557)
Thereafter	(4,923)
Total	\$ (31,526)

**REQUIRED SUPPLEMENTARY INFORMATION**

**Independent School District No. 424**  
**Schedule of Changes in Total OPEB Liability**  
**and Related Ratios**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Total OPEB Liability				
Service cost	\$ 24,486	\$ 30,535	\$ 39,353	\$ 34,670
Interest	13,107	14,551	18,118	21,323
Differenced between expected and actual experience	-	11,516	14,554	(85,895)
Changes of assumptions	(34,461)	12,100	-	22,503
Plan changes	-	15,119	-	-
Benefit payments	<u>(73,323)</u>	<u>(46,592)</u>	<u>(36,143)</u>	<u>(43,733)</u>
Net change in total OPEB liability	<u>(70,191)</u>	<u>37,229</u>	<u>35,882</u>	<u>(51,132)</u>
Beginning of year	<u>636,144</u>	<u>598,915</u>	<u>563,033</u>	<u>614,165</u>
End of year	<u>\$ 565,953</u>	<u>\$ 636,144</u>	<u>\$ 598,915</u>	<u>\$ 563,033</u>
Covered payroll	\$ 2,661,693	\$ 2,584,168	\$ 2,474,160	\$ 2,402,097
Total OPEB liability as a percentage of covered- Employee Payroll	21.26%	24.62%	24.21%	23.44%

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

<u>June 30, 2019</u>	<u>June 30, 2018</u>
\$ 30,271	\$ 29,389
20,801	20,356
-	-
-	-
-	-
<u>(36,540)</u>	<u>(38,526)</u>
<u>14,532</u>	<u>11,219</u>
<u>599,633</u>	<u>588,414</u>
<u>\$ 614,165</u>	<u>\$ 599,633</u>
\$ 2,155,164	\$ 2,092,392
28.50%	28.66%

**Independent School District No. 424**  
**Schedule of District's and Non-Employer Proportionate Share**  
**of Net Pension Liability - General Employees Retirement Fund**  
**Last Ten Years\***

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0053%	\$ 248,967	\$ -	\$ 248,967	\$ 277,448	89.73%	78.80%
2015	0.0051%	264,308	-	264,308	293,680	90.00%	78.20%
2016	0.0050%	405,975	5,339	411,314	312,413	129.95%	68.90%
2017	0.0050%	319,197	4,044	323,241	324,547	98.35%	75.90%
2018	0.0053%	294,022	9,514	303,536	353,413	83.20%	79.50%
2019	0.0061%	337,255	10,500	347,755	429,573	78.51%	80.20%
2020	0.0063%	377,714	11,658	389,372	422,027	89.50%	79.10%
2021	0.0056%	239,145	7,213	246,358	400,373	59.73%	87.00%
2022	0.0063%	498,962	14,663	513,625	469,373	106.30%	76.70%

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

**Schedule of District's and Non-Employer Proportionate Share**  
**of Net Pension Liability - TRA Retirement Fund**  
**Last Ten Years\***

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0372%	\$ 1,714,149	\$ 120,537	\$ 1,834,686	\$ 1,698,814	100.9%	81.50%
2015	0.0349%	2,158,910	264,941	9,472,444	1,782,707	121.1%	76.80%
2016	0.0363%	8,658,416	868,131	9,526,547	1,905,560	454.4%	44.90%
2017	0.0366%	7,306,024	705,581	8,011,605	1,957,120	373.3%	51.60%
2018	0.0348%	2,188,103	205,523	2,393,626	1,945,080	112.5%	78.10%
2019	0.0359%	2,288,274	202,624	2,490,898	2,059,468	111.1%	78.10%
2020	0.0364%	2,689,281	225,653	2,914,934	2,115,833	127.1%	75.50%
2021	0.0374%	1,636,736	138,196	1,774,932	2,115,833	77.4%	86.60%
2022	0.0362%	2,898,705	214,749	3,113,454	2,239,840	129.4%	76.20%

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

**Independent School District No. 424  
Schedule of District Contributions -  
General Employees Retirement Fund  
Last Ten Years\***

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 20,115	\$ 20,115	\$ -	\$ 277,448	7.25%
2015	22,026	22,026	-	293,680	7.50%
2016	23,431	23,431	-	312,413	7.50%
2017	24,341	24,341	-	324,547	7.50%
2018	26,506	26,506	-	353,413	7.50%
2019	32,218	32,218	-	429,573	7.50%
2020	31,652	31,652	-	422,027	7.50%
2021	30,028	30,028	-	400,373	7.50%
2022	35,203	35,203	-	469,373	7.50%
2023	38,308	38,308	-	510,773	7.50%

**Schedule of District Contributions -  
TRA Retirement Fund  
Last Ten Years\***

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 118,917	\$ 118,917	\$ -	\$ 1,698,814	7.00%
2015	133,703	133,703	-	1,782,707	7.50%
2016	142,917	142,917	-	1,905,560	7.50%
2017	146,784	146,784	-	1,957,120	7.50%
2018	145,881	145,881	-	1,945,080	7.50%
2019	158,785	158,785	-	2,059,468	7.71%
2020	167,574	167,574	-	2,115,833	7.92%
2021	182,099	182,099	-	2,239,840	8.13%
2022	186,431	186,431	-	2,235,384	8.34%
2023	189,320	189,320	-	2,214,269	8.55%

**Independent School District No. 424**  
**Notes to the Required Supplementary Information**

**TRA Retirement Fund**

**2022 Changes**

Changes in Actuarial Assumptions

- None

**2021 Changes**

Changes in Actuarial Assumptions

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

**2020 Changes**

Changes in Actuarial Assumptions

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

**2019 Changes**

Changes in Actuarial Assumptions

- None

**2018 Changes**

Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 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 was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**Independent School District No. 424**  
**Notes to the Required Supplementary Information**

**TRA Retirement Fund (Continued)**

**2017 Changes**

Changes in Actuarial Assumptions

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

**2016 Changes**

Changes in Actuarial Assumptions

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

**Independent School District No. 424**  
**Notes to the Required Supplementary Information**

**TRA Retirement Fund (Continued)**

**2015 Changes (Continued)**

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

**Independent School District No. 424**  
**Notes to the Required Supplementary Information**

**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 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020 Changes**

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

**Independent School District No. 424**  
**Notes to the Required Supplementary Information**

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

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2018 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

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

**Independent School District No. 424**  
**Notes to the Required Supplementary Information**

**General Employees Fund (Continued)**

**2017 Changes (Continued)**

Changes in Plan Provisions

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

**2016 Changes**

Changes in Actuarial Assumptions

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

**2015 Changes**

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

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

**Independent School District No. 424**  
**Notes to the Required Supplementary Information**

**Post Employment Healthcare Plan**

**2022 Changes**

Changes in Actuarial Assumptions

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

**2021 Changes**

Benefit Changes

- The matching contribution amount increased for Teachers and a subsidized benefit was added for the Business Official.

Changes in Actuarial Assumptions

- The health care trend rates, mortality tables, and withdrawal rates were updated.
- The salary scale for non-teachers was updated.
- The inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 2.40% to 2.10%.

**2020 Changes**

Changes in Actuarial Assumptions

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

**2019 Changes**

Changes in Actuarial Assumptions

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

**2018 Changes**

Changes in Actuarial Assumptions

- None

**SUPPLEMENTARY INFORMATION**

**Independent School District No. 424**  
**Lester Prairie, Minnesota**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
**June 30, 2023**

	Special Revenue Funds		
	Food Service	Community Service	Total
<b>Assets</b>			
Cash and investments	\$ 187,155	\$ -	\$ 187,155
Current property taxes receivable	-	19,517	19,517
Delinquent property taxes receivable	-	205	205
Accounts receivable	-	2,343	2,343
Due from Department of Education	-	2,874	2,874
Inventory	3,135	-	3,135
	<u>3,135</u>	<u>-</u>	<u>3,135</u>
Total assets	<u>\$ 190,290</u>	<u>\$ 24,939</u>	<u>\$ 215,229</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 318	\$ 318
Salaries and benefits payable	-	11,153	11,153
Due to other funds	-	19,103	19,103
Unearned revenue	4,728	-	4,728
Total liabilities	<u>4,728</u>	<u>30,574</u>	<u>35,302</u>
<b>Deferred Inflows of Resources</b>			
Property taxes levied for subsequent year's expenditures	-	41,182	41,182
Unavailable revenue - delinquent property taxes	-	205	205
Total deferred inflows of resources	<u>-</u>	<u>41,387</u>	<u>41,387</u>
<b>Fund Balances</b>			
Nonspendable	3,135	-	3,135
Restricted	182,427	115,639	298,066
Unassigned	-	(162,661)	(162,661)
Total fund balances	<u>185,562</u>	<u>(47,022)</u>	<u>138,540</u>
	<u>\$ 190,290</u>	<u>\$ 24,939</u>	<u>\$ 215,229</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 190,290</u>	<u>\$ 24,939</u>	<u>\$ 215,229</u>

**Independent School District No. 424**  
**Lester Prairie, Minnesota**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances -**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2023**

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Food Service</u>	<u>Community Service</u>	
<b>Revenues</b>			
Local property taxes	\$ -	\$ 42,951	\$ 42,951
Other local and county revenues	-	140,147	140,147
Revenue from state sources	15,787	27,527	43,314
Revenue from federal sources	189,799	-	189,799
Sales and other conversion of assets	113,176	-	113,176
Total revenues	<u>318,762</u>	<u>210,625</u>	<u>529,387</u>
<b>Expenditures</b>			
Current			
Food service	320,331	-	320,331
Community education and services	-	218,575	218,575
Capital outlay			
Food service	699	-	699
Total expenditures	<u>321,030</u>	<u>218,575</u>	<u>539,605</u>
Net change in fund balances	(2,268)	(7,950)	(10,218)
<b>Fund Balances</b>			
Beginning of year	<u>187,830</u>	<u>(39,072)</u>	<u>148,758</u>
End of year	<u>\$ 185,562</u>	<u>\$ (47,022)</u>	<u>\$ 138,540</u>

**Independent School District No. 424**  
**Uniform Financial Accounting And Reporting Standards**  
**Compliance Table**  
**Year Ended June 30, 2022**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION FUND</b>			
Total revenue	\$ 6,515,839	\$ 6,515,840	\$ (1)	Total revenue	\$ 22,365	\$ 22,364	\$ 1
Total expenditures	6,038,800	6,038,797	3	Total expenditures	385,366	385,366	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	19,876	19,876	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	71,569	71,569	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	-	-	-	4.09 Alternative Facility Program	-	-	-
4.03 Staff Development	12,294	12,294	-	4.13 Building Projects Funded by COP/LP	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Programs	-	-	-	4.64 Restricted fund balance	173,648	173,647	1
4.13 Building Projects Funded by COP/LP	-	-	-	<i>Unassigned:</i>			
4.14 Operating Debt	-	-	-	4.63 Unassigned fund balance	-	-	-
4.16 Levy Reduction	-	-	-	<b>07 DEBT SERVICE FUND</b>			
4.17 Taconite Building Maintenance	-	-	-	Total revenue	\$ 1,218,403	\$ 1,218,402	\$ 1
4.24 Operating Capital	-	-	-	Total expenditures	1,160,331	1,160,331	-
4.26 \$25 Taconite	-	-	-	<i>Nonspendable:</i>			
4.27 Disabled Accessibility	(600)	(600)	-	4.60 Nonspendable fund balance	-	-	-
4.28 Learning and Development	36,563	36,563	-	<i>Restricted/Reserved:</i>			
4.34 Area Learning Center	-	-	-	4.25 Bond refundings	-	-	-
4.35 Contracted Alternative Programs	-	-	-	4.33 Maximum effort loan aid	-	-	-
4.36 State Approved Alternative Program	-	-	-	4.51 QZAB payments	-	-	-
4.38 Gifted and Talented	9,491	9,491	-	4.67 Long-term Facilities Maintenance	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	<i>Restricted:</i>			
4.41 Basic Skills Programs	35,135	35,135	-	4.64 Restricted fund balance	252,288	252,288	-
4.45 Career Technical Programs	-	-	-	<i>Unassigned:</i>			
4.48 Achievement and Integration	-	-	-	4.63 Unassigned fund balance	-	-	-
4.49 Safe School Crime	70,079	70,079	-	<b>08 TRUST FUND</b>			
4.51 QZAB Payments	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.52 OPEB Liabilities not Held in Trust	-	-	-	Total expenditures	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-	<i>Unassigned:</i>			
4.59 Basic Skills Extended Time	-	-	-	4.01 Student Activities	-	-	-
4.67 Long-term Facilities Maintenance	408,355	408,355	-	4.02 Scholarships	-	-	-
4.72 Medical Assistance	32,536	32,536	-	4.22 Net position	-	-	-
4.74 EIDL Loans	-	-	-	<b>18 CUSTODIAL</b>			
4.75 Title VII - Impact Aid	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.76 Payments in Lieu of Taxes	-	-	-	Total expenditures	-	-	-
<i>Restricted:</i>				<i>Restricted/Reserved:</i>			
4.72 Medical Assistance	-	-	-	4.01 Student Activities	-	-	-
4.64 Restricted fund balance	18,000	18,000	-	4.02 Scholarships	-	-	-
4.75 Title VII - Impact Aid	-	-	-	4.48 Achievement and Integration	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-	4.64 Restricted	-	-	-
<i>Committed:</i>				<b>20 INTERNAL SERVICE FUND</b>			
4.18 Committed for separation	459,706	459,706	-	Total revenue	\$ -	\$ -	\$ -
4.61 Committed	-	-	-	Total expenditures	-	-	-
<i>Assigned:</i>				<i>Unassigned:</i>			
4.62 Assigned fund balance	-	-	-	4.22 Net position	-	-	-
<i>Unassigned:</i>				<b>25 OPEB REVOCABLE TRUST</b>			
4.22 Unassigned fund balance	3,217,841	3,217,842	(1)	Total revenue	\$ -	\$ -	\$ -
<b>02 FOOD SERVICE FUND</b>				Total expenditures	-	-	-
Total revenue	\$ 318,762	\$ 318,761	\$ 1	<i>Unassigned:</i>			
Total expenditures	321,030	321,029	1	4.22 Net position	-	-	-
<i>Nonspendable:</i>				<b>45 OPEB IRREVOCABLE TRUST</b>			
4.60 Nonspendable fund balance	3,135	3,135	-	Total revenue	\$ -	\$ -	\$ -
<i>Restricted/reserved:</i>				Total expenditures	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-	<i>Unassigned:</i>			
<i>Restricted:</i>				4.22 Net position	-	-	-
4.64 Restricted fund balance	182,427	182,426	1	<b>47 OPEB DEBT SERVICE</b>			
<i>Unassigned:</i>				Total revenue	\$ -	\$ -	\$ -
4.63 Unassigned fund balance	-	-	-	Total expenditures	-	-	-
<b>04 COMMUNITY SERVICE FUND</b>				<i>Nonspendable:</i>			
Total revenue	\$ 210,625	\$ 210,623	\$ 2	4.60 Nonspendable fund balance	-	-	-
Total expenditures	218,575	218,572	3	<i>Restricted:</i>			
<i>Nonspendable:</i>				4.25 Bond refundings	-	-	-
4.60 Nonspendable fund balance	-	-	-	4.64 Restricted fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Unassigned:</i>			
4.26 \$25 Taconite	-	-	-	4.63 Unassigned fund balance	-	-	-
4.31 Community Education	(52,248)	(52,248)	-	<b>07 DEBT SERVICE FUND</b>			
4.32 ECFE	60,774	60,774	-	Total revenue	\$ -	\$ -	\$ -
4.40 Teacher Development and Evaluation	-	-	-	Total expenditures	-	-	-
4.44 School Readiness	(110,413)	(110,413)	-	<i>Nonspendable:</i>			
4.47 Adult Basic Education	2,396	2,396	-	4.60 Nonspendable fund balance	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-	<i>Restricted:</i>			
<i>Restricted:</i>				4.25 Bond refundings	-	-	-
4.64 Restricted fund balance	52,469	52,471	(2)	4.64 Restricted fund balance	-	-	-
<i>Unassigned:</i>				<i>Unassigned:</i>			
4.63 Unassigned fund balance	-	-	-	4.63 Unassigned fund balance	-	-	-

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

**Independent Auditor's Report**

To the School Board  
Independent School District No. 424  
Lester Prairie Schools  
Lester Prairie, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 424, Lester Prairie, Minnesota, as of and for the year ending June 30, 2023, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 2, 2023.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be material weaknesses as audit findings 2023-001 and 2023-002.

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

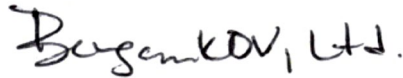
As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

### **District's Response to the Findings**

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

### **Purpose of this Report**

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



St. Cloud, Minnesota  
October 2, 2023

**Independent School District No. 424  
Schedule of Findings and Responses**

**Audit Finding 2023-001**

*Criteria:*

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

*Condition:*

The District does not have adequate segregation of accounting duties.

*Effect or Potential Effect:*

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

*Cause:*

There are a limited number of office employees.

*Recommendation:*

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

*Responsible Official's Response:*

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
Administration will review current segregation of accounting duties to determine if further segregation is possible.
3. Official Responsible for Ensuring CAP  
The Superintendent is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is ongoing.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.

**Independent School District No. 424  
Schedule of Findings and Responses**

**Audit Finding 2023-002**

*Criteria:*

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

*Condition:*

During the course of our engagement, we proposed material audit adjustments to the trial balance.

*Effect or Potential Effect:*

The control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

*Cause:*

There are a limited number of office employees.

*Recommendation:*

A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

*Responsible Official's Response:*

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
District personnel will perform an internal review of account balances and transaction classes to ensure proper presentation.
3. Official Responsible for Ensuring CAP  
The Superintendent is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is ongoing.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.

**Minnesota Legal Compliance**

**Independent Auditor's Report**

To the School Board  
Independent School District No. 424  
Lester Prairie Schools  
Lester Prairie, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 424, Lester Prairie, Minnesota, as of and for the year ended June 30, 2023, and the related notes to basic financial statements, and have issued our report thereon dated October 2, 2023.

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

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

*BergankDV, Ltd.*

St. Cloud, Minnesota  
October 2, 2023

**FORM OF LEGAL OPINION**

(See following pages)

## APPENDIX B

### FORM OF LEGAL OPINION

Independent School District No. 424  
Lester Prairie, Minnesota

[Purchaser]  
[City, State]

Re: \$835,000 General Obligation School Building Bonds, Series 2024A  
Independent School District No. 424 (Lester Prairie), Minnesota  
McLeod and Carver Counties, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Independent School District No. 424 (Lester Prairie), McLeod and Carver Counties, Minnesota (the District), of the obligations described above, dated, as originally issued, as of February 1, 2024 (the Bonds), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the District in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds are valid and binding general obligations of the District, enforceable in accordance with their terms.

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

3. The resolution authorizing the issuance of the Bonds obligates the District to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of such law against the State of Minnesota in the absence of legally appropriated and available funds to pay the obligations of the State thereunder.

4. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the Code) and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code.

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

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

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

The opinions expressed in paragraphs 4, 5, and 6 above are subject to the compliance by the District with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, or the Bonds failing to be qualified tax-exempt obligations, retroactive to the date of issuance of the Bonds.

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

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

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

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

Dated this 1<sup>st</sup> day of February, 2024.

Very truly yours,

**BOOK-ENTRY-ONLY SYSTEM**

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

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

**FORM OF CONTINUING DISCLOSURE COVENANTS  
(EXCERPTS FROM SALE RESOLUTION)**

(See following pages)

## FORM OF CONTINUING DISCLOSURE

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

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

- (1) on or before twelve (12) months after the end of each fiscal year of the District, commencing with the fiscal year ending June 30, 2024, the following financial information and operating data in respect of the District (the Disclosure Information):
  - (A) the audited financial statements of the District for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the District, noting the discrepancies therefrom and the effect thereof, and

certified as to accuracy and completeness in all material respects by the fiscal officer of the District; and

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

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

- (2) In a timely manner, not in excess of 10 business days, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a “Material Fact,” as hereinafter defined):
  - (A) principal and interest payment delinquencies;
  - (B) non-payment related defaults, if material;
  - (C) unscheduled draws on debt service reserves reflecting financial difficulties;
  - (D) unscheduled draws on credit enhancements reflecting financial difficulties;
  - (E) substitution of credit or liquidity providers, or their failure to perform;
  - (F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

- (G) modifications to rights of Bond holders, if material;
- (H) Bond calls, if material and tender offers;
- (I) defeasances;
- (J) release, substitution, or sale of property securing repayment of the Bonds if material;
- (K) rating changes;
- (L) bankruptcy, insolvency, receivership, or similar event of the obligated person;
- (M) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (N) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (O) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; “financial obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule; and
- (P) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

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

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

confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

For purposes of the events identified in paragraphs (O) and (P) above, the term “financial obligation” means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

(c) Manner of Disclosure.

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

(d) Term; Amendments; Interpretation.

- (1) The covenants of the District in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the District under this section shall terminate and be without further effect as of any date on which the District delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the District to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements

of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

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

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

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

**TERMS OF PROPOSAL**

**\$835,000\* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2024A  
INDEPENDENT SCHOOL DISTRICT NO. 424 (LESTER PRAIRIE), MINNESOTA**

Proposals for the purchase of \$835,000\* General Obligation School Building Bonds, Series 2024A (the "Bonds") of the Independent School District No. 424 (Lester Prairie), 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 January 8, 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 5:45 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 13, 2019 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 February 1, 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	\$145,000	2028	\$100,000	2031	\$105,000
2026	95,000	2029	100,000	2032	105,000
2027	90,000	2030	95,000		

**ADJUSTMENT OPTION**

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

**TERM BOND OPTION**

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

## INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2024, 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

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

## DELIVERY

On or about February 1, 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 in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the District.

## SUBMISSION OF PROPOSALS

Proposals must not be for less than \$835,000 plus accrued interest on the principal sum of \$835,000 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 \$16,700 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.

## ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

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

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

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

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

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

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

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

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

### **PRELIMINARY OFFICIAL STATEMENT**

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

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

By Order of the School Board

Independent School District No. 424  
(Lester Prairie), Minnesota

# PROPOSAL FORM

The School Board  
Independent School District No. 424 (Lester Prairie), Minnesota (the "District")

January 8, 2024

RE: **\$835,000\* General Obligation School Building Bonds, Series 2024A (the "Bonds")**  
DATED: **February 1, 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 \$835,000) 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	2028	_____ % due	2031
_____ % due	2026	_____ % due	2029	_____ % due	2032
_____ % due	2027	_____ % due	2030		

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.

*A rating for the Bonds may not be requested without contacting Ehlers and receiving the permission of the District.*

**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 \$16,700 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 February 1, 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 February 1, 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. 424 (Lester Prairie), Minnesota, on January 8, 2024.

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

CERTIFICATION OF MINUTES RELATING TO  
\$835,000 GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2024A

Issuer: Independent School District No. 424 (Lester Prairie), Minnesota

Governing Body: School Board

Kind, date, time and place of meeting: A regular meeting held on January 8, 2024 at 5:45 p.m. in the Lester Prairie School Media Center.

Members present:

Members absent:

Documents attached:

Minutes of said meeting (including):

RESOLUTION RELATING TO \$835,000 GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2024A; AUTHORIZING ISSUANCE, AWARDING SALE, PRESCRIBING THE FORM AND DETAILS AND PROVIDING FOR THE PAYMENT THEREOF

I, the undersigned, being the duly qualified and acting recording officer of the public corporation issuing the bonds referred to in the title of this certificate, certify that the documents attached hereto, as described above, have been carefully compared with the original records of said corporation in my legal custody, from which they have been transcribed; that said documents are a correct and complete transcript of the minutes of a meeting of the governing body of said corporation, and correct and complete copies of all resolutions and other actions taken and of all documents approved by the governing body at said meeting, so far as they relate to said bonds; and that said meeting was duly held by the governing body at the time and place and was attended throughout by the members indicated above, pursuant to call and notice of such meeting given as required by law.

WITNESS my hand officially as such recording officer this 8<sup>th</sup> day of January, 2024.

\_\_\_\_\_  
School District Clerk

It was reported that [\_\_\_\_\_] (\_\_\_\_\_) sealed proposals for the purchase of the District's General Obligation School Building Bonds, Series 2024A were received prior to 10:30 a.m. pursuant to the Preliminary Official Statement distributed to potential purchasers of the Bonds by Ehlers & Associates, Inc., independent municipal advisor to the District. The proposals have been publicly opened, read and tabulated and were found to be as follows:

(See Attached)

Member \_\_\_\_\_ introduced the following resolution and moved its adoption, which motion was seconded by Member \_\_\_\_\_:

RESOLUTION RELATING TO \$835,000 GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2024A; AUTHORIZING ISSUANCE, AWARDING SALE, PRESCRIBING THE FORM AND DETAILS AND PROVIDING FOR THE PAYMENT THEREOF

BE IT RESOLVED by the School Board (the Board) of Independent School District No. 424 (Lester Prairie), Minnesota (the District), as follows:

SECTION 1. AUTHORIZATION AND SALE.

1.01. Authorization and Election. This Board hereby determines it is in the best interests of the District to authorize the issuance and sale of its \$835,000 General Obligation School Building Bonds, Series 2024A (the Bonds), the proceeds to be used to finance the acquisition and betterment of school sites and facilities, as approved by the electors at a special election held on August 13, 2019 (collectively, the Projects), pursuant to Minnesota Statutes, Chapter 475.

1.02. Sale. The District has retained Ehlers & Associates, Inc., in Roseville, Minnesota (Ehlers), as independent municipal advisor in connection with the sale of the Bonds. Pursuant to Minnesota Statutes, Section 475.60, Subdivision 2, paragraph 9, the requirements as to a public sale do not apply to the issuance of the Bonds. Pursuant to the Preliminary Official Statement prepared on behalf of the District by Ehlers, proposals for the purchase of the Bonds were received at or before the time specified for receipt of proposals. The proposals have been opened, publicly read and considered and the purchase price, interest rates and net interest cost under the terms of each proposal have been determined. The most favorable proposal received is that of [purchaser], in [\_\_\_\_\_] (the Purchaser). It is hereby determined to issue the Bonds at a purchase price of \$[purchase price] (representing the principal amount of \$835,000, plus an original issue premium of \$[oip], and less an underwriter's discount of \$[uw discount]) plus accrued interest, if any, and upon the further terms and conditions set forth herein.

1.03. Award. The sale of the Bonds is hereby awarded to the Purchaser, and the Chairperson and Clerk are hereby authorized and directed on behalf of the District to execute a contract for the sale of the Bonds with the Purchaser in accordance with the terms of the proposal. The good faith deposit of the Purchaser shall be retained and deposited by the District until the Bonds have been delivered, and shall be deducted from the purchase price paid at settlement. Any good faith deposit of other bidders shall be returned to them forthwith.

SECTION 2. BOND TERMS; REGISTRATION; EXECUTION AND DELIVERY.

2.01. Issuance of Bonds. All acts, conditions and things which are required by the Constitution and laws of the State of Minnesota to be done prior to the issuance of the Bonds having been done, existing and having happened, it is necessary for this Board to establish the form and terms of the Bonds, to provide for the security thereof, and to issue the Bonds forthwith.

2.02. Maturities, Interest Rates and Denominations. The Bonds shall be originally dated as of February 1, 2024, shall be in denominations of \$5,000 or any integral multiple thereof of single maturities, shall mature on February 1 in the years and amounts stated below and shall bear interest from date of issue until paid at the annual rates set forth opposite such years and amounts, as follows:

Year	Amount	Rate	Year	Amount	Rate
2025	\$145,000	4.00%	2029	\$100,000	4.00%
2026	\$95,000	4.00%	2030	\$95,000	4.00%
2027	\$90,000	4.00%	2031	\$105,000	4.00%
2028	\$100,000	4.00%	2032	\$105,000	4.00%

[REVISE MATURITY SCHEDULE FOR ANY TERM BONDS]

The Bonds shall be issuable only in fully registered form. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months. The interest thereon and, upon surrender of each Bond, the principal amount thereof, shall be payable by check or draft issued by the Registrar described herein; provided that, so long as the Bonds are registered in the name of a securities depository, or a nominee thereof, in accordance with Section 2.08 hereof, principal and interest shall be payable in accordance with the operational arrangements of the securities depository.

2.03. Dates and Interest Payment Dates. Upon initial delivery of the Bonds pursuant to Section 2.07 and upon any subsequent transfer or exchange pursuant to Section 2.06, the date of authentication shall be noted on each Bond so delivered, exchanged or transferred. The interest on the Bonds shall be payable on February 1 and August 1, commencing August 1, 2024, to the owners of record thereof as of the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day.

2.04. No Optional Redemption. The Bonds shall not be subject to optional redemption and prepayment prior to their stated maturity dates.

[COMPLETE THE FOLLOWING PROVISIONS IF THERE ARE TERM BONDS–  
ADD ADDITIONAL PROVISIONS IF THERE ARE MORE THAN TWO TERM BONDS]

[Bonds maturing on February 1, 20\_\_\_\_ and 20\_\_\_\_ (the Term Bonds) shall be subject to mandatory redemption prior to maturity pursuant to the sinking fund requirements of this Section 2.04 at a redemption price equal to the stated principal amount thereof plus interest accrued thereon to the redemption date. The Registrar shall select for redemption, by lot or other manner deemed fair, on February 1 in each of the following years the following stated principal amounts of such Bonds:

<u>Year</u>	<u>Principal Amount</u>
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The remaining \$ \_\_\_\_\_ stated principal amount of such Bonds shall be paid at maturity on February 1, 20 \_\_\_\_.

Year                      Principal Amount

The remaining \$ \_\_\_\_\_ stated principal amount of such Bonds shall be paid at maturity on February 1, 20 \_\_\_\_.

The Clerk shall cause notice of the call for redemption thereof to be published as required by law, and at least thirty days prior to the designated redemption date, shall cause notice of call for redemption to be mailed, by first class mail, to the registered holders of any Bonds to be redeemed at their addresses as they appear on the bond register described in Section 2.06 hereof, but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the District shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the owner without charge, representing the remaining principal amount outstanding.]

2.05. Appointment of Initial Registrar. The District hereby appoints Bond Trust Services Corporation, in Roseville, Minnesota, as the initial bond registrar, transfer agent and paying agent (the Registrar). The Chairperson and the Clerk are authorized to execute and deliver, on behalf of the District, a contract with the Registrar. Upon merger or consolidation of the Registrar with another corporation, if the resulting corporation is a bank or trust company organized under the laws of the United States or one of the states of the United States and authorized by law to conduct such business, such corporation shall be authorized to act as successor Registrar. The District agrees to pay the reasonable and customary charges of the Registrar for the services performed. The District reserves the right to remove the Registrar upon thirty (30) days' notice and upon the appointment and acceptance of a successor Registrar, in which event the predecessor Registrar shall deliver all cash and Bonds in its possession to the successor Registrar and shall deliver the bond register to the successor Registrar.

2.06. Registration. The effect of registration and the rights and duties of the District and the Registrar with respect thereto shall be as follows:

(a) Register. The Registrar shall keep at its principal corporate trust office a bond register in which the Registrar shall provide for the registration of ownership of Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred or exchanged.

(b) Transfer of Bonds. Upon surrender for transfer of any Bond duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar shall authenticate

and deliver, in the name of the designated transferee or transferees, one or more new Bonds of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer after the fifteenth day of the month preceding each interest payment date and until such interest payment date.

(c) Exchange of Bonds. Whenever any Bonds are surrendered by the registered owner for exchange the Registrar shall authenticate and deliver one or more new Bonds of a like aggregate principal amount and maturity, as requested by the registered owner or the owner's attorney in writing.

(d) Cancellation. All Bonds surrendered upon any transfer or exchange shall be promptly canceled by the Registrar and thereafter disposed of as directed by the District.

(e) Improper or Unauthorized Transfer. When any Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The District and the Registrar may treat the person in whose name any Bond is at any time registered in the bond register as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(g) Taxes, Fees and Charges. For every transfer or exchange of Bonds, the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

(h) Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Registrar shall deliver a new Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any such Bond destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond destroyed, stolen or lost, upon filing with the Registrar of evidence satisfactory to it that such Bond was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the District and the Registrar shall be named as obligees. All Bonds so surrendered to the Registrar shall be canceled by it and evidence of such cancellation shall be given to the District. If the mutilated, destroyed, stolen or lost Bond has already matured in accordance with its terms it shall not be necessary to issue a new Bond prior to payment.

(i) Authenticating Agent. The Registrar is hereby designated authenticating agent for the Bonds, within the meaning of Minnesota Statutes, Section 475.55, Subdivision 1, as amended.

(j) Valid Obligations. All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the District, evidencing the same debt, and entitled to the same benefits under this resolution as the Bonds surrendered upon such transfer or exchange.

2.07. Execution; Authentication and Delivery. The Bonds shall be prepared under the direction of the Clerk and shall be executed on behalf of the District by the signatures of the Chairperson and the Clerk, provided that all signatures may be printed, engraved, or lithographed facsimiles of the originals. In case any officer whose signature, or a facsimile of whose signature, shall appear on the Bonds shall cease to be such officer before the delivery of any Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. Notwithstanding such execution, no Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this resolution unless and until a certificate of authentication on such Bond has been duly executed by the manual signature of the Registrar. The executed certificate of authentication on each Bond shall be conclusive evidence that it has been authenticated and delivered under this resolution. When the Bonds have been so delivered and authenticated, they shall be delivered by the Clerk to the Purchaser upon payment of the purchase price in accordance with the contract of sale heretofore made and executed, and the Purchaser shall not be obligated to see to the application of the purchase price.

2.08. Securities Depository. (a) For purposes of this section the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Bond, the person in whose name such Bond is recorded as the beneficial owner of such Bond by a Participant on the records of such Participant, or such person’s subrogee.

“Cede & Co.” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

“DTC” shall mean The Depository Trust Company of New York, New York.

“Participant” shall mean any broker-dealer, bank or other financial institution for which DTC holds Bonds as securities depository.

“Representation Letter” shall mean the Representation Letter pursuant to which the District agrees to comply with DTC’s Operational Arrangements.

(b) The Bonds shall be initially issued as separately authenticated fully registered bonds, and one Bond shall be issued in the principal amount of each stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Registrar and the District may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of

payment of the principal of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Bonds under this resolution, registering the transfer of Bonds, and for all other purposes whatsoever; and neither the Registrar nor the District shall be affected by any notice to the contrary. Neither the Registrar nor the District shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the bond register as being a registered owner of any Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of or interest on the Bonds, with respect to any notice which is permitted or required to be given to owners of Bonds under this resolution, with respect to the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Bonds. So long as any Bond is registered in the name of Cede & Co., as nominee of DTC, the Registrar shall pay all principal of and interest on such Bond, and shall give all notices with respect to such Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to the principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the District to make payments of principal and interest. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Bonds will be transferable to such new nominee in accordance with paragraph (e) hereof.

(c) In the event the District determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bonds in the form of bond certificates, the District may notify DTC and the Registrar, whereupon DTC shall notify the Participants of the availability through DTC of Bonds in the form of certificates. In such event, the Bonds will be transferable in accordance with paragraph (e) hereof. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the District and the Registrar and discharging its responsibilities with respect thereto under applicable law. In such event the Bonds will be transferable in accordance with paragraph (e) hereof.

(d) The execution and delivery of the Representation Letter to DTC by the Chairperson or Clerk, if not previously filed, or if required to be re-filed with DTC, is hereby authorized and directed.

(e) In the event that any transfer or exchange of Bonds is permitted under paragraph (b) or (c) hereof, such transfer or exchange shall be accomplished upon receipt by the Registrar of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of this resolution. In the event Bonds in the form of certificates are issued to owners other than Cede & Co., its successor as nominee for DTC as owner of all the Bonds, or another securities depository as owner of all the Bonds, the provisions of this resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Bonds in the form of bond certificates and the method of payment of principal of and interest on such Bonds in the form of bond certificates.

SECTION 3. FORM OF BONDS. The Bonds shall be prepared in substantially the form found at EXHIBIT A hereto.

SECTION 4. USE OF PROCEEDS.

4.01. General Obligation School Building Bonds, Series 2024A Construction Fund. There is hereby established on the official books and records of the District a General Obligation School Building Bonds, Series 2024A Construction Fund (the Construction Fund), and the District shall continue to maintain the Construction Fund until payment of all costs and expenses incurred in connection with the Projects financed by the Bonds have been paid. To the Construction Fund there shall be credited from the proceeds of the Bonds an amount equal to the estimated construction costs and expenses of the Projects and from the Construction Fund there shall be paid all such construction costs and expenses. After payment of all such construction costs and expenses, the Construction Fund shall be discontinued and any Bond proceeds remaining therein shall be credited to the Debt Service Fund established by Section 4.02 hereof. All proceeds of the Bonds deposited in the Construction Fund will be expended solely for the payment of the costs and expenses of the Projects as required pursuant to Minnesota Statutes, Section 475.58, Subdivision 4.

4.02. General Obligation School Building Bonds, Series 2024A Debt Service Fund. So long as any of the Bonds are outstanding and any principal of or interest thereon unpaid, the District shall maintain a separate debt service fund on the official books and records of the District to be known as the General Obligation School Building Bonds, Series 2024A Debt Service Fund (the Debt Service Fund), which the District agrees to maintain until the Bonds have been paid in full, and the principal of and interest on the Bonds shall be payable from the Debt Service Fund. The moneys on hand in the Debt Service Fund from time to time shall be used only to pay the principal of and interest on the Bonds. The District irrevocably appropriates to the Debt Service Fund: (a) any funds received from the Purchaser upon delivery of the Bonds in excess of (i) the amount required by Section 4.01 above to be credited to the Construction Fund and (ii) the amount required by Section 7.04 hereof to be set aside for payment of the costs of issuance of the Bonds; (b) the amounts specified in Section 4.01 above, after payment of all costs and expenses of the Projects; (c) all taxes levied and collected in accordance with this resolution or any additional resolutions of the Board; and (d) all other moneys as shall be appropriated by the Board to the Debt Service Fund from time to time. If any payment of principal of and interest on the Bonds shall become due when there is not sufficient money in the Debt Service Fund to make such payment, the Clerk shall pay the same from any other available fund of the District, and such other fund shall be reimbursed for such advances out of the proceeds of the taxes levied for the payment of the Bonds when available.

4.03. Tax Levies. For the prompt and full payment of the principal of and interest on the Bonds as the same respectively become due, the full faith, credit and taxing power of the District shall be and are hereby irrevocably pledged. To provide moneys for the payment of principal of and interest on the Bonds as required by Minnesota Statutes, Section 475.61, Subdivision 1, there is hereby levied on all taxable property in the District a direct, annual ad valorem tax which shall be spread upon the tax rolls for collection in the years and amounts as follows, as a part of other general taxes of the District, as follows:

Levy Years

Collection Years

Amount

(See attached levy computation)

The taxes shall be irrepealable as long as any of the Bonds are outstanding and unpaid; provided that the District reserves the right and power to reduce the levies in the manner and to the extent permitted by Minnesota Statutes, Section 475.61. It is estimated that the ad valorem taxes will be collected in amounts not less than five percent in excess of the annual principal and interest requirements of the Bonds. If, as of the date tax levies are certified in any year, the sum of the balance in the Debt Service Fund plus any ad valorem taxes theretofore levied for the payment of Bonds payable therefrom and collectible through the end of the following calendar year is not sufficient to pay when due all principal and interest to become due on all Bonds payable therefrom in said following calendar year, or the Debt Service Fund has incurred a deficiency in the manner provided in Section 4.02, an additional direct, irrepealable, ad valorem tax shall be levied on all taxable property within the corporate limits of the District for the purpose of restoring such accumulated or anticipated deficiency in accordance with the provisions of this resolution.

4.04. Debt Service Fund Balance Restriction. In order to ensure compliance with the Internal Revenue Code of 1986 (the Code), and applicable Treasury Regulations (the Regulations), upon allocation of any funds to the Debt Service Fund, the balance then on hand in the Fund shall be ascertained. If it exceeds the amount of principal and interest on the Bonds to become due and payable through February 1 next following, plus a reasonable carryover equal to 1/12th of the debt service due in the following bond year, the excess shall (unless an opinion is otherwise received from bond counsel) be used to prepay or purchase Bonds, or invested at a yield which does not exceed the yield on the Bonds calculated in accordance with Section 148 of the Code.

SECTION 5. DEFEASANCE. When all of the Bonds have been discharged as provided in this section, all pledges, covenants and other rights granted by this resolution to the registered owners of the Bonds shall cease. The District may discharge its obligations with respect to any Bonds which are due on any date by depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full; or, if any Bond should not be paid when due, it may nevertheless be discharged by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued from the due date to the date of such deposit. The District may also at any time discharge its obligations with respect to any Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a bank or trust company qualified by law as an escrow agent for this purpose, cash or securities which are authorized by law to be so deposited, bearing interest payable at such time and at such rates and maturing or callable at the holder's option on such dates as shall be required to pay all principal and interest to become due thereon to maturity.

SECTION 6. TAX COVENANTS, ARBITRAGE MATTERS, REIMBURSEMENT AND CONTINUING DISCLOSURE.

6.01. Restrictive Action. The Projects will be owned and maintained by the District and used to carry out its program of public education. The District shall not enter into any lease, management agreement, use agreement or other contract with any nongovernmental entity relating to the Projects or a portion thereof which would cause the Bonds to be considered "private activity

bonds” or “private loan bonds” pursuant to the provisions of Section 141 of the Code. The District covenants and agrees with the registered owners of the Bonds that it will not take or permit to be taken by any of its officers, employees or agents any actions that would cause interest on the Bonds to become includable in gross income of the recipient under the Code and applicable Regulations and covenants to take any and all actions within its powers to ensure that the interest on the Bonds will not become includable in gross income of the recipient under the Code and the Regulations.

6.02. Arbitrage Certification. The Chairperson and Clerk being the officers of the District charged with the responsibility for issuing the Bonds pursuant to this resolution, are authorized and directed to execute and deliver to the Purchaser a certificate in accordance with the provisions of Section 148 of the Code and applicable Regulations stating the facts, estimates and circumstances in existence on the date of issue and delivery of the Bonds which make it reasonable to expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of the Code and the Regulations.

6.03. Arbitrage Rebate Exemption. (a) It is hereby found that the District has general taxing powers, that no Bond is a “private activity bond” within the meaning of Section 141 of the Code, that 95% or more of the net proceeds of the Bonds are to be used for local governmental activities of the District, and that the aggregate face amount of all tax-exempt obligations (other than private activity bonds) issued by the District and all subordinate entities thereof during calendar year 2024 is not reasonably expected to exceed \$5,000,000 plus the lesser of \$10,000,000 or so much of the aggregate face amount of the tax-exempt obligations as are attributable to financing or refinancing the construction of public school facilities. Therefore, pursuant to Section 148(f)(4)(D) of the Code, the District shall be treated as meeting the arbitrage rebate requirements of paragraphs (2) and (3) of Section 148(f) of the Code.

(b) If, notwithstanding the provisions of paragraph (a) of this Section 6.03, the arbitrage rebate provisions of Section 148(f) of the Code apply to the Bonds, the District hereby covenants and agrees to make the determinations, retain records and rebate to the United States the amounts at the times and in the manner required by said Section 148(f).

6.04. Qualified Tax-Exempt Obligations. The Board hereby designates the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code relating to the disallowance of interest expense for financial institutions, and hereby finds that the reasonably anticipated amount of tax-exempt obligations, which are not private activity bonds (not treating qualified 501(c)(3) bonds under Section 145 of the Code as private activity bonds for the purpose of this representation) which will be issued by the District and all subordinate entities during calendar year 2024 does not exceed \$10,000,000.

6.05. Reimbursement. The District certifies that the proceeds of the Bonds will not be used by the District to reimburse itself for any expenditure with respect to the Projects which the District paid or will have paid more than 60 days prior to the issuance of the Bonds unless, with respect to such prior expenditures, the District shall have made a declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations; provided that this certification shall not apply (i) with respect to certain de minimis expenditures, if any, with respect to the Projects meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to “preliminary expenditures” for the Projects as defined in Section 1.150-2(f)(2) of the

Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the “issue price” of the Bonds.

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

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

- (1) on or before twelve (12) months after the end of each fiscal year of the District, commencing with the fiscal year ending June 30, 2024, the following financial information and operating data in respect of the District (the Disclosure Information):
  - (A) the audited financial statements of the District for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the District, noting the discrepancies therefrom and the effect

thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the District; and

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

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

- (2) In a timely manner, not in excess of 10 business days, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a “Material Fact,” as hereinafter defined):
  - (A) principal and interest payment delinquencies;
  - (B) non-payment related defaults, if material;
  - (C) unscheduled draws on debt service reserves reflecting financial difficulties;
  - (D) unscheduled draws on credit enhancements reflecting financial difficulties;
  - (E) substitution of credit or liquidity providers, or their failure to perform;
  - (F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

- (G) modifications to rights of Bond holders, if material;
- (H) Bond calls, if material and tender offers;
- (I) defeasances;
- (J) release, substitution, or sale of property securing repayment of the Bonds if material;
- (K) rating changes;
- (L) bankruptcy, insolvency, receivership, or similar event of the obligated person;
- (M) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (N) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (O) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; “financial obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule; and
- (P) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

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

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

confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

For purposes of the events identified in paragraphs (O) and (P) above, the term “financial obligation” means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

(c) Manner of Disclosure.

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

(d) Term; Amendments; Interpretation.

- (1) The covenants of the District in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the District under this section shall terminate and be without further effect as of any date on which the District delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the District to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successive thereto or amendatory thereof.

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

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

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

## SECTION 7. CERTIFICATION OF PROCEEDINGS.

7.01. Filing with County Auditors. The Clerk is hereby authorized and directed to file with the County Auditors of McLeod and Carver Counties a certified copy of this resolution together with such other information as the County Auditors shall require and to obtain from the County Auditors a certificate that the Bonds have been entered upon the bond registers and that the tax for the payment of the Bonds has been levied as required by law.

7.02. Certification of Proceedings. The officers of the District and the County Auditors are hereby authorized and directed to prepare and furnish to the Purchaser and to Dorsey & Whitney LLP, Bond Counsel, certified copies of all proceedings and records of the District relating to the Bonds and to the financial condition and affairs of the District, and such other affidavits, certificates and information as may be required to show the facts relating to the legality and marketability of the Bonds as they appear from the books and records under the officer's custody and control or as otherwise known to the them. All such certified copies, certificates and affidavits, including any heretofore furnished, shall be deemed representations of the District to the correctness of all statements contained herein.

7.03. Official Statement. The Preliminary Official Statement relating to the Bonds prepared and distributed by Ehlers, is hereby approved. Ehlers is hereby authorized on behalf of the District to prepare and distribute to the Purchaser within seven business days from the date hereof, a Final Official Statement listing the offering price, the interest rates, selling compensation, delivery date, the underwriters and such other information relating to the Bonds required to be included in the Official Statement by Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The officers of the District are hereby authorized and directed to execute such certificates as may be appropriate concerning the accuracy, completeness and sufficiency of the Official Statement.

7.04. Authorization of Payment of Certain Costs of Issuance of the Bonds. The District authorizes the Purchaser to forward the amount of Bond proceeds allocable to the payment of issuance expenses to Wells Fargo Bank, National Association on the closing date for further distribution as directed by Ehlers.

**SECTION 8. STATE PAYMENT; DISTRICT AND REGISTRAR OBLIGATIONS.** The District hereby covenants and obligates itself to notify the Commissioner of Education (the Commissioner) of any potential default in the payment of the principal of or interest on the Bonds and to use the provisions of Minnesota Statutes, Section 126C.55 (the State Payment Law), to guarantee, to the extent permitted by law, payment of the principal of and interest on the Bonds when due. The District further covenants to deposit with the Registrar not less than three business days prior to each February 1 and August 1 as set forth in Section 2.03 hereof, an amount sufficient to make that payment or to notify the Commissioner as provided in the State Payment Law that it will be unable to make all or a portion of such payment. The Registrar will notify the Commissioner if it becomes aware of a potential default in the payment of principal of and interest on the Bonds on any payment date or if, on the date two business days prior to the date on which a payment is due, there are insufficient funds on deposit with the Registrar to make the required payment on such date. The Registrar will cooperate with the District, the Commissioner and the Commissioner of Management and Budget in implementing the provisions of the State Payment Law. In the event that amounts sufficient to make any such interest or principal payment are held by an escrow or paying agent and invested as authorized by Minnesota Statutes, Chapter 475 and such escrow or paying agent is required to use proceeds from such investment to pay to the Registrar the amount necessary to pay such interest or principal on such payment date, then the requirements of the State Payment Law relating to the deposit of such amounts with the Registrar prior to the payment date of such interest or principal shall be deemed satisfied and neither the District nor the Registrar shall be required to notify the Commissioner that insufficient funds are available to pay such interest or principal on such payment date. The District shall do all other things which may be necessary to perform the Bonds hereby undertaken under the State Payment Law, including any requirements hereafter adopted by the Commissioner of Management and Budget or the Commissioner.

Upon vote being taken on the foregoing resolution, the following voted in favor thereof:

and the following voted against the same:

whereupon the resolution was declared duly passed and adopted

Tax Levies

**EXHIBIT A**

UNITED STATES OF AMERICA

STATE OF MINNESOTA  
MCLEOD AND CARVER COUNTIES

INDEPENDENT SCHOOL DISTRICT NO. 424 (LESTER PRAIRIE)

GENERAL OBLIGATION SCHOOL BUILDING BOND, SERIES 2024A

R-1 \$ \_\_\_\_\_

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP No.</u>
___%	February 1, 20__	February 1, 2024	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THOUSAND DOLLARS

INDEPENDENT SCHOOL DISTRICT NO. 424 (LESTER PRAIRIE), MCLEOD AND CARVER COUNTIES, STATE OF MINNESOTA (the District), acknowledges itself to be indebted and for value received hereby promises to pay to the registered owner specified above, or registered assigns, without the option of redemption and prepayment prior to maturity, the principal sum specified above on the maturity date specified above, and to pay interest thereon from the date of original issue specified above, or from the most recent interest payment date to which interest has been paid or duly provided for, at the annual rate specified above, payable on February 1 and August 1 in each year, commencing August 1, 2024, to the person in whose name this Bond is registered at the close of business on the fifteenth day (whether or not a business day) of the immediately preceding month. The interest hereon and, upon presentation and surrender hereof at the principal office of the Registrar described below, the principal hereof, are payable in lawful money of the United States of America by check or draft drawn on Bond Trust Services Corporation, in Roseville, Minnesota, as bond registrar, transfer agent and paying agent, or its successor designated under the bond resolution described herein (the Registrar). For the prompt and full payment of such principal and interest as the same respectively become due, the full faith and credit and taxing powers of the District have been and are hereby irrevocably pledged.

This Bond is one of an issue in the aggregate principal amount of \$835,000 (the Bonds), issued by the District to finance the acquisition and betterment of school sites and facilities, and is issued pursuant to and in full conformity with a resolution adopted by the School Board on January 8, 2024 (the Bond Resolution), and authority conferred by more than the requisite majority vote of the qualified electors of the District voting on the question of its issuance at an election duly and legally called and held, and pursuant to and in full conformity with the Constitution and laws of the State of Minnesota thereunto enabling, including Minnesota Statutes, Chapter 475. The Bonds are issuable only in fully registered form, in denominations of \$5,000 or any integral multiple thereof, of single maturities.

The Bonds have been designated by the District as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

As provided in the Bond Resolution and subject to certain limitations set forth therein, this Bond is transferable upon the books of the District at the principal office of the Registrar, by the registered owner hereof in person or by the owner's attorney duly authorized in writing upon surrender hereof together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or the owner's attorney, and may also be surrendered in exchange for Bonds of other authorized denominations. Upon such transfer or exchange, the District will cause a new Bond or Bonds to be issued in the name of the transferee or registered owner, of the same aggregate principal amount, bearing interest at the same rate and maturing on the same date, subject to reimbursement for any tax, fee or governmental charge required to be paid with respect to such transfer or exchange.

[COMPLETE THE FOLLOWING PROVISIONS IF THERE ARE TERM BONDS-  
ADD ADDITIONAL PROVISIONS IF THERE ARE MORE THAN TWO TERM BONDS]

[Bonds maturing in the year 20\_\_ and 20\_\_ shall be subject to mandatory redemption, at a redemption price equal to their principal amount plus interest accrued thereon to the redemption date, on February 1 in each of the years shown below, in an amount equal to the following principal amounts:

<u>Term Bonds Maturing in 20--</u>		<u>Term Bonds Maturing in 20--</u>	
<u>Sinking Fund</u>	<u>Aggregate</u>	<u>Sinking Fund</u>	<u>Aggregate</u>
<u>Payment Date</u>	<u>Principal Amount</u>	<u>Payment Date</u>	<u>Principal Amount</u>
	\$		\$

The Clerk shall cause notice of the call for redemption thereof to be published as required by law, and at least thirty days prior to the designated redemption date, shall cause notice of call for redemption to be mailed, by first class mail, to the registered holders of any Bonds to be redeemed at their addresses as they appear on the bond register described in Section 2.06 of the Bond Resolution, but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the District shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the owner without charge, representing the remaining principal amount outstanding.

The District and the Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and neither the District nor the Registrar shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Bond, so long as this Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Registrar shall pay all principal of and interest on this Bond, and shall give all notices with respect to this Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the District.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to happen, to exist

and to be performed precedent to and in the issuance of this Bond in order to make it a valid and binding general obligation of the District according to its terms have been done, have happened, do exist and have been performed in regular and due form, time and manner as so required; that, prior to the issuance hereof, a direct, annual, ad valorem tax has been duly levied upon all taxable property in the District for the years and in amounts not less than five percent in excess of sums sufficient to pay the interest hereon and the principal hereof as the same respectively become due; that additional taxes, if needed to meet the principal and interest requirements of the Bonds, shall be levied upon all such property without limitation as to rate or amount; and that the issuance of the Bonds does not cause the indebtedness of the District to exceed any constitutional or statutory limitation of indebtedness.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication hereon shall have been executed by the Registrar by manual signature of one of its authorized representatives.

IN WITNESS WHEREOF, Independent School District No. 424 (Lester Prairie), McLeod and Carver Counties, State of Minnesota, by its School Board, has caused this Bond to be executed on its behalf by the facsimile signatures of the Chairperson and Clerk.

INDEPENDENT SCHOOL DISTRICT NO. 424  
(LESTER PRAIRIE), MINNESOTA

\_\_\_\_\_  
(Facsimile Signature – Chairperson)

\_\_\_\_\_  
(Facsimile Signature - Clerk)

\_\_\_\_\_

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds delivered pursuant to the Bond Resolution mentioned within.

Date of Authentication: \_\_\_\_\_

BOND TRUST SERVICES CORPORATION, as  
Registrar

By \_\_\_\_\_  
Authorized Representative

\_\_\_\_\_



CERTIFICATE OF MCLEOD COUNTY AUDITOR  
AS TO REGISTRATION OF BONDS AND TAX LEVY

The undersigned, being the duly qualified and acting County Auditor of McLeod County, hereby certifies that there has been filed in my office a certified copy of a resolution duly adopted on January 8, 2024, by the School Board of Independent School District No. 424 (Lester Prairie), Minnesota, setting forth the form and details of an issue of \$835,000 General Obligation School Building Bonds, Series 2024A, dated as of February 1, 2024, and levying taxes for their payment.

I further certify that the issue has been entered on my bond register and the tax required by law for their payment has been levied and filed as required by Minnesota Statutes, Sections 475.61 to 475.63.

WITNESS my hand and official seal this \_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_  
McLeod County Auditor

(SEAL)

CERTIFICATE OF CARVER COUNTY AUDITOR  
AS TO REGISTRATION OF BONDS AND TAX LEVY

The undersigned, being the duly qualified and acting County Auditor of Carver County, hereby certifies that there has been filed in my office a certified copy of a resolution duly adopted on January 8, 2024, by the School Board of Independent School District No. 424 (Lester Prairie), Minnesota, setting forth the form and details of an issue of \$835,000 General Obligation School Building Bonds, Series 2024A, dated as of February 1, 2024, and levying taxes for their payment.

I further certify that the issue has been entered on my bond register and the tax required by law for their payment has been levied and filed as required by Minnesota Statutes, Sections 475.61 to 475.63.

WITNESS my hand and official seal this \_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_  
Carver County Auditor

(SEAL)



Melissa Radeke <radeke@lp.k12.mn.us>

---

**(no subject)**

1 message

---

**Cheryl Bayerl** <cherylbayerl@lp.k12.mn.us>  
To: Melissa Radeke <radeke@lp.k12.mn.us>

Mon, Dec 18, 2023 at 7:18 AM

Good morning,

NHS would like to do the Airplane Toss Fundraiser at 2 basketball games during Snofest Week which is Feb. 5-9.

Thank you  
Cheryl

--  
**Cheryl Bayerl**  
Data & Systems Coordinator  
Kids Depot Coordinator  
Student Council Advisor  
National Honor Society Advisor  
Lester Prairie Public School District #424  
Office: 320-395-2521 ext 1100  
Cell: 320-420-4218  
Email: cherylbayerl@lp.k12.mn.us

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## MEMORANDUM OF UNDERSTANDING

Independent School District No. 424, Lester Prairie (“District”) and **KELLY ELLING** (“Employee”) hereby enter into this Memorandum of Understanding (“MOU”) to agree to amend the Employment Contract (“Contract”) in effect from **January 1, 2023 to June 30, 2024**.

WHEREAS, Employee is employed by the District as **BUSINESS OFFICIAL**

WHEREAS, the State of Minnesota adopted new requirements for Earned Sick and Safe Time (“ESST”) for all employers; and

WHEREAS, the District must comply with the law regarding ESST; and

WHEREAS, the District and Employee want to clarify how the ESST will affect existing provisions for sick leave available to employee;

NOW THEREFORE, the District and Employee agree as follows:

1. Article IV Section 3 of the Contract governing sick leave is amended by adding the language in Exhibit A.
2. Sick leave earned on or before December 31, 2023 is not affected by this MOU and shall be carried forward consistent with the terms of the CBA.
3. This MOU reflects the entire agreement between the parties regarding the modification of Section 3 of the Contract. This MOU controls to the extent that it conflicts with the Contract. No changes in this MOU are valid unless they are in writing and signed by both parties.

IN WITNESS WHEREOF, the parties have entered into this MOU on the dates shown by their signatures. This MOU will not become effective unless and until it is approved by the Lester Prairie School Board and is executed by both parties.

[SIGNATURE PAGE FOLLOWS]

**FOR THE DISTRICT:  
Independent School District No. 424**

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

\_\_\_\_\_  
Corbey Hentges, School Board Chair

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

\_\_\_\_\_  
Meganne Stifter-Knoll, School Board Clerk

**FOR THE EMPLOYEE:  
Kelly Elling**

Date: 12-19-23

  
\_\_\_\_\_  
Kelly Elling

## MEMORANDUM OF UNDERSTANDING

Independent School District No. 424, Lester Prairie (“District”) and **MIKE LEE** (“Employee”) hereby enter into this Memorandum of Understanding (“MOU”) to agree to amend the Employment Contract (“Contract”) in effect from **January 1, 2023 to June 30, 2024**.

WHEREAS, Employee is employed by the District as **PreK-12 PRINCIPAL**

WHEREAS, the State of Minnesota adopted new requirements for Earned Sick and Safe Time (“ESST”) for all employers; and

WHEREAS, the District must comply with the law regarding ESST; and

WHEREAS, the District and Employee want to clarify how the ESST will affect existing provisions for sick leave available to employee;

NOW THEREFORE, the District and Employee agree as follows:

1. Article IV Section **A** of the Contract governing sick leave is amended by adding the language in Exhibit A.
2. Sick leave earned on or before December 31, 2023 is not affected by this MOU and shall be carried forward consistent with the terms of the CBA.
3. This MOU reflects the entire agreement between the parties regarding the modification of Section 3 of the Contract. This MOU controls to the extent that it conflicts with the Contract. No changes in this MOU are valid unless they are in writing and signed by both parties.

IN WITNESS WHEREOF, the parties have entered into this MOU on the dates shown by their signatures. This MOU will not become effective unless and until it is approved by the Lester Prairie School Board and is executed by both parties.

[SIGNATURE PAGE FOLLOWS]

**FOR THE DISTRICT:  
Independent School District No. 424**

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

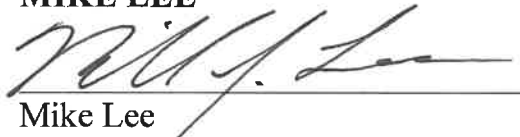
\_\_\_\_\_  
Corbey Hentges, School Board Chair

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

\_\_\_\_\_  
Meganne Stifter-Knoll, School Board Clerk

**FOR THE EMPLOYEE:  
MIKE LEE**

Date: 12/19/23

  
\_\_\_\_\_  
Mike Lee

## MEMORANDUM OF UNDERSTANDING

Independent School District No. 424, Lester Prairie (“District”) and **CHERYL BAYERL** (“Employee”) hereby enter into this Memorandum of Understanding (“MOU”) to agree to amend the Employment Contract (“Contract”) in effect from **January 1, 2023 to June 30, 2024**.

WHEREAS, Employee is employed by the District as **DATA & SYSTEMS COORDINATOR**.

WHEREAS, the State of Minnesota adopted new requirements for Earned Sick and Safe Time (“ESST”) for all employers; and

WHEREAS, the District must comply with the law regarding ESST; and

WHEREAS, the District and Employee want to clarify how the ESST will affect existing provisions for sick leave available to employee;

NOW THEREFORE, the District and Employee agree as follows:

1. Article IV Section 3 of the Contract governing sick leave is amended by adding the language in Exhibit A.
2. Sick leave earned on or before December 31, 2023 is not affected by this MOU and shall be carried forward consistent with the terms of the CBA.
3. This MOU reflects the entire agreement between the parties regarding the modification of Section 3 of the Contract. This MOU controls to the extent that it conflicts with the Contract. No changes in this MOU are valid unless they are in writing and signed by both parties.

IN WITNESS WHEREOF, the parties have entered into this MOU on the dates shown by their signatures. This MOU will not become effective unless and until it is approved by the Lester Prairie School Board and is executed by both parties.

[SIGNATURE PAGE FOLLOWS]

**FOR THE DISTRICT:  
Independent School District No. 424**

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

\_\_\_\_\_  
Corbey Hentges, School Board Chair

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

\_\_\_\_\_  
Meganne Stifter-Knoll, School Board Clerk

**FOR THE EMPLOYEE:  
CHERYL BAYERL**

Date: 12-19-23

Cheryl Bayerl  
Cheryl Bayerl

## MEMORANDUM OF UNDERSTANDING

Independent School District No. 424, Lester Prairie (“District”) and **ALICE DAAK** (“Employee”) hereby enter into this Memorandum of Understanding (“MOU”) to agree to amend the Employment Contract (“Contract”) in effect from **January 1, 2023 to June 30, 2024**.

WHEREAS, Employee is employed by the District as **BUSINESS MANAGER**

WHEREAS, the State of Minnesota adopted new requirements for Earned Sick and Safe Time (“ESST”) for all employers; and

WHEREAS, the District must comply with the law regarding ESST; and

WHEREAS, the District and Employee want to clarify how the ESST will affect existing provisions for sick leave available to employee;

NOW THEREFORE, the District and Employee agree as follows:

1. Article III Section D of the Contract governing sick leave is amended by adding the language in Exhibit A.
2. Sick leave earned on or before December 31, 2023 is not affected by this MOU and shall be carried forward consistent with the terms of the CBA.
3. This MOU reflects the entire agreement between the parties regarding the modification of Section 3 of the Contract. This MOU controls to the extent that it conflicts with the Contract. No changes in this MOU are valid unless they are in writing and signed by both parties.

IN WITNESS WHEREOF, the parties have entered into this MOU on the dates shown by their signatures. This MOU will not become effective unless and until it is approved by the Lester Prairie School Board and is executed by both parties.

[SIGNATURE PAGE FOLLOWS]

**FOR THE DISTRICT:  
Independent School District No. 424**

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

\_\_\_\_\_  
Corbey Hentges, School Board Chair

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

\_\_\_\_\_  
Meganne Stifter-Knoll, School Board Clerk

**FOR THE EMPLOYEE:  
ALICE DAAK**

Date: 12-19-2023

  
\_\_\_\_\_  
Alice Daak

## MEMORANDUM OF UNDERSTANDING

Independent School District No. 424, Lester Prairie (“District”) and **LORI BEBO** (“Employee”) hereby enter into this Memorandum of Understanding (“MOU”) to agree to amend the Employment Contract (“Contract”) in effect from **January 1, 2023 to June 30, 2024**.

WHEREAS, Employee is employed by the District as **KITCHEN SUPERVISOR**

WHEREAS, the State of Minnesota adopted new requirements for Earned Sick and Safe Time (“ESST”) for all employers; and

WHEREAS, the District must comply with the law regarding ESST; and

WHEREAS, the District and Employee want to clarify how the ESST will affect existing provisions for sick leave available to employee;

NOW THEREFORE, the District and Employee agree as follows:

1. Extra Notes and Benefits of the Contract governing sick leave is amended by adding the language in Exhibit A.
2. Sick leave earned on or before December 31, 2023 is not affected by this MOU and shall be carried forward consistent with the terms of the CBA.
3. This MOU reflects the entire agreement between the parties regarding the modification of Section 3 of the Contract. This MOU controls to the extent that it conflicts with the Contract. No changes in this MOU are valid unless they are in writing and signed by both parties.

IN WITNESS WHEREOF, the parties have entered into this MOU on the dates shown by their signatures. This MOU will not become effective unless and until it is approved by the Lester Prairie School Board and is executed by both parties.

[SIGNATURE PAGE FOLLOWS]

**FOR THE DISTRICT:  
Independent School District No. 424**

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

\_\_\_\_\_  
Corbey Hentges, School Board Chair

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

\_\_\_\_\_  
Meganne Stifter-Knoll, School Board Clerk

**FOR THE EMPLOYEE:  
LORI BEBO**

Date: 12-20-23

  
\_\_\_\_\_  
Lori Bebo

## MEMORANDUM OF UNDERSTANDING

Independent School District No. 424, Lester Prairie (“District”) and **ROSS SCHEEVEL** (“Employee”) hereby enter into this Memorandum of Understanding (“MOU”) to agree to amend the Employment Contract (“Contract”) in effect from **January 1, 2023 to June 30, 2024**.

WHEREAS, Employee is employed by the District as **AD/DEAN**

WHEREAS, the State of Minnesota adopted new requirements for Earned Sick and Safe Time (“ESST”) for all employers; and

WHEREAS, the District must comply with the law regarding ESST; and

WHEREAS, the District and Employee want to clarify how the ESST will affect existing provisions for sick leave available to employee;

NOW THEREFORE, the District and Employee agree as follows:

1. Article III Section D of the Contract governing sick leave is amended by adding the language in Exhibit A.
2. Sick leave earned on or before December 31, 2023 is not affected by this MOU and shall be carried forward consistent with the terms of the CBA.
3. This MOU reflects the entire agreement between the parties regarding the modification of Section 3 of the Contract. This MOU controls to the extent that it conflicts with the Contract. No changes in this MOU are valid unless they are in writing and signed by both parties.

IN WITNESS WHEREOF, the parties have entered into this MOU on the dates shown by their signatures. This MOU will not become effective unless and until it is approved by the Lester Prairie School Board and is executed by both parties.

[SIGNATURE PAGE FOLLOWS]

**FOR THE DISTRICT:  
Independent School District No. 424**

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

\_\_\_\_\_  
Corbey Hentges, School Board Chair

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

\_\_\_\_\_  
Meganne Stifter-Knoll, School Board Clerk

**FOR THE EMPLOYEE:  
ROSS SCHEEVEL**

Date: 11/2/24

  
\_\_\_\_\_  
Ross Scheevel

**EXHIBIT A:  
Earned Sick and Safe Time**

**Earned Sick and Safe Time (Minn. Stat. §§ 181.9445-9448)**

Effective beginning January 1, 2024.

- (a) **Eligibility.** Any employee who works for the Lester Prairie School District more than 80 hours per year is eligible for Earned Sick and Safe Time (“ESST”) consistent with this Section. ESST will be deducted from the earned Sick Leave and held in a separate ESST bank. ESST is available to the employee to use consistent with the terms of this section.
- (b) **Rate of Earning ESST.** Employees earn ESST at a rate of 1 hour of ESST for every 30 hours **worked**. An employee exempt from federal overtime requirements works 40 hours per week for the purpose of calculating ESST.
- (c) **Maximum Earning and Accrual.** An employee may earn a maximum of 48 hours of ESST per year. ESST hours carry over from year-to-year up to a maximum accumulation of 80 hours.
- (d) **Use of ESST.** ESST may be used for any of the reasons identified in Minnesota Statutes Section 181.9447. The definitions in Minnesota Statutes Section 181.9445 apply. If an employee is eligible to use either ESST or sick leave for a specific absence, the employee must use ESST until accrued ESST is exhausted.
- (e) **Notice.** Employees shall notify the School District of their foreseeable use of ESST consistent with the notice requirements for sick leave, or seven days prior to use, whichever is shorter.
- (f) **Documentation.** The School District may request documentation related to an employee’s use of ESST consistent with the requirements of Minnesota Statutes Section 181.9447, subd. 3.
- (g) **Unused ESST.** If an employee has ESST remaining at the time of their separation from employment, they shall not receive pay for unused ESST.

**CONTRACT FOR DATA & SYSTEMS COORDINATOR**  
**2023-2024 School Year**

**ARTICLE I – PURPOSE**

This Contract is entered into between Independent School District No.424, Lester Prairie Schools, Minnesota, hereinafter referred to as the School District, and Cheryl Bayerl, hereinafter referred to as the Data & Systems Coordinator, who agrees to perform the duties of the Data & Systems Coordinator of the School District.

**ARTICLE II - DURATION, EXPIRATION, TERMINATION DURING THE TERM, MUTUAL CONSENT, AND CONTINGENCY**

Section 1. Duration: This Contract is for a term of 1 year commencing on **July 1, 2023, and ending on June 30, 2024**. It shall remain in full force and effect unless modified by mutual consent of the School Board and the Data Systems Coordinator or unless terminated as provided in this Contract.

Section 2. Expiration: This Contract shall expire at the end of the term specified in Section 1. above. At the conclusion of its term, neither party shall have any further claim against the other, and the School District's employment of the Business Official shall cease, unless a subsequent Contract is entered into by the parties. In the event the parties fail to enter into a subsequent contract, the Data & Systems Coordinator employment shall continue on a month-to-month basis until the School Board either enters into a subsequent Contract with the Data & Systems Coordinator or until the School Board provides thirty (30) calendar days of written notice of the termination of the Data & Systems Coordinator's employment.

Section 3. Termination During the Term: The Data & Systems Coordinators employment may be terminated during the term of this Contract only for cause as defined in M.S. 122A.40, Subd. 9. and Subd. 13., but, except for purposes of describing grounds for discharge, the provisions of M.S. 122A.40 shall not be applicable. If the School Board proposes to terminate the Data System Coordinator during the term of this Contract for cause as described in M.S. 122A.40, Subd. 9. or Subd. 13., it shall notify the Data & Systems Coordinator, in writing, of the proposed grounds for termination. If the Data & Systems Coordinator fails to request a hearing as provided in this section within a ten (10)-day calendar period, he/she shall be deemed to have acquiesced to the School Board's proposed action, and the proposed action shall become final on such date as determined by the School Board, and the Data & Systems Coordinator shall have no further claim or recourse.

Section 4. Mutual Consent: This Contract may be terminated at any time by mutual consent of the School Board and the Data & Systems Coordinator.

Section 5. Contingency: If this Contract is a subsequent Contract entered into prior to the completion of an existing Contract, this subsequent Contract is contingent upon the Data & Systems Coordinator completing the terms of the existing Contract.

### **ARTICLE III - DUTIES**

The Data & Systems Coordinator shall serve as the Data & Systems Coordinator of the School District and shall serve under the direction of the Superintendent and the School Board from this time on. The Data & Systems Coordinator shall abide by the policies, regulations, rules, and procedures established by the School Board and the Commissioner of the Department of Education and shall abide by all Minnesota laws relating to the operation of the School District.

### **ARTICLE IV - DUTY YEAR AND LEAVES OF ABSENCE**

Section 1. Basic Work Year: The Data & Systems Coordinator regular work hours are from **7:00 am to 3:30 pm** with a ½ hour unpaid lunch period (8 hours per day) up to **232 Days per year**.

Section 2. Holidays: The Data & Systems Coordinator shall be entitled to ten (10) paid holidays as designated by the School Board each Contract year - **Labor Day, Thanksgiving Day, Friday after Thanksgiving, Christmas Eve Day, Christmas Day, New Year's Day, President's Day, Good Friday, Memorial Day, and Juneteenth.**

Section 3. Sick Leave: The Data & Systems Coordinator shall earn paid sick leave at the rate of fifteen (15) day(s) each year and earned sick leave may accumulate to a maximum of one-hundred twenty (120) days.

Section 4. Jury Service: The Data & Systems Coordinator who serves on jury duty shall be granted the day or days necessary as stipulated by the court to discharge this responsibility without any salary deduction or loss of basic leave allowance. The compensation received for jury duty service shall be remitted to the School District.

Section 5. Military Leave: Military leave shall be granted pursuant to applicable law.

Section 6. Vacation: The Data & Systems Coordinator shall earn **10** working days of paid vacation. Up to 5 unused vacation days may be accumulated.

Section 7. Emergency Leave: The Data & Systems Coordinator shall be eligible for 5-days of paid leave in the event of a death in the immediate family (spouse, children, parents, grandchildren, grandparents, brothers, sister or same by law).

## ARTICLE V - INSURANCE

Section 1. Health and Hospitalization and Dental Insurance: The School District shall contribute \$732.50 per month for the 2023-2024 school year toward the premium cost if qualified for and enrolled in the School District's group health and hospitalization plan. The School District contribution will first be applied to the insurance premium. The remaining amount, if any, shall be paid by the School District into a Health Savings Account (HSA) or VEBA.

- For family health and hospitalization, the School District shall contribute the cost of the single premium plus \$500 per month.

The School District shall also provide the Data & Systems Coordinator with full single dental insurance coverage under the School District's group dental insurance plan.

Section 2. Life Insurance: The School District shall provide \$40,000 Life AD&D Insurance, payable to the Business Official. Section

3. Long-Term Disability Insurance: The School District shall provide long-term disability insurance for the Business Official under the School District's group long-term disability insurance plan.

## ARTICLE VI - OTHER BENEFITS

Section 1. Tax-Sheltered Annuities: The Data & Systems Coordinator is eligible to participate in a tax sheltered annuity plan through payroll deduction established pursuant to Section 403(b) of the Internal Revenue Code of 1986, M.S. 123B.02, Subd. 15., School District policy, and as otherwise provided by law. The District will match for **\$1,400** for the year 2023-2024.

## ARTICLE VII – SALARY

The Data & Systems Coordinator shall be paid an annual salary: **\$38,234** for the 2023-2024 Contract year.

Additional Kids Depot Supervisory hours not to exceed 475 hours at \$20.00 hour for 2023-2024.

## ARTICLE VIII - OTHER PROVISIONS

Section 1. Outside Activities: While the Data & Systems Coordinator shall devote full time and due diligence to the affairs and the activities of the School District, he/she may also serve as a

consultant to other school districts or educational agencies, lecture, engage in writing and speaking activities, and engage in other activities if, as solely determined by the Superintendent, such activities do not impede the Data & System Coordinators ability to perform the duties of the Data & Systems Coordinator position. However, the Data & Systems Coordinator may not engage in other employment, consultant service, or other activity for which a salary, fee, or honorarium is paid without the prior approval of the Superintendent.

IN WITNESS WHEREOF, I have subscribed  
my signature this \_\_\_\_ day of  
\_\_\_\_\_, 2023.

\_\_\_\_\_  
Data & Systems Coordinator

IN WITNESS WHEREOF, we have subscribed  
our signatures this \_\_\_\_ day of  
\_\_\_\_\_, 2023.

\_\_\_\_\_  
School Board Chair

\_\_\_\_\_  
School Board Clerk

**Lester Prairie Public Schools ISD #424**  
131 Hickory Street North  
Lester Prairie, MN 55354

**BUSINESS MANAGER CONTRACT**  
**2024-2025**

The School Board of Independent School District No. 424, Lester Prairie, Minnesota, enters into this contract with **CHERYL BAYERL**, who agrees to perform the duties of Business Manager of the School District.

The School District and the Business Manager agree as follows:

I. Duration, Expiration, Termination and Mutual Consent:

A. Duration.

This contract is for a term of 1 year commencing July 1, 2024, and ending June 30, 2025. It shall remain in full force and effect unless modified by mutual consent of the School Board and the Business Manager, or unless terminated as provided herein.

B. Subsequent Contract.

1. Notice by Business Manager. The Business Manager shall provide written notice to the Superintendent calling to the Superintendent's attention the notice requirements as contained in this section not less than 120 calendar days prior to the expiration date of this contract.
2. Upon receipt of such notice the Superintendent shall confer with the School Board and no later than 60 days prior to the expiration of this contract shall notify the Business Manager as to whether or not the School District intends to renew said contract.
3. If the Business Manager is notified that the School District does not intend to renew this contract, the contract shall end at the conclusion of its term as provided in Paragraph 1 hereof.
4. If the Superintendent notifies the Business Manager that the School District intends to renew the contract, the parties shall promptly meet and confer regarding the terms of a subsequent contract.

C. Expiration.

This contract shall expire at the end of the term specified in Section 1 hereof. At the conclusion of its term neither party shall have any further claim against the other and the School District's employment of the Business Manager shall cease, unless a subsequent contract is entered into by the parties. In the event the parties fail to follow the timelines as provided herein, the Business Manager's employment shall continue on a month-to-month basis until the School District either enters into a subsequent contract with the Business Manager or until the School District

provides 60 calendar days of written notice of the termination of the Business Manager's employment.

D. Termination During the Term.

The Business Manager's employment may be terminated during the term of this contract only for cause as defined in M.S. 122A.40, Subds. 9 or 13.

Except for purposes of describing grounds for discharge, the provisions of M.S. 122A.40 shall not be applicable. If the School Board proposes to terminate the Business Manager during the contract, term for cause as described in M.S. 122A.40, Subds. 9 or 13, it shall notify the Business Manager in writing of the proposed grounds for termination. The Business Manager shall be entitled to a hearing before an arbitrator provided the Business Manager makes such a request in writing within fifteen (15) calendar days after receipt of the written notice of the proposed termination. In such event, the parties shall jointly petition the Bureau of Mediation Services (BMS) for a list of five (5) arbitrators. The arbitrator shall be selected by the parties through the normal striking process as provided by BMS rules. The arbitrator shall conduct a hearing under normal arbitration procedure rules and issue a written decision. The decision of the arbitrator shall be final and binding upon the parties, subject to normal judicial review of arbitration decisions as provided by law. The Business Manager may be suspended with pay pending final determination by the arbitrator. If the Business Manager fails to request a hearing as provided herein within such fifteen (15) day calendar period, it shall be deemed acquiescence by the Business Manager to the School Board's proposed action and the proposed action shall become final on such date as determined by the School Board, and the Business Manager shall have no further claim or recourse.

E. Mutual Consent: This contract may be terminated at any time by the parties by mutual consent.

II. Duties:

The Business Manager shall serve as the Chief Business and Financial Officer of the School District and shall serve under the direction of the Superintendent. The Business Manager shall perform all duties incident to the position of Business Manager and such other duties as may be prescribed by the Superintendent and School Board from time to time. The Business Manager shall abide by the policies, regulations, rules and procedures established by the School Board and the Commissioner of the Department of Education and shall abide by all Minnesota laws relating to the operation of the School District. The Business Manager shall attend School Board and other meetings as directed by the Superintendent and shall provide recommendations to the Superintendent regarding the financial and business affairs of the School District.

III. Duty Year and Leaves:

A. Basic Work Year.

The Business Manager's duty year shall be for the entire **12-month contract** year as provided herein and the Business Manager shall perform services on those legal holidays on which the School District is authorized to conduct school if the School Board so determines. The Business Manager shall be on duty during any emergency, natural or unnatural, unless otherwise excused in accordance with School Board administrative policy.

B. Vacation.

The Business Manager shall earn **15 working days of annual paid vacation** each contract year. The Business Manager shall be entitled to payment for up to five (5) unused vacation days per year or (5) days of unused vacation may be carried over after the end of the contract year in which it is earned.

C. Holidays.

The Business Manager shall be entitled to **11 paid holidays** each contract year as designated by the School Board. The holidays are as follows: Independence Day, Labor Day, Thanksgiving Day, Day after Thanksgiving, Christmas Eve Day, Christmas Day, New Years Day, President's Day, Memorial Day, Good Friday, and Juneteenth. The Business Manager is also not required to work on the following days when students and staff are not required to attend: Martin Luther King Jr's Birthday, and the Monday after Easter with no reduction in pay.

D. Sick Leave.

The Business Manager shall earn paid sick leave at the rate of 1.25 day(s) for each working month, which may be accumulated to a maximum of 120 days.

*Earned Sick and Safe Time (Minn. Stat. §§ 181.9445-9448) Effective beginning January 1, 2024.*

*(a) Eligibility. Any employee who works for the District more than 80 hours per year is eligible for Earned Sick and Safe Time ("ESST") consistent with this Section. ESST will be deducted from the earned Sick Leave and held in a separate ESST bank. ESST is available to the employee to use consistent with the terms of this section.*

*(b) Rate of Earning ESST. Employees earn ESST at a rate of hour of ESST for every 30 hours worked. An employee exempt from federal overtime requirements works 40 hours per week for the purpose of calculating ESST.*

*(c) Maximum Earning and Accrual. An employee may earn a maximum of 48 hours of ESST per year. ESST hours carry over from year-to-year up to a maximum accumulation of 80 hours.*

*(d) Use of ESST. ESST may be used for any of the reasons identified in Minnesota Statutes Section 181.9447. The definitions in Minnesota Statutes Section 181.9445 apply. If an employee is eligible to use either ESST or sick leave for a specific absence, the employee must use ESST until accrued ESST is exhausted.*

*(e) Notice. Employees shall notify the District of their foreseeable use of ESST consistent with the notice requirements for sick leave, or seven days prior to use, whichever is shorter.*

*(f) Documentation. The District may request documentation related to an employee's use of ESST consistent with the requirements of Minnesota Statutes Section 181.9447, subd. 3.*

*(g) Unused ESST. If an employee has ESST remaining at the time of their separation from employment, they shall not receive pay for unused ESST.*

E. Personal Leave.

The Business Manager shall have **3 personal days** to be used during the course of the year, 1 of which can be carried over to the next year, for a maximum of 4 days.

F. Emergency Leave.

The Business Manager may be granted paid emergency leave during the contract year at the discretion of the Superintendent.

G. Bereavement Leave.

The Business Manager shall be granted bereavement leave for a death within the Business Manager's immediate or close family. The time utilized shall be in a reasonable amount and shall be determined after conferring with the Superintendent. Days utilized will not be deducted from sick leave.

H. Jury Duty Leave.

If the Business Manager is absent because of jury service, the Business Manager will receive regular salary from the School District during this period of service, provided that the pay received for this jury service, less any reimbursement for mileage and expenses, will be receipted to the School District.

IV. Insurance.

A. Health and Hospitalization and Dental.

The School District shall contribute for the Business Manager 100% of the premium for single health and hospitalization and 100% single dental insurance coverage for the Business Manager under the School District's group plans.

- For family health and hospitalization, the School District shall contribute the cost of the single premium plus \$500 per month.

B. Life Insurance.

The School District shall provide a group term life insurance plan providing **\$40,000** in 2024-2025 of coverage for the Business Manager, payable to the Business Manager's named beneficiary, at the expense of the School District.

C. Long Term Disability Insurance.

The School District shall provide, at the School District expense, long term disability coverage for the Business Manager in the School District's group plan.

D. Liability Insurance.

The School District shall provide, at School District expense, liability insurance naming the Business Manager as an insured, along with the School District, in an amount not less than that which is required by law for the School District.

E. Claims Against the School District.

The eligibility of the Business Manager, or the Business Manager's dependents or beneficiary, for insurance benefits shall be governed by the terms of the insurance policies purchased by the School District pursuant to this section. It is understood that the School District's only obligation is to purchase the insurance policies described herein, and no claim shall be made against the School District as a result of denial by an insurer of insurance benefits if the School District has purchased the policies and paid the premiums described herein.

V. Other Benefits:

A. Tax Sheltered Annuities.

The Business Manager will be eligible to participate in a tax sheltered annuity plan through payroll deduction established pursuant to Section 403(b) of the Internal Revenue Code of 1986, Minnesota Statutes, Section 123B.02, Subd. 15, and School District policy, and as otherwise provided by law. The School District shall contribute \$1500 for 2024-2025 to the Business Manager's annuity plan.

B. Conferences and Meetings.

The School District shall pay all legally valid expenses and fees for the Business Manager's attendance at professional conferences and meetings with other educational agencies when attendance thereof is required, directed, or permitted by the School Board. The Business Manager shall periodically report to the Superintendent relative to meetings and conferences attended. The Business Manager shall file itemized expense statements to be processed and approved as provided by law.

VI. Salary:

The Business Manager shall be paid an annual contract salary of \$68,000 for 2024-2025. The annual salary may be modified, but shall not be reduced, during the term of this contract. The salary shall be paid in 24 equal installments during the contract year.

VII. Other Provisions.

A. Outside Activities.

While the Business Manager shall devote full time and due diligence to the affairs and the activities of the School District, the Business Manager may serve as a consultant to other School Districts or educational agencies, lecture, engage in writing and speaking activities, and engage in other activities if such activities do not impede the Business Manager's ability to perform the duties of the Business Manager's position as determined by the Superintendent. The Business Manager shall not engage in other employment, consultant service or other activity for which a salary, fee, or honorarium is paid without the prior approval of the Superintendent.

B. Indemnification and Provision of Counsel.

In the event that an action is brought or a claim is made against the Business Manager arising out of or in connection with the Business Manager's employment, and the Business Manager is acting within the scope of employment or official duties, the School District shall defend and indemnify to the extent permitted by law. Indemnification, as provided in this section, shall not apply in the case of malfeasance in office or willful or wanton neglect of duty, and the obligation of the School District herein shall be subject to the limitations as provided in Minnesota Statutes, Chapter 466.

C. Dues.

The Business Manager is encouraged to belong to and participate in appropriate professional educational and civic organizations where such membership will serve the best interests of the School District. Accordingly, the School District will pay such membership dues for organizations as are required, directed, or permitted, by the Superintendent and/or School Board. The Business Manager shall present appropriate statements for approval as provided by law.

VIII. Severability:

If any provision of this contract is held to be invalid by operation of law the remainder of the contract shall not be affected thereby and shall remain in full force and effect.

This contract shall be effective only upon signatures of the Business Manager and of the officers of the School Board after authorization for such signatures by the officers is given by the School Board in appropriate action in its minutes.

IN WITNESS WHEREOF, I have  
subscribed my signature this 28  
day of December, 2023.  
Cheryl Buryl  
Business Manager

IN WITNESS WHEREOF, I have  
subscribed my signature this \_\_\_\_\_  
day of \_\_\_\_\_, 2023.  
\_\_\_\_\_  
Chair