PRELIMINARY OFFICIAL STATEMENT DATED MARCH 28, 2024

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

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

New Issue | **Rating Application Made: S&P Global Ratings**

INDEPENDENT SCHOOL DISTRICT NO. 465
(LITCHFIELD PUBLIC SCHOOLS), MINNESOTA
(Meeker and McLeod Counties)

(Minnesota School District Credit Enhancement Program)

$1,505,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2024A

PROPOSAL OPENING: April 8, 2024, 10:30 A.M., C.T.   **CONSIDERATION**: April 8, 2024, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $1,505,000* 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 November 5, 2019, by Independent School District No. 465 (Litchfield Public Schools), Minnesota (the "District"), for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: May 2, 2024

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2025	$310,000	2029	$115,000	2033	$135,000
2026	205,000	2030	120,000	2034	145,000
2027	100,000	2031	125,000		
2028	115,000	2032	135,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: February 1, 2025 and semiannually thereafter.

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

MINIMUM PROPOSAL: $1,505,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $30,100 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL: Kennedy & Graven, Chartered.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

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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LITCHFIELD PUBLIC SCHOOLS
SCHOOL BOARD

		Term Expires
Alex Carlson	Board Chair	January 2025
Darrin Anderson	Vice Chair	January 2027
Julie Pennertz	Clerk	January 2025
Marcia Provencher	Treasurer	January 2027
Michelle Falling	Member	January 2025
Greg Mathews	Member	January 2027

ADMINISTRATION

Beckie Simenson, Superintendent of Schools

Jesse Johnson, Business Manager

PROFESSIONAL SERVICES

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

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 465 (Litchfield Public Schools), Minnesota (the "District") and the issuance of its $1,505,000* 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 April 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 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 May 2, 2024. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2025, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2025 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

*Preliminary, subject to change.

OPTIONAL REDEMPTION

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

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

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

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held November 5, 2019, by the District at which voters approved a building program by a vote of 1,399 - 1,247. Proceeds of the Bonds will be used to provide funds for the acquisition and betterment of school sites and facilities at Lake Ripley Elementary School, Litchfield Middle School, and Litchfield High School, including the construction of improvements to the overall traffic flow, the creation of secure entries, the repurposing and creation of education spaces, the repurposing and creation of common spaces, the completion of various deferred maintenance projects and the acquisition of furniture, fixtures, and equipment.

The referendum approved by the voters authorized the issuance of general obligation bonds in an amount not to exceed $32,995,000. On January 30, 2020, the District issued General Obligation School Building Bonds, Series 2020A, totaling $31,490,000, leaving a remaining unused authority of $1,505,000. The District plans to issue the remainder of the bonds authorized with this issue.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	$1,505,000	
Reoffering Premium	53,414	
Total Sources		**$1,558,414**
Uses		
Total Underwriter's Discount (1.750%)	$26,338	
Costs of Issuance	55,000	
Deposit to Construction Fund	1,477,076	
Total Uses		**$1,558,414**

*Preliminary, subject to change.

SECURITY

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

RATING

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

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

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

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on August 14, 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. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

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

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

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

LEGAL OPINION

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

TAX EXEMPTION

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

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

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

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

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

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

Legislative proposals

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("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 Conway, Deuth & Schmiesing, PLLP, Litchfield, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

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

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

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

3 Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2022/23 Economic Market Value $2,047,849,858[1]

2022/23 Assessor's Estimated Market Value

	Meeker County	McLeod County	Total
Real Estate	$1,749,578,400	$635,600	$1,750,214,000
Personal Property	22,968,000	0	22,968,000
Total Valuation	$1,772,546,400	$635,600	$1,773,182,000

2022/23 Net Tax Capacity

	Meeker County	McLeod County	Total
Real Estate	$16,407,365	$5,305	$16,412,670
Personal Property	452,917	0	452,917
Net Tax Capacity	$16,860,282	$5,305	$16,865,587
Less: Power Line Adjustment[2]	(7,548)	0	(7,548)
Taxable Net Tax Capacity	$16,852,734	$5,305	$16,858,039

1 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 86.78% of the actual selling prices of property sold in the District. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the District of $2,047,849,858.

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

2022/23 NET TAX CAPACITY BY CLASSIFICATION

	2022/23 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$6,559,114	38.89%
Agricultural	5,147,803	30.52%
Commercial/industrial	2,336,199	13.85%
Public utility	170,890	1.01%
Railroad operating property	95,520	0.57%
Non-homestead residential	1,194,195	7.08%
Commercial & residential seasonal/rec.	908,081	5.38%
Other	868	0.01%
Personal property	452,917	2.69%
Total	$16,865,587	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Taxable Net Tax Capacity[2]	Percent Increase/Decrease in Estimated Market Value
2018/19	$1,422,619,900	$1,335,810,815	$13,216,459	$13,211,012	2.59%
2019/20	1,459,764,300	1,373,498,318	13,654,665	13,648,789	2.61%
2020/21	1,533,286,700	1,449,956,325	14,468,645	14,462,406	5.04%
2021/22	1,578,744,100	1,494,067,986	15,028,828	15,022,565	2.96%
2022/23	1,773,182,000	1,693,588,485	16,865,587	16,858,039	12.32%

1 Net Tax Capacity includes power line values.

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

LARGEST TAXPAYERS[1]

Taxpayer	Type of Property	2022/23 Net Tax Capacity	Percent of District's Total Net Tax Capacity
First District Association	Industrial	$554,136	3.29%
Minnesota Pipeline, Co.	Pipeline	298,498	1.77%
Clark Equipment, Co.	Industrial	163,588	0.97%
Walmart	Commercial	119,598	0.71%
CenterPoint Energy-Minnegasco	Utility	115,141	0.68%
Individual	Residential	114,054	0.68%
Forsman Farms, Inc.	Agriculture	106,428	0.63%
Meeker Co-Op Light & Power	Utility	98,264	0.58%
Burlington Northern, Inc.	Railroad	95,520	0.57%
Sparboe Farms, Inc.	Agriculture	92,351	0.55%
Total		$1,757,578	10.42%

District's Total 2022/23 Net Tax Capacity $16,865,587

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

[1] In 2023, the estimated median commercial and industrial sales ratio used to equalize utility values in Meeker County dropped below 90% to 70.83%, thereby resulting in lower valuations for this classification of property. Depreciation may also have affected the decrease in valuations.

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids[2] (includes the Bonds)*	$34,880,000

*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.

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.

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

Some school districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minnesota Statutes, Section 273.1387). For taxes payable in 2023, and thereafter, the agricultural credit for each qualifying property is equal to 70% of the property's eligible net tax capacity multiplied by the school debt tax rate determined under Minnesota Statutes, Section 275.08, subdivision 1b. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, and to rural vacant land and managed forest land. The amount of agricultural credit received in the debt service fund for taxes payable 2023 is approximately 18.70% 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	$2,047,849,858
Multiply by 15%	0.15
Statutory Debt Limit	$307,177,479
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(34,880,000)
Unused Debt Limit*	$272,297,479

*Preliminary, subject to change.

Independent School District No. 465 (Litchfield Public Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 05/02/2024)

	Facilities Maintenance Bonds Series 2017A	School Building Bonds Series 2020A	School Building Refunding Bonds Series 2020B	School Building Bonds Series 2024A
Dated	04/06/2017	01/30/2020	11/05/2020	05/02/2024
Amount	$2,265,000	$31,490,000	$4,115,000	$1,505,000*
Maturity	02/01	02/01	02/01	02/01

Fiscal Year Ending	**2017A Principal**	**2017A Interest**	**2020A Principal**	**2020A Interest**	**2020B Principal**	**2020B Interest**	**2024A Principal**	**2024A Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2025	160,000	41,450	275,000	906,531	1,120,000	56,000	310,000	44,983	1,865,000	1,048,964	2,913,964	33,015,000	5.35%	**2025**
2026	160,000	37,050	1,455,000	895,531			205,000	47,800	1,820,000	980,381	2,800,381	31,195,000	10.56%	**2026**
2027	165,000	32,250	1,560,000	837,331			100,000	39,600	1,825,000	909,181	2,734,181	29,370,000	15.80%	**2027**
2028	170,000	27,300	1,620,000	774,931			115,000	35,600	1,905,000	837,831	2,742,831	27,465,000	21.26%	**2028**
2029	175,000	22,200	1,690,000	710,131			115,000	31,000	1,980,000	763,331	2,743,331	25,485,000	26.94%	**2029**
2030	180,000	16,950	1,755,000	642,531			120,000	26,400	2,055,000	685,881	2,740,881	23,430,000	32.83%	**2030**
2031	190,000	11,550	1,825,000	572,331			125,000	21,600	2,140,000	605,481	2,745,481	21,290,000	38.96%	**2031**
2032	195,000	5,850	1,860,000	535,831			135,000	16,600	2,190,000	558,281	2,748,281	19,100,000	45.24%	**2032**
2033			1,900,000	498,631			135,000	11,200	2,035,000	509,831	2,544,831	17,065,000	51.08%	**2033**
2034			1,935,000	460,631			145,000	5,800	2,080,000	466,431	2,546,431	14,985,000	57.04%	**2034**
2035			1,980,000	419,513					1,980,000	419,513	2,399,513	13,005,000	62.72%	**2035**
2036			2,025,000	374,963					2,025,000	374,963	2,399,963	10,980,000	68.52%	**2036**
2037			2,070,000	329,400					2,070,000	329,400	2,399,400	8,910,000	74.46%	**2037**
2038			2,130,000	267,300					2,130,000	267,300	2,397,300	6,780,000	80.56%	**2038**
2039			2,195,000	203,400					2,195,000	203,400	2,398,400	4,585,000	86.85%	**2039**
2040			2,260,000	137,550					2,260,000	137,550	2,397,550	2,325,000	93.33%	**2040**
2041			2,325,000	69,750					2,325,000	69,750	2,394,750	0	100.00%	**2041**
	1,395,000	194,600	30,860,000	8,636,288	1,120,000	56,000	1,505,000	280,583	34,880,000	9,167,470	44,047,470			

* Preliminary, subject to change.

OVERLAPPING DEBT[1]

Taxing District	2022/23 Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Counties of:				
McLeod	$53,476,467	0.0099%	$14,258,000	$1,412
Meeker	37,906,638	44.4585%	480,000	213,401
City of:				
Litchfield	5,718,809	100.0000%	9,675,000	9,675,000
Town of:				
Forest Prairie	1,770,456	12.7891%	1,505,000	192,476
Litchfield	1,893,055	99.2355%	427,042	423,777
District's Share of Total Overlapping Debt				$10,291,253

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value $2,047,849,858	Debt/ Per Capita 11,702[1]
Total G.O. Debt Paid From Taxes and State Aids*	$34,880,000		
Less: Agricultural Credit[2]	(6,522,560)		
Tax Supported General Obligation Debt*	$28,357,440	1.38%	$2,423.30
District's Share of Total Overlapping Debt	$10,291,253	0.50%	$879.44
Total*	$38,648,693	1.89%	$3,302.74

*Preliminary, subject to change.

TAX LEVIES, COLLECTION AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[3]	Total Collected Following Year	Collected to Date	% Collected
2018/19	$3,136,847	$3,102,605	$3,135,737	99.96%
2019/20	5,241,738	5,161,529	5,239,003	99.95%
2020/21	5,076,272	5,033,327	5,069,988	99.88%
2021/22	5,145,118	5,100,974	5,100,974	99.14%
2022/23	5,565,705	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.[4] 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.

1 Estimated 2022 population.

2 Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 18.70% 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 $6,522,560.

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

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

TAX CAPACITY RATES[1]

	2018/19	2019/20	2020/21	2021/22	2022/23
I.S.D. No. 465 (Litchfield Public Schools)	17.874%	28.196%	24.722%	23.749%	21.944%
McLeod County	58.888%	60.777%	59.487%	58.437%	51.351%
Meeker County	48.705%	49.145%	47.974%	46.843%	42.889%
City of Darwin	37.876%	36.986%	35.035%	33.874%	31.694%
City of Kingston	31.684%	29.558%	26.165%	24.062%	21.443%
City of Litchfield	63.306%	63.120%	60.825%	61.137%	59.409%
Town of Forest Prairie[2]	26.847%	24.924%	33.857%	33.883%	30.898%
Clearwater (portion applicable to Meeker County)	1.640%	1.568%	1.785%	1.419%	1.208%
Middle Fork Crow River (portion applicable to Meeker County)	2.869%	3.058%	4.024%	4.176%	2.805%
Mid-Minnesota Development (portion applicable to McLeod County)	0.203%	0.206%	0.208%	0.208%	0.180%
Northfork Crow River (portion applicable to Meeker County)	2.047%	2.059%	2.348%	1.799%	1.590%
Referendum Market Value Rates:					
I.S.D. No. 465 (Litchfield Public Schools)	0.12567%	0.22137%	0.21111%	0.20907%	0.22388%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Meeker and McLeod Counties.

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

2 Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 248, including 121 non-licensed employees and 127 licensed employees (121 of whom are teachers). The District provides education for 1,546 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
Litchfield Education Association	June 30, 2025
Litchfield Custodial Association	June 30, 2025
Litchfield Assistants Association	August 31, 2025
Litchfield Administrators Association	June 30, 2024
Teamsters Local 320 - Clerical Employees	June 30, 2023
AFL-CIO Local 284 - Food Service and Laundry	June 30, 2025

Status of Contract

The contract between the District and Teamsters Local 320 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 Actuarial Study shows a total OPEB liability of $1,514,672 as of June 30, 2023. The District has been funding these obligations on a pay-as-you-go basis.

Source: The District's most recent Actuarial Study.

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2019/20	122	690	729	1,541
2020/21	87	671	693	1,451
2021/22	134	666	697	1,497
2022/23	117	699	714	1,530
2023/24	121	717	708	1,546

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2024/25	115	720	719	1,554
2025/26	115	715	731	1,561
2026/27	115	720	728	1,563

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Early Childhood Family Education Center	1967	1998
Lake Ripley Elementary School	1969	2002, 2022
Wagner Elementary School	1952	1984, 2000
Litchfield Middle School	1993	2022
Litchfield High School	1964	1993, 2002, 2022

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 February 26, 2024)

Fund	Total Cash and Investments
General	$2,362,616
Food Service	596,026
Community Service	383,524
Debt Service	628,814
Building/Construction	880,316
Custodial Fund	18,540
Total Funds on Hand	$4,869,836

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 District's 2023 audited financial statements

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				
	2020 Audited	2021 Audited	2022 Audited	2023 Audited	2023-24 Adopted Budget [1]
Revenues					
Local property taxes	$1,656,190	$2,655,409	$2,743,758	$2,908,629	$3,414,362
Other local and county revenues	814,076	700,809	860,796	1,013,639	602,063
Revenues from state sources	15,355,423	15,044,498	15,687,157	16,185,342	18,414,325
Revenues from federal sources	346,430	1,060,611	1,309,594	1,992,462	943,662
Sales and other conversion of assets	52,061	9,758	100,624	(52,800)	64,500
Total Revenues	$18,224,180	$19,471,085	$20,701,929	$22,047,272	$23,438,912
Expenditures					
Current:					
Administration	$1,090,469	$1,019,811	$1,026,750	$1,138,995	$1,127,982
District support services	573,968	618,773	631,587	770,852	722,491
Elementary & secondary regular instruction	7,765,971	8,063,967	8,781,410	8,975,901	9,180,192
Vocational education instruction	341,736	348,908	335,698	357,507	373,561
Special education instruction	3,211,269	3,577,934	3,750,575	3,949,506	4,152,515
Instructional support services	1,002,436	1,174,690	1,081,750	1,771,668	1,026,438
Pupil support services	1,985,551	2,053,042	2,234,171	2,400,096	2,493,357
Sites and buildings	1,810,980	2,044,454	2,052,949	2,221,184	2,007,009
Fiscal and other fixed cost programs	72,167	86,958	107,521	113,799	128,958
Capital outlay	388,576	376,322	616,748	1,077,793	677,868
Total Expenditures	$18,243,123	$19,364,859	$20,619,159	$22,777,301	$21,890,371
Excess of revenues over (under) expenditures	($18,943)	$106,226	$82,770	($730,029)	$1,548,541
Other Financing Sources (Uses)					
Proceeds from long-term leases	$0	$0	$151,417	$0	$0
Proceeds from financed purchase	0	0	0	357,928	0
Insurance recovery	0	0	0	280,376	0
Sale of equipment	(45,000)	0	0	0	100,000
Total Other Financing Sources (Uses)	($45,000)	$0	$151,417	$638,304	$100,000
Net changes in Fund Balances	($63,943)	$106,226	$234,187	($91,725)	$1,648,541
General Fund Balance July 1	$2,334,001	$2,270,058	$2,376,284	$2,610,471	$2,518,746
Prior Period Adjustment	0	0	0	0	0
General Fund Balance June 30	$2,270,058	$2,376,284	$2,610,471	$2,518,746	$4,167,287
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$26,218	$12,265	$87,691	$58,961	$58,961
Restricted	711,961	732,818	710,381	742,919	1,308,143
Assigned	143,104	52,421	128,350	92,366	153,368
Unassigned	1,388,775	1,578,780	1,684,049	1,624,500	2,646,815
Total	$2,270,058	$2,376,284	$2,610,471	$2,518,746	$4,167,287

[1] The 2023-24 budget was adopted on June 26, 2023.

GENERAL INFORMATION

LOCATION

The District, with a 2020 U.S. Census population of 11,473 and a 2022 population estimate of 11,702, and comprising an area of 241 square miles, is located approximately 65 miles west of Minneapolis, Minnesota. The City of Litchfield, Minnesota is the county seat of Meeker County, Minnesota.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Walmart	Discount retail store	335 [2]
Meeker County	County government and services	257
I.S.D. No. 465 (Litchfield Public Schools)	Elementary and secondary education	248
First District Association	Cheese/whey processing	230
Meeker Manor	Skilled nursing care facility	190
Bobcat Company	Equipment and attachment manufacturer	185
Meeker County Memorial Hospital	Hospital	153
Towmaster Trailers, Inc.	Truck trailers	150
Minnesota Rubber & Plastics - Litchfield Plant	Rubber and plastic component manufacturer	103
Hicks Bus Line Inc.	Transportation services	100

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

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

2 Includes seasonal employees.

U.S. CENSUS DATA

Population Trend: The District

2010 U.S. Census population	11,585
2020 U.S. Census population	11,473
Percent of Change 2010 - 2020	-0.97%
2022 State Demographer Estimate	11,702

Income and Age Statistics

	The District	Meeker County	State of Minnesota	United States
2022 per capita income	$34,672	$33,158	$44,947	$41,261
2022 median household income	$63,750	$67,099	$84,313	$75,149
2022 median family income	$85,217	$85,608	$107,072	$92,646
2022 median gross rent	$756	$750	$1,178	$1,268
2022 median value owner occupied units	$175,100	$186,400	$286,800	$281,900
2022 median age	44.5 yrs.	42.1 yrs.	38.5 yrs.	38.5 yrs.

	State of Minnesota	United States
District % of 2022 per capita income	77.14%	84.03%
District % of 2022 median family income	79.59%	91.98%

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

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	Average Unemployment	
Year	Meeker County	Meeker County	State of Minnesota
2019	12,882	3.9%	3.3%
2020	12,698	5.4%	6.3%
2021	12,704	3.7%	3.8%
2022	13,153	2.9%	2.7%
2023	13,287	3.3%	3.0
2024, February	13,279	4.6%	%
			3.6%

Source: Minnesota Department of Employment and Economic Development.

APPENDIX A

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. 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 #465
LITCHFIELD PUBLIC SCHOOLS

AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2023

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

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INDEPENDENT SCHOOL DISTRICT #465

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INDEPENDENT SCHOOL DISTRICT #465

BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2023

Elected Officials	Position	Term Expires
Alex Carlson	Chairperson	January 01, 2025
Darrin Anderson	Director	January 01, 2027
Julie Pennertz	Vice Chairperson	January 01, 2025
Greg Mathews	Director	January 01, 2027
Michelle Falling	Treasurer	January 01, 2025
Marcia Provencher	Clerk	January 01, 2027

Administration		
Beckie Simenson	Superintendent	Appointed
Jesse Johnson	Business Manager	Appointed

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INDEPENDENT AUDITOR'S REPORT

To The Board of Education
Independent School District #465
Litchfield, Minnesota

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #465, Litchfield, Minnesota, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #465, Litchfield, Minnesota, as of June 30, 2023, and the respective changes in financial position and the respective 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 the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

Willmar Office
331 Third St SW, Ste 2
PO Box 570
Willmar, MN 56201
(320) 235-3311
(888) 388-1040

Benson Office
1209 Pacific Ave, Ste 3
Benson, MN 56215
(320) 843-2302

Morris Office
401 Atlantic Ave
Morris, MN 56267
(320) 589-2602

Litchfield Office
820 Sibley Ave N
Litchfield, MN 55355
(320) 693-7975

Sartell Office
Ste 110
2351 Connecticut Ave
Sartell, MN 56377
(320) 252-7565
(800) 862-1337

www.cdscpa.com

Responsibilities of Management for the Financial Statements (Cont'd)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Employer Contributions, the Schedule of Changes in the District's Total OPEB Liability and related notes, 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 the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Report on Partial Comparative Information

We have previously audited the District's 2022 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated November 28, 2022. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived. Refer to Note 16 of the Notes to the Financial Statements for additional information regarding prior year partial comparative information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Board of Education and Administration page and the UFARS Compliance Table but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 27, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Other Reporting Required by *Manual for Activity Fund Accounting*

In accordance with Minnesota Statutes, we have also issued our report dated, November 27, 2023, on our consideration the District's compliance with provisions of the *Manual for Activity Fund Accounting* issued by the Minnesota Department of Education, pursuant to Minnesota Statutes §123B.49. The purpose of that report is to determine if the District has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

November 27, 2023

REQUIRED SUPPLEMENTARY INFORMATION

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

This section of Independent School District #465, Litchfield Public School's annual financial report presents the District's management's discussion and analysis of the District's financial performance during the fiscal year. 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 Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued in June 1999.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended include the following:

- Net position increased by $3,251,786. Assets and deferred outflows of resource decreased $2,545,458 while liabilities and deferred inflows of resources decreased $5,797,244. The positive change in Net Position was heavily impacted by adjustments related to the recognition of pension expenses as well as increases in capital and right to use assets and reductions in debt obligations.

- Actual revenues in the Statement of Activities were $27,383,652, while overall expenditures totaled $24,131,866.

- The fund balance of the governmental funds decreased $6,751,096. Changes include increases in the Debt Service, Food Service and Community Service fund balances of $59,358, $99,527and $65,998, respectively. The General and Building Construction fund balances decreased $91,725 and $6,884,254, respectively.

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 supplementary information. The basic financial statements include two types of statements that present different views of the District:

- The first two statements are *government-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 government-wide statements.

- The g*overnmental 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 the resources belong.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)

Government-wide Statements

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

- Over time, increases or decreases in the District's net position are 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 government-wide financial statements, the District's activities are shown in one category:

- <u>Governmental activities</u> - The District's basic services are included here, such as regular and special education, transportation, administration, food service, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (e.g. repaying its long-term debt) or to show that it is properly using certain revenues (e.g. federal grants).

The District has two kinds of funds:

- <u>Governmental Funds</u> - 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 determine whether there are more or fewer financial resources that can be spent in the near term to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional schedules following the governmental funds statements that explains the relationship (or differences) between them.

- <u>Fiduciary Funds</u> - The District is the trustee, or *fiduciary* , for assets that belong to others, such as scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was $1,990,545 as of year end (see details in Table A-1). This was an increase of $3,251,786 from the previous year balance of ($1,261,241) as stated in Table A-2.

Table A-1
Condensed Statement of Net Position
Governmental Activities

	2023	2022	Total Percentage Change 2022-2023
Current and Other Assets	$ 14,335,058	$ 22,315,200	-35.76%
Capital Assets	48,791,340	43,069,863	13.28%
Total Assets	63,126,398	65,385,063	-3.45%
Deferred Outflows of Resources	5,042,288	5,329,081	-5.38%
Total Assets and Deferred Outflows of Resources	$ 68,168,686	$ 70,714,144	-3.60%
Current Liabilities	$ 3,706,422	$ 5,547,714	-33.19%
Noncurrent Liabilities	53,544,523	48,232,548	11.01%
Total Liabilities	57,250,945	53,780,262	6.45%
Deferred Inflows of Resources	8,927,196	18,195,123	-50.94%
Net Position			
Net Investment in Capital Assets	12,529,838	14,449,992	-13.29%
Restricted	1,366,274	1,172,577	16.52%
Unrestricted	(11,905,567)	(16,883,810)	29.49%
Total Net Position	1,990,545	(1,261,241)	257.82%
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 68,168,686	$ 70,714,144	-3.60%

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Cont'd)

Change in Net Position

A summary of the revenues and expenses for the year ended June 30, 2023 and June 30, 2022 is presented in Table A-2 below.

Table A-2
Change in Net Position

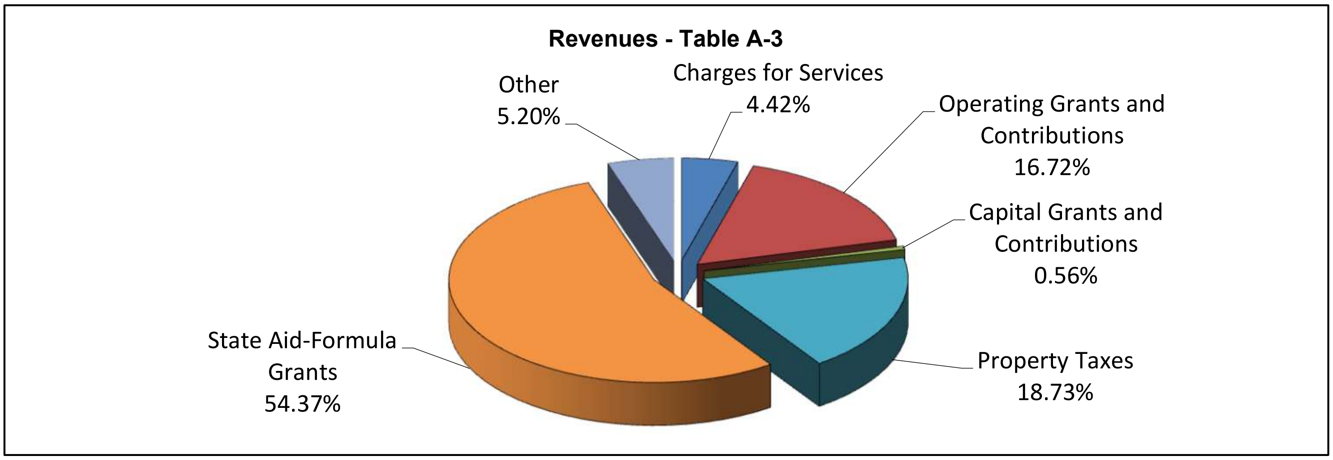
	2023	2022	Total Percentage Change 2022-2023
REVENUES			
Program Revenues			
Charges for Services	$ 1,209,180	$ 878,245	37.68%
Operating Grants and Contributions	4,577,354	4,250,860	7.68%
Capital Grants and Contributions	152,942	154,044	-0.72%
General Revenues			
Property Taxes	5,127,708	5,107,765	0.39%
State Aid-Formula Grants	14,891,368	14,381,281	3.55%
Other	1,425,100	949,207	50.14%
Total Revenues	27,383,652	25,721,402	6.46%
EXPENSES			
Administration	957,275	936,780	2.19%
District Support Services	829,917	653,443	27.01%
Elementary and Secondary Regular Education	7,105,645	8,306,644	-14.46%
Vocational Education Instruction	275,591	316,692	-12.98%
Special Education Instruction	3,429,970	3,516,081	-2.45%
Instructional Support Services	2,078,403	1,081,218	92.23%
Pupil Support Services	2,317,285	2,256,423	2.70%
Sites and Buildings	4,348,944	3,427,670	26.88%
Fiscal and Other Fixed Costs Programs	113,799	107,521	5.84%
Food Service	1,116,239	1,001,465	11.46%
Community Education and Services	652,484	643,697	1.37%
Interest and Fiscal Charges on Long-term liabilities	906,314	911,439	-0.56%
Total Expenses	24,131,866	23,159,073	4.20%
Change in Net Position	3,251,786	2,562,329	26.91%
Net Position, Beginning of Year, As Originally Stated	(1,261,241)	(3,823,570)	67.01%
Net Position, End of Year	$ 1,990,545	$ (1,261,241)	257.82%

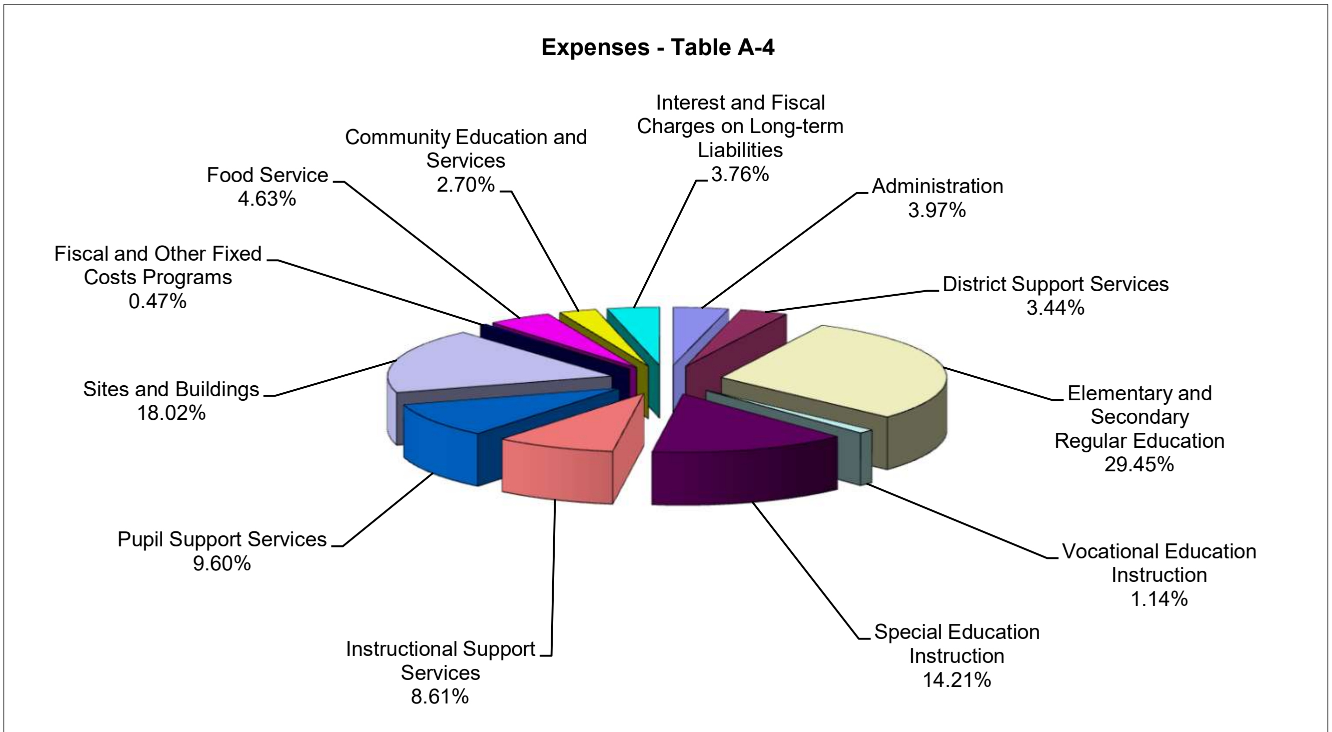
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Cont'd)

The District's total revenues were $27,383,652 for the year ended. Property taxes and state aids accounted for 18.73% and 54.37%, respectively, of total revenues. (See Table A-3.) Program revenues accounted for 21.70% of revenues, while interest earnings and other general revenues accounted for 5.20%.

The total costs of all programs and services were $24,131,866. Most of these costs are Elementary and Secondary Regular Instruction, Special Education Instruction and Sites and Buildings, 29.45%, 14.21% and 18.02%, respectively (See Table A-4). Administration and Support Services costs for the District accounted for 3.97% and 21.65%, respectively. All remaining costs totaled 12.70%.

Total revenues exceeded total expenditures by $3,251,786 for the year ended June 30, 2023.





FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Cont'd)

Table A-5 presents the total cost of governmental activities as well as the net cost of these activities. The net cost represents total cost less program revenues applicable to each category.

Table A-5
Net Cost of Governmental Activities

	2023		2022	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Administration	$ 957,275	$ 917,382	$ 936,780	$ 897,755
District Support Services	829,917	829,917	653,443	653,443
Elementary and Secondary Regular Instruction	7,105,645	6,632,930	8,306,644	7,834,204
Vocational Education Instruction	275,591	275,591	316,692	316,692
Special Education Instruction	3,429,970	682,475	3,516,081	860,357
Instructional Support Services	2,078,403	1,430,454	1,081,218	1,053,000
Pupil Support Services	2,317,285	2,290,459	2,256,423	2,232,567
Sites and Buildings	4,348,944	4,179,367	3,427,670	3,257,317
Fiscal and Other Fixed Costs Programs	113,799	113,799	107,521	107,521
Food Service	1,116,239	(121,865)	1,001,465	(272,641)
Community Education and Services	652,484	55,567	643,697	24,270
Interest and Fiscal Charges on Long-Term Liabilities	906,314	906,314	911,439	911,439
Total	$ 24,131,866	$ 18,192,390	$ 23,159,073	$ 17,875,924

The total cost of all governmental activities for the year ended, was $24,131,866. A portion of the costs, $1,209,180 was paid by users of the District's programs. The federal and state governments subsidized certain programs with grants and contributions of $4,577,354. Most of the District's cost, however, were paid by property taxes and general education aids, $5,127,708 and $14,891,368, respectively. Other revenues and investment earnings paid for $1,425,100 of the costs.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund Balance

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $5,055,763. This amount is down $6,751,096 from the June 30, 2022 combined fund balance total.

The General Fund balance decreased $91,725 from prior year compared to the anticipated decrease of $73.963. Although the change is close to what was anticipated, the district had both revenues and expenditures that exceeded budget largely due to the receipt of $629,600 in Emergency Connectivity Funding that was used to purchase student iPads.

The Building Construction fund balance decreased $6,884,254 due to the continuation of projects which were covered with bond proceeds deposited into the fund.

Revenues and Expenditures

Revenues of the District's governmental funds totaled $27,100,552 while the net change in other financing sources (uses) totaled $638,304 and expenditures totaled $34,489,952. A summary of the revenues and expenditures reported on the governmental fund financial statements appear in Table A-6 below.

Table A-6
2023 Summary of Revenues and Expenditures - Governmental Funds

	Revenue	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
General Fund	$ 22,047,272	$ 22,777,301	$ 638,304	$ (91,725)
Debt Service Fund	2,578,689	2,519,331		59,358
Building Construction Fund	422,040	7,306,294		(6,884,254)
Other Governmental Funds				
Food Service Fund	1,260,429	1,160,902		99,527
Community Service Fund	792,122	726,124		65,998
Total	$ 27,100,552	$ 34,489,952	$ 638,304	$ (6,751,096)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Cont'd)

2022 Summary of Revenues and Expenditures - Governmental Funds

	Revenue	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
General Fund	$ 20,701,929	$ 20,619,159	$ 151,417	$ 234,187
Debt Service Fund	2,694,524	2,683,097		11,427
Building Construction Fund	260,509	15,259,512		(14,999,003)
Other Governmental Funds				
Food Service Fund	1,274,997	1,016,607		258,390
Community Service Fund	803,297	671,615		131,682
Total	$ 25,735,256	$ 40,249,990	$ 151,417	$ (14,363,317)

General Fund Budgetary Highlights

The original budget was adopted as required by state statute prior to July 1, 2021. Many budgetary assumptions and projections of enrollment data were made during the preliminary budget cycle. During the school year, the District continued to monitor enrollment data and other budgetary assumptions to recommend budget changes as more finalized information became available.

The General Fund balance fell slightly short of expectations by $17,762. Below is a breakdown of the change by fund balance classification.

	Budgeted Fund Balance	Actual Fund Balance	Over/(Under) Budget
Nonspendable	$ 87,691	$ 58,961	$ (28,730)
Restricted	559,396	742,919	183,523
Assigned	203,849	92,366	(111,483)
Unassigned	1,685,572	1,624,500	(61,072)
Total	$ 2,536,508	$ 2,518,746	$ (17,762)

Assigned fund balance fell short of expectations by $111,483 due to deferring the sale of the construction technology house to the 2023-2024 school year. The restricted fund balance exceeded expectations by $183,523 due to delaying the boiler project at the Wagner Education Building. Unassigned fund balance fell short of expectations by $61,072 due to enrollment being slightly lower than anticipated.

Special Revenue Fund's Budgetary Highlights

The District budgeted increase in fund balance for the Food Service Fund was $26,467. When the year concluded, the Food Service Fund performed better than budgeted with an actual increase in fund balance of $99,527. The positive change was a result of higher than anticipated meal reimbursement rates and student participation.

The District budgeted decrease in fund balance for the Community Service Fund was $2,870, while the actual change in fund balance was an increase of $65,998. This change is a result of better than anticipated participation youth and adult recreation, higher than expected ticket sales for theater and increased investment earnings.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Cont'd)

Building Construction Fund Budgetary Highlights

The District budgeted decrease in fund balance for the Building Construction Fund was $7,248,453, while the actual decrease was $6,884,254. The change was a result of lower than anticipated professional fees and project expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year end, the District had over $85 million invested in capital assets. (Detailed information on the capital assets can be found in Note 6 to the financial statements.) Most of this investment is in the District's buildings. Depreciation expense for the year was $1,721,431.

Table A-7
Capital Assets - Governmental Activities

	2023	2022	Total Percent Change 2022-2023
Land	$ 295,560	$ 295,560	0.00%
Construction in Progress	40,250	20,386,432	-99.80%
Land Improvements	5,310,929	3,236,012	64.12%
Buildings	75,021,961	50,652,178	48.11%
Equipment	4,208,069	3,394,153	23.98%
Right to Use Assets	797,428	797,428	0.00%
Less: Accumulated Depreciation	(36,882,857)	(35,691,900)	3.34%
Net Capital Assets	$ 48,791,340	$ 43,069,863	13.28%

Long-Term Debt

At year end, the District had $34,860,000 of bonded indebtedness and $276,463 in compensated absences, compared to $36,245,000 and $290,743, respectively in prior year. In addition, the District had $357,928 in capital lease debt and $536,406 in long-term lease compared to $0 and $614,085, respectively in prior year. Compensated absences consists of severance payments to retirees for unused vacation and sick leave.

Table A-8
Outstanding Long-Term Liabilities

	2023	2022	Total Percentage Change 2022-2023
Bonded Indebtedness	$ 34,860,000	$ 36,245,000	-3.82%
Capital Lease	357,928		
Unamortized Bond Premiums	1,770,400	1,973,079	-10.27%
Long-Term Leases	536,406	614,085	-12.65%
Compensated Absences	276,463	290,743	-4.91%
Total Long-Term Liabilities	$ 37,801,197	$ 39,122,907	-3.38%

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing conditions that could significantly affect its financial condition in future years:

- The political and economic environment of the State of Minnesota could have a significant effect on future finances. The state legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive. The per pupil general education formula is set to increase by 4.00% in 2023-2024 and 2.00% in 2024-2025.

- District ADM estimates at the onset of the 2023-2024 school year were anticipated to be 1,564 which is an increase of 22 ADM's over the 2022-23 school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office, Independent School District #465, 307 East 6th Street, Suite 100, Litchfield, MN 55355.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT #465

STATEMENT OF NET POSITION
JUNE 30, 2023
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	Governmental Activities 2023	Governmental Activities 2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Cash and Investments	$ 8,933,038	$ 17,071,740
Receivables	3,087,942	2,988,264
Due from Other Governments	2,222,139	2,141,360
Inventory	32,978	26,145
Prepaid Items	58,961	87,691
Capital and Right to Use Assets		
Assets Not Being Depreciated or Amortized	335,810	20,681,992
Other Capital and Right to Use Assets, Net of Depreciation and Amortization	48,455,530	22,387,871
Total Assets	63,126,398	65,385,063
Deferred Outflows of Resources	5,042,288	5,329,081
Total Assets and Deferred Outflows of Resources	$ 68,168,686	$ 70,714,144
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Payables	$ 2,844,100	$ 4,744,129
Due to Other Minnesota School Districts	225,744	183,891
Due to Other Governmental Units	44,360	24,914
Interest Payable	446,706	472,044
Unearned Revenue	145,512	122,736
Long-Term Liabilities		
Net Pension Liability	14,228,654	7,697,887
Total OPEB Liability	1,514,672	1,411,754
Other Long-Term Liabilities Due Within One Year	1,892,487	1,729,555
Other Long-Term Liabilities Due in More Than One Year	35,908,710	37,393,352
Total Liabilities	57,250,945	53,780,262
Deferred Inflows of Resources	8,927,196	18,195,123
Net Position		
Net Investment in Capital Assets	12,529,838	14,449,992
Restricted for		
Operating Capital Purposes	79,443	42,023
State-Mandated Reserves	455,730	456,095
Student Activities	131,137	122,667
Scholarships	76,609	89,596
Food Service	416,675	341,064
Debt Service	206,680	121,132
Unrestricted	(11,905,567)	(16,883,810)
Total Net Position	1,990,545	(1,261,241)
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 68,168,686	$ 70,714,144

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #465

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023					2022
		Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Governmental Activities
GOVERNMENTAL ACTIVITIES						
Administration	$ 957,275	$ 39,893	$	$	$ (917,382)	$ (897,755)
District Support Services	829,916				(829,916)	(653,443)
Elementary and Secondary Regular Instruction	7,105,645	196,796	275,919		(6,632,930)	(7,834,204)
Vocational Education Instruction	275,591				(275,591)	(316,692)
Special Education Instruction	3,429,970	69,656	2,677,839		(682,475)	(860,357)
Community Education and Services	652,484	453,349	143,568		(55,567)	(24,270)
Instructional Support Services	2,078,403	16,530	631,419		(1,430,454)	(1,053,000)
Pupil Support Services	2,317,285		26,826		(2,290,459)	(2,232,567)
Sites and Buildings	4,348,945	16,635		152,942	(4,179,368)	(3,257,317)
Fiscal and Other Fixed Costs Programs	113,799				(113,799)	(107,521)
Food Service	1,116,239	416,321	821,783		121,865	272,641
Interest and Fiscal Charges on Long-Term Liabilities	906,314				(906,314)	(911,439)
Total Governmental Activities	$ 24,131,866	$ 1,209,180	$ 4,577,354	$ 152,942	(18,192,390)	(17,875,924)
GENERAL REVENUES						
Taxes Levied for						
General Purposes					2,910,463	2,737,753
Community Education and Services					157,467	157,953
Debt Service					2,059,778	2,212,059
Aids and Payments from the State					14,891,368	14,381,281
Other General Revenues					963,147	714,873
Investment Earnings					461,953	234,334
Total General Revenues					21,444,176	20,438,253
Change in Net Position					3,251,786	2,562,329
NET POSITION, BEGINNING OF YEAR					(1,261,241)	(3,823,570)
NET POSITION, END OF YEAR					$ 1,990,545	$ (1,261,241)

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #465

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	General	Debt Service	Building Construction	Other Governmental Funds	Total Governmental Funds 2023	Total Governmental Funds 2022
ASSETS						
Cash and Investments	$ 4,438,520	$ 1,763,739	$ 1,554,408	$ 1,176,371	$ 8,933,038	$ 17,071,740
Receivables						
Accounts				760	760	164,416
Current Property Taxes	1,497,088	1,452,368		71,587	3,021,043	2,744,643
Delinquent Property Taxes	17,473	13,897		838	32,208	29,526
Lease Receivables	33,931				33,931	49,679
Due from Other Governments						
Other Minnesota School Districts	173,094			7,399	180,493	178,985
State Department of Education	1,481,721	47,670		15,088	1,544,479	1,298,662
Federal Department of Education	424,512			15,839	440,351	600,475
Other Governmental Units	16,816			40,000	56,816	63,238
Inventory				32,978	32,978	26,145
Prepaid Items	58,961				58,961	87,691
Total Assets	$ 8,142,116	$ 3,277,674	$ 1,554,408	$ 1,360,860	$ 14,335,058	$ 22,315,200
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities						
Payables						
Accounts	$ 240,029	$	$ 12,562	$ 25,170	$ 277,761	$ 440,898
Contracts			664,180		664,180	2,483,770
Salaries	929,349			68,308	997,657	955,388
Payroll Deductions	869,173			35,329	904,502	864,073
Due to Other Minnesota School Districts	211,796			13,948	225,744	183,891
Due to Other Governmental Units	44,355			5	44,360	24,914
Unearned Revenue	106,422			39,090	145,512	122,736
Total Liabilities	2,401,124	0	676,742	181,850	3,259,716	5,075,670
Deferred Inflows of Resources						
Property Taxes Levied for Subsequent Year	3,170,842	2,624,288		158,310	5,953,440	5,353,466
Unavailable Revenue -						
Delinquent Property Taxes	17,473	13,897		838	32,208	29,526
Lease	33,931				33,931	49,679
Total Deferred Inflows of Resources	3,222,246	2,638,185	0	159,148	6,019,579	5,432,671
Fund Balance						
Nonspendable	58,961				58,961	87,691
Restricted	742,919	639,489	877,666	1,034,031	3,294,105	9,908,048
Assigned	92,366				92,366	128,350
Unassigned	1,624,500			(14,169)	1,610,331	1,682,770
Total Fund Balance	2,518,746	639,489	877,666	1,019,862	5,055,763	11,806,859
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 8,142,116	$ 3,277,674	$ 1,554,408	$ 1,360,860	$ 14,335,058	$ 22,315,200

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #465

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	2023	2022
Total Fund Balances - Governmental Funds	$ 5,055,763	$ 11,806,859
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital and right to use assets in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Governmental Capital and Right to Use Assets	85,674,197	78,761,763
Accumulated Depreciation and Amortization	(36,882,857)	(35,691,900)
Deferred outflows and inflows of resources related to pensions other postemployment benefits and leases are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows Related to Pension	4,327,081	4,765,291
Deferred Outflows Related to Other Postemployment Benefits	715,207	563,790
Deferred Inflows Related to Pension	(2,714,855)	(12,533,358)
Deferred Inflows Related to Other Postemployment Benefits	(224,970)	(258,620)
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.	32,208	29,526
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(446,706)	(472,044)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position. Balances at year end are:		
Bond Principal Payable	(34,860,000)	(36,245,000)
Financed Purchase	(357,928)	
Bond Premiums	(1,770,400)	(1,973,079)
Long-Term Leases	(536,406)	(614,085)
Compensated Absences	(276,463)	(290,743)
Net Pension Liability	(14,228,654)	(7,697,887)
Other Postemployment Benefits	(1,514,672)	(1,411,754)
Total Net Position - Governmental Activities	$ 1,990,545	$ (1,261,241)

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #465

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	General	Debt Service	Building Construction	Other Governmental Funds	Total Governmental Funds 2023	Total Governmental Funds 2022
REVENUES						
Local Property Tax Levies	$ 2,908,629	$ 2,058,926	$	$ 157,471	$ 5,125,026	$ 5,121,692
Other Local and County Revenues	1,013,639	43,064	422,040	549,384	2,028,127	1,617,775
Revenue from State Sources	16,185,342	476,699		204,798	16,866,839	16,351,659
Revenue from Federal Sources	1,992,462			723,709	2,716,171	2,411,302
Sales and Other Conversions of Assets	(52,800)			417,189	364,389	232,828
Total Revenues	22,047,272	2,578,689	422,040	2,052,551	27,100,552	25,735,256
EXPENDITURES						
Current						
Administration	1,138,995				1,138,995	1,026,750
District Support Services	770,852				770,852	631,587
Elementary and Secondary Regular Instruction	8,975,901				8,975,901	8,781,410
Vocational Education Instruction	357,507				357,507	335,698
Special Education Instruction	3,949,506				3,949,506	3,750,575
Community Education and Services				720,537	720,537	665,527
Instructional Support Services	1,771,668				1,771,668	1,081,750
Pupil Support Services	2,400,096				2,400,096	2,234,171
Sites and Buildings	2,221,184		459,615		2,680,799	3,286,527
Fiscal and Other Fixed Costs Programs	113,799				113,799	107,521
Food Service				1,081,962	1,081,962	984,070
Capital Outlay	1,077,793		6,846,679	84,527	8,008,999	14,681,307
Debt Service		2,519,331			2,519,331	2,683,097
Total Expenditures	22,777,301	2,519,331	7,306,294	1,887,026	34,489,952	40,249,990
Excess (Deficiency) of Revenues Over (Under) Expenditures	(730,029)	59,358	(6,884,254)	165,525	(7,389,400)	(14,514,734)
OTHER FINANCING SOURCES (USES)						
Insurance Recovery	280,376				280,376	
Proceeds From Financed Purchase	357,928				357,928	
Proceeds From Long-Term Leases						151,417
Total Other Financing Sources (Uses)	638,304	0	0	0	638,304	151,417
Net Change in Fund Balances	(91,725)	59,358	(6,884,254)	165,525	(6,751,096)	(14,363,317)
FUND BALANCE, BEGINNING OF YEAR	2,610,471	580,131	7,761,920	854,337	11,806,859	26,170,176
FUND BALANCE, END OF YEAR	$ 2,518,746	$ 639,489	$ 877,666	$ 1,019,862	$ 5,055,763	$ 11,806,859

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #465

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023	2022
Total Net Change in Fund Balances - Governmental Funds	$ (6,751,096)	$ (14,363,317)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlay is reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital Outlay	7,442,908	14,917,562
Depreciation and Amortization Expense	(1,721,431)	(1,005,910)
Cost of Capital Assets Disposed	(530,474)	(248,540)
Accumulated Depreciation Related to Disposed Capital Assets	530,474	243,400
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	2,682	(13,927)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Leases Issued		(151,417)
Financed Purchase Issued	(357,928)	
Payment of Financed Purchase		243,486
Payment of Bond Principal	1,385,000	1,440,000
Amortization of Bond Premium	202,679	254,286
Payment of Long-Term Leases	77,679	58,171
Change in Accrued Interest Payable	25,338	77,372
Compensated Absences	14,280	69,128
Some expenses reported in the Statement of Activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds.		
Pension Expense	2,849,526	929,508
Other Postemployment Benefits Expense	82,149	112,527
Change in Net Position - Governmental Activities	$ 3,251,786	$ 2,562,329

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #465

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Over (Under) Final
	Original	Final	Actual	Budget
REVENUES				
Local Property Tax Levies	$ 2,977,654	$ 2,905,433	$ 2,908,629	$ 3,196
Other Local and County Revenues	572,151	697,085	1,013,639	316,554
Revenue from State Sources	16,289,554	16,438,275	16,185,342	(252,933)
Revenue from Federal Sources	1,207,656	1,287,315	1,992,462	705,147
Sales and Other Conversions of Assets	49,500	64,500	(52,800)	(117,300)
Total Revenues	21,096,515	21,392,608	22,047,272	654,664
EXPENDITURES				
Current				
Administration	1,057,748	1,130,181	1,138,995	8,814
District Support Services	633,802	765,225	770,852	5,627
Elementary and Secondary Regular Instruction	9,063,265	8,970,532	8,975,901	5,369
Vocational Education Instruction	344,256	356,870	357,507	637
Special Education Instruction	3,929,710	4,002,523	3,949,506	(53,017)
Instructional Support Services	929,653	1,003,725	1,771,668	767,943
Pupil Support Services	2,210,509	2,359,910	2,400,096	40,186
Sites and Buildings	2,241,405	2,344,973	2,221,184	(123,789)
Fiscal and Other Fixed Costs Programs	96,036	94,550	113,799	19,249
Capital Outlay				
Administration		398	531	133
District Support Services	500	33,916	44,555	10,639
Elementary and Secondary Regular Instruction	75,083	43,565	77,087	33,522
Special Education Instruction	37,938	1,989	2,652	663
Instructional Support Services	368,175	270,993	476,462	205,469
Sites and Buildings	159,221	87,221	476,506	389,285
Total Expenditures	21,147,301	21,466,571	22,777,301	1,310,730
Excess (Deficiency) of Revenues Over (Under) Expenditures	(50,786)	(73,963)	(730,029)	(656,066)
OTHER FINANCING SOURCES (USES)				
Insurance Recovery			280,376	280,376
Proceeds From Financed Purchase			357,928	357,928
Total Other Financing Sources (Uses)	0	0	638,304	638,304
Net Change in Fund Balance	$ (50,786)	$ (73,963)	(91,725)	$ (17,762)
FUND BALANCE, BEGINNING OF YEAR			2,610,471	
FUND BALANCE, END OF YEAR			$ 2,518,746	

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #465

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

		Custodial Fund
ASSETS		
Cash and Investments	$	22,544
Accounts Receivables		2,200
Total Assets	$	24,744
LIABILITIES AND NET POSITION		
Liabilities		
Accounts Payables	$	8,523
Net Position		
Held in Trust for Scholarships		16,221
Total Liabilities and Net Position	$	24,744

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2023

		Custodial Fund
ADDITIONS		
Donations	$	9,200
Investment Earnings		50
Total Additions		9,250
DEDUCTIONS		
Scholarship Obligations		15,273
Change in Net Position		(6,023)
NET POSITION, BEGINNING OF YEAR		22,244
NET POSITION, END OF YEAR	$	16,221

See Accompanying Notes to the Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Independent School District #465 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

The Independent School District #465 Board of Education ("District") is the basic level of government which has the financial accountability and control over all activities related to the public school education for the Litchfield Public School District. The District receives funding from local, state, and federal sources and must comply with the expenditure requirements of these funding source entities.

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 entities for which the District is financially accountable, or for which the exclusion of the component unit would render the financial statements of the District misleading.

The criteria used to determine if the District is financially accountable for a component unit includes whether or not 1) the District appoints the voting majority of the potential component unit's governing body and is able to impose its will on the potential component unit or is in a relationship of financial benefit or burden with the potential component unit, or 2) the potential component unit is fiscally dependent on and there is potential for the potential component unit 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.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board has a fiduciary responsibility in establishing general policies and ensuring that appropriate financial records are maintained for student activities. In addition, these accounts of the District are under the School Board's control. The activity of the student activity accounts is accounted for in the General Fund.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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 except for fiduciary funds. Fiduciary funds are only reported at the fund financial statement level.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of all charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The fiduciary fund is presented in the fiduciary fund financial statement. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide 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, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenues are recognized when they become measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter 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 fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except interest earnings) are recorded as revenues when received because they are generally not measurable until then. Interest earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The District does not use encumbrances for either budgeting or financial reporting purposes.

It is generally the District's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

Description of Funds

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

Major Governmental Funds:

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

The Building Construction Capital Projects Fund accounts for financial resources used for the acquisition or construction of major capital facilities and equipment funded by the sale of bonds.

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

Nonmajor Governmental Funds:

The Food Service Special Revenue Fund accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities.

The Community Service Special Revenue Fund accounts for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult, or early childhood programs or other similar services.

Fiduciary Fund:

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

D. BUDGETS AND BUDGETARY ACCOUNTING

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. BUDGETS AND BUDGETARY ACCOUNTING (Cont'd)

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

Unencumbered expenditure appropriations lapse at year-end. Encumbrances are not recorded.

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

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION, AND FUND BALANCE

Cash and Investments:
The District's cash and cash equivalents are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

The District may invest in the following types of investments as authorized by Minn. Stat. §118A.04 and §118A.05:

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. §118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States bank;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Cash and investments at year end were comprised of deposits, non-negotiable certificates of deposits and securities in external investments pool.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION, AND FUND BALANCE (Cont'd)

Cash and Investments: (Cont'd)
The District invests in an external investment pool, the Minnesota School District Liquid Asset Fund and MN Trust, which are created under a joint powers agreement pursuant to Minn. Stat. §471.59. The Minnesota School District Liquid Asset Fund and MN Trust are not registered with the Securities Exchange Commission (SEC), but satisfy the requirements of Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 CFR §270.2a-7), as amended. The investment in the pool is measured at the net asset value per share provided by the pool.

Cash balances from all funds of the District are pooled and invested to the extent available, in allowable cash management accounts. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

The District has an investment policy in place that addresses interest rate risk, credit risk, concentration of credit risk and custodial credit risk as follows:

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. Minnesota Statutes require all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

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

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's investment policy on custodial credit risk states securities shall be held in third party safekeeping by an institution designated as custodial agent. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information related to the securities held.

Interest Rate Risk. This is the risk that the market value of securities will fall due to the changes in market interest rates. The District's policy states investment maturities shall be scheduled to coincide with projected District cash flow needs, taking into account large routine or scheduled expenditures, as well as anticipated receipt dates of anticipated revenues. Maturities for short-term and long-term investments shall be timed according to anticipated need. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION, AND FUND BALANCE (Cont'd)

Cash and Investments: (Cont'd)

Credit Risk. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law limits certain investments to the top two ratings issued by the rating organizations. The District's investment policy states it will comply with Minnesota Statutes Chapter 118A.

Concentration Risk. This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy states the District shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities.

Accounts Receivable:

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

Lease receivables represent amounts receivable from individuals, firms and corporations for the right to use of District assets. No substantial losses are anticipated from the present receivables balances and therefore, no allowance for uncollectible amounts is deemed necessary.

Current Property Taxes Receivable:

Current property taxes receivable represent current real and personal property tax levies, certified the previous December and collectible in the current calendar year, which have not been received by the District.

Delinquent Property Taxes Receivable:

Delinquent property taxes receivable represent taxes collectible in the years 2016 to 2022 that remain uncollected at June 30, 2023. They are equally offset by a deferred inflows of resources amount in the governmental fund financial statements.

Prepaid Items:

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

Inventories:

Inventories are recorded using the consumption method of accounting and consist of purchased food and supplies. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION, AND FUND BALANCE (Cont'd)

Property Taxes Levied for Subsequent Years:
Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2023, are included in this account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

Capital and Right to Use Assets:
Tangible and intangible capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Right to use assets are capitalized at the present value of minimum lease payments. Donated assets are recorded at their estimated acquisition value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing tangible and intangible capital and right to use assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Tangible and intangible capital and right to use assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital and right to use assets are depreciated or amortized 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. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

The District does not possess any material amounts of intangible capital assets.

Deferred Outflows of Resources:
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future reporting period. During that future period, it will be recognized as an outflow of resources (expense/expenditure). The District has items that qualify for reporting in this category on the government-wide Statement of Net Position which are related to pensions and other postemployment benefits.

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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Lease liabilities are measured at the present value of payments expected to be made and amortized as a component of interest expense over the lease term.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION, AND FUND BALANCE (Cont'd)

Long-Term Obligations: (Cont'd)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The present value of lease payments expected to be made at the inception of a lease agreement is reported as other financing sources. Subsequent lease payments are reported as capital outlay expenditures.

Compensated Absences:

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and certain sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide Statement of Net Position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of an amount based on expected or known retirements coming in the next fiscal year. The noncurrent portion consists of the remaining amount of vacation and total vested sick leave.

Vacation Pay:

Certain employees earn annual vacation pay based upon the number of completed years of service. The District compensates employees for unused vacation upon termination of employment. At year end, unpaid vacation pay totaling $45,095 is recorded in the financial statements as a component of compensated absences.

Sick Pay:

Certain employees are entitled to paid sick leave at various rates for each month of full-time service. Employees are not compensated for unused sick leave upon termination of employment, except as used in severance pay calculations. Sick pay is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. At year end, unpaid sick pay totaling $231,368 is recorded in the financial statements as a component of compensated absences.

Other Postemployment Benefits:

Under the provisions of the various employee and union contracts, when certain qualified employees retire with certain age and service requirements, the District provides health and dental care coverage which would cease when such employees attain the age of 65 or are eligible for Medicare. All premiums are funded on a pay-as-you-go basis.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION, AND FUND BALANCE (Cont'd)

Pensions:
The District participates in various pension plans; total pension expense for the fiscal year ended was ($1,828,573). The components of pension expense are noted in the plan summaries.

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

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

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

Unearned Revenue:
Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and certain other payments received before eligibility requirements are met are also recorded as unearned revenue.

Deferred Inflows of Resources:
In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period. During that future period, it will be recognized as an inflow of resources (revenue). The District has items that qualify for reporting in this category on both the government-wide Statement of Net Position and the governmental fund financial statements related to property taxes, pensions, OPEB and leases.

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

Nonspendable - consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and prepaid items.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION, AND FUND BALANCE (Cont'd)

Fund Balance: (Cont'd)

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the Board of Education.

Assigned - consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board Policy, the Superintendent and Business Manager are authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the General Fund and also reflects negative residual amounts in remaining governmental funds.

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

The Board of Education has formally adopted a fund balance policy for the General Fund. The District's policy is to strive to maintain a minimum unassigned fund balance of 10% of the General Fund expenditures.

Net Position:

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the government-wide and fiduciary fund financial statements. Net investment in capital assets consists of capital and right to use assets, net of accumulated depreciation and amortization, reduced by the outstanding balance of any long-term debt used to build or acquire the capital and right to use assets. Net position is reported as restricted in the government-wide and fiduciary fund financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

F. REVENUES AND EXPENDITURES

Revenues:

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. REVENUES AND EXPENDITURES (Cont'd)

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

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum which is frozen at $97,079 for the District. For the current year, State law is not requiring recognition of the current operating referendum and all other levies other than Career Technical and Reemployment Insurance. Career Technical and Reemployment Insurance levies are recognized early based on statutory requirements in the amounts of $104,173 and $8,604, respectively.

Tax levies from prior years that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources at the fund level because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2023, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

Expenditures:
Expenditure recognition for governmental fund types is limited to amounts represented by current liabilities. Noncurrent liabilities are not recognized as governmental fund expenditures or fund liabilities.

G. USE OF ESTIMATES

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

H. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2022, from which the partial information was derived.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. DEFICIT FUND BALANCES

There were no deficit fund balances.

B. EXCESS OF EXPENDITURES OVER BUDGET

The following funds had excess of expenditures over budget.

	Expenditures	Appropriations
General Fund	$ 22,777,301	$ 21,466,571
Food Service	1,160,902	1,107,398

NOTE 3. CASH AND INVESTMENTS

A. DEPOSITS

In accordance with applicable Minnesota Statutes, the District maintains deposits at a depository bank authorized by the District's School Board.

The District's deposits were not sufficiently collateralized with securities held by the pledging financial institution's trust department or agent in the District's name for amounts in excess of insurance through the FDIC.

The District had the following deposits:

Governmental Activities	
Pooled Cash in Bank Accounts	$ 658,470
Nonnegotiable Certificates of Deposits	138,766
Petty Cash	1,155
Total Governmental Activities	798,391
Fiduciary Fund	
Pooled Cash in Bank Accounts	19,594
Nonnegotiable Certificates of Deposits	2,950
Total Fiduciary Fund	22,544
Total Deposits	$ 820,935

NOTE 3. CASH AND INVESTMENTS (Cont'd)

B. INVESTMENTS

The District had the following investments:

Investment at amortized cost:	
External Investment Pool	
Brokered Certificates of Deposit	
MNTrust	$ 1,261,072
Money Market	10,358
Liquid Class	858,137
Max Class	6,005,080
Total Investments	$ 8,134,647

The District's investment in the Minnesota School District Liquid Asset Fund were rated AAA by Standard & Poor's.

C. SUMMARY AND PRESENTATION

The following is a summary of deposits and investments:

Deposit (Note 3.A.)	$ 820,935
Investments (Note 3.B.)	8,134,647
Total Deposits and Investments	$ 8,955,582

Deposits and Investments are presented in the basic financial statements as follows:

Statement of Net Position	
Cash and Investments	$ 8,933,038
Statement of Fiduciary Net Position	
Cash and Investments	22,544
Total Deposits and Investments	$ 8,955,582

NOTE 4. RECEIVABLES

A. COMPONENTS OF RECEIVABLES

Receivables as of year end are as follows:

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Accounts	$ 760	$
Current Property Taxes	3,021,043	
Delinquent Property Taxes	32,208	
Total Property Taxes	3,053,251	
Lease Receivable	33,931	17,227
Total Governmental Activities	$ 3,087,942	$ 17,227

B. LEASE RECEIVABLES

The District's leases are summarized as follows:

	Lease Receivable Balance	Lease Revenue	Lease Interest Revenue
Head Start Classrooms and Office Space	$ 33,931	$ 16,635	$ 887

Head Start Classrooms and Office Space - On July 1, 2020, the School District entered into a five-year lease agreement with United Community Action for the lease of classrooms and office space. Based on this agreement, the School District is receiving monthly payments through 2025.

NOTE 5. DUE FROM OTHER GOVERNMENTS

Due from Other Governments as of year end are as follows:

	Total Due from Other Governments	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Other Minnesota School Districts	$ 180,493	$
State Department of Education	1,544,479	
Federal Department of Education	440,351	
Other Governmental Units	56,816	
Total Governmental Activities	$ 2,222,139	$ 0

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	$ 295,560	$	$	$ 295,560
Construction in Progress	20,386,432	6,901,208	(27,247,390)	40,250
Total Capital Assets, Not Being Depreciated	20,681,992	6,901,208	(27,247,390)	335,810
Capital Assets, Being Depreciated				
Land Improvements	3,236,012	2,101,381	(26,464)	5,310,929
Buildings	50,652,178	24,844,783	(475,000)	75,021,961
Equipment	3,394,153	842,926	(29,010)	4,208,069
Total Capital Assets, Being Depreciated	57,282,343	27,789,090	(530,474)	84,540,959
Right To Use Assets, Being Amortized				
Buildings	646,011			646,011
Equipment	151,417			151,417
Total Right To Use Assets, Being Amortized	797,428	0	0	797,428
Less Accumulated Depreciation for				
Land Improvements	1,427,166	174,944	(26,464)	1,575,646
Buildings	31,264,116	1,319,454	(475,000)	32,108,570
Equipment	2,735,068	143,431	(29,010)	2,849,489
Total Accumulated Depreciation	35,426,350	1,637,829	(530,474)	36,533,705
Less Accumulated Amortization for				
Buildings	231,902	33,129		265,031
Equipment	33,648	50,473		84,121
Total Accumulated Amortization	265,550	83,602	0	349,152
Total Capital Assets, Being Depreciated or Amortized, Net	22,387,871	26,067,659	0	48,455,530
Governmental Activities Net Capital Assets	$ 43,069,863	$ 32,968,867	$ (27,247,390)	$ 48,791,340

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation and amortization expense was charged to functions/programs as follows:

Governmental Activities	
Administration	$ 1,231
District Support Services	41,213
Elementary and Secondary Regular Instruction	30,359
Special Education	3,180
Community Education	9,572
Instructional Support Services	16,617
Pupil Support Services	8,168
Sites and Buildings	1,599,093
Food Service	11,998
Total Depreciation and Amortization Expense - Governmental Activities	$ 1,721,431

NOTE 7. LONG-TERM LIABILITIES

A. COMPONENTS OF LONG-TERM LIABILITIES

The District has issued general obligation school building bonds to finance the construction of capital facilities or refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

	Original Amount Issued	Final Maturity Date	Interest Rate	Balance Outstanding
Governmental Activities				
G.O. Facilities Maintenance Bonds, Series 2017A	$ 2,265,000	2/1/2032	2.00 - 3.00%	$ 1,550,000
G.O. School Building Bonds, Series 2020A	31,490,000	2/1/2041	2.00 - 4.00%	31,125,000
G.O. School Building Refunding Bonds, Series 2020B	4,115,000	2/1/2025	5.00%	2,185,000
Unamortized Bond Premiums				1,770,400
Financed Purchase, 2023 Apple, Inc.	357,928	8/1/2025	0.00%	357,928
Long-Term Leases	797,428	12/14/2034	3.25 - 3.50%	536,406
Compensated Absences				276,463
Total Governmental Activities				$ 37,801,197

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

B. MINIMUM DEBT PAYMENTS

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

	G.O. Facilities Maintainence Bonds, Series 2017A		G.O. School Building Bonds, Series 2020A	
Year Ending June 30,	Principal	Interest	Principal	Interest
2024	$ 155,000	$ 45,713	$ 265,000	$ 917,131
2025	160,000	41,450	275,000	906,531
2026	160,000	37,050	1,455,000	895,531
2027	165,000	32,250	1,560,000	837,331
2028	170,000	27,300	1,620,000	774,931
2029-2033	740,000	56,550	9,030,000	2,959,456
2034-2038			10,140,000	1,851,806
2039-2041			6,780,000	410,700
	$ 1,550,000	$ 240,313	$ 31,125,000	$ 9,553,417

	G.O. School Building Bonds, Series 2020B	
Year Ending June 30,	Principal	Interest
2024	$ 1,065,000	$ 109,250
2025	1,120,000	56,000
	$ 2,185,000	$ 165,250

C. DESCRIPTION OF LONG-TERM LIABILITIES

General Obligation Bonds:
On July 16, 2014, the District issued $3,200,000 of General Obligation School Building Bonds, Series 2014A. The proceeds of this issue will be used for financing the betterment of school sites, facilities, and technology in the District. The bonds are due in varying annual installments each February 1 from February 1, 2016 through February 1, 2023, with varying interest rates of 2.00% to 2.75% due semi-annually on February and August 1.

On April 6, 2017, the District issued $2,265,000 of General Obligation Facilities Maintenance Bonds, Series 2017A. The proceeds of this issue will be used to finance roofing and other deferred maintenance projects included in the District's ten-year facility plan approved by the Commissioner of Education. The bonds are due in varying annual installments each February, from February 1, 2019 through February 1, 2032, with interest ranging from 2.00% - 3.00% due semi-annually on February 1 and August 1.

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

C. DESCRIPTION OF LONG-TERM LIABILITIES (Cont'd)

General Obligation Bonds: (Cont'd)

On January 1, 2020, the District issued $31,490,000 of General Obligation School Building Bonds, Series 2020A. The proceeds of this issue will be used for financing the betterment of school sites, facilities, and technology in the District. The bonds are due in varying annual installments each February 1 from February 1, 2021 through February 1, 2041, with varying interest rates of 2.00% to 4.00% due semi-annually on February and August 1.

On November 3, 2020, the District issued $4,115,000 of General Obligation School Building Refunding Bonds, Series 2020B. The proceeds of this issue will be used refund the District's 2012C General Obligation School Building Refunding Bonds.. The bonds are due in varying annual installments each February 1 from February 1, 2022 through February 1, 2025, with an interest rate of 5.00%.

Financed Purchase, 2023 Apple, Inc.

The District entered into a $357,928 Financed Purchase agreement with Apple, Inc. to finance the acquisition of Apple iPads on May 15, 2023. This lease is not subject to an interest rate and calls for annual principal payments of $119,309 through August 1, 2025. The purchase is being paid by the General Fund.

Compensated Absences Payable:

Compensated absences payable consists of unused vacation at year end and other compensated absences paid at retirement for certain employees based on the employment contract. In the past, compensated absences have been paid by the General, Food Service and the Community Service Funds.

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

D. CHANGES IN LONG TERM LIABILITIES

The following table summarizes changes in long-term liabilities during the year:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
G.O. School Building Bonds, Series 2014A	$ 195,000	$	$ (195,000)	$	$
G.O. Facilities Maintenance Bonds, Series 2017A	1,700,000		(150,000)	1,550,000	155,000
G.O. School Building Bonds, Series 2020A	31,155,000		(30,000)	31,125,000	265,000
G.O. School Building Refunding Bonds, Series 2020B	3,195,000		(1,010,000)	2,185,000	1,065,000
Financed Purchase, 2023 Apple, Inc.		357,928		357,928	119,309
Unamortized Bond Premiums	1,973,079		(202,679)	1,770,400	193,335
Long-Term Leases	614,085		(77,679)	536,406	81,324
Compensated Absences *	290,743		(14,280)	276,463	13,519
Total Governmental Activities	$ 39,122,907	$ 357,928	$ (1,679,638)	$ 37,801,197	$ 1,892,487

* The change in compensated absences liability is presented as a net change.

E. FINANCED PURCHASE

Year Ending June 30,	Financed Purchase, 2023 Apple, Inc. Principal
2024	$ 119,309
2025	119,309
2026	119,310
	$ 357,928

NOTE 8. LONG-TERM LEASES

Lease agreements are summarized as follows:

	Origination Date	Payment Terms	Payment Amount	Interest Rate
Marco Copiers	11/11/2021	36 months	$ 4,420	3.25%
Bernie Aaker Auditorium	12/14/2015	19 years	Variable	3.50%

	Original Lease Liability	Current Year Additional Outflows	Balance Outstanding
Marco Copiers	$ 151,417	$	$ 69,119
Bernie Aaker Auditorium	646,011		467,287
Total Lease Liability		$ 0	$ 536,406

Copiers were leased for the District, beginning November 11, 2021 for a term of three years at a fixed interest rate of 3.25%. This lease is not renewable and the District will not acquire the equipment at the end of the three years.

The Bernie Aaker Auditorium was leased for District use, beginning December 14, 2015 for a term of 19 years. The interest rate on the lease is a fixed rate of 3.50%. The lease is not renewable and the District will not acquire the building at the end of the lease.

Annual requirements to amortize lease obligations and related interest are as follows:

Year Ending June 30	Principal	Interest
2024	$ 81,324	$ 14,527
2025	49,342	12,004
2026	33,814	10,725
2027	35,864	9,566
2028	37,933	8,406
2029-2033	221,333	24,640
2034-2035	76,796	1,739
	$ 536,406	$ 81,607

NOTE 9. FUND BALANCES

The following is a summary of fund balance components.

	General	Debt Service	Building Construction	Nonmajor Funds	Total
Nonspendable					
Prepaid Items	$ 58,961	$	$	$	$ 58,961
Restricted					
Student Activities	131,137				131,137
Scholarships	76,609				76,609
Staff Development	39,373				39,373
Operating Capital	79,443				79,443
Community Education				205,780	205,780
E.C.F.E.				129,147	129,147
Safe Schools Levy	21,604				21,604
Adult Basic Education				4,187	4,187
LTFM	354,192		126,763		480,955
Medical Assistance	30,567				30,567
PILT	9,994				9,994
Other Fund Activities		639,489	750,903	694,917	2,085,309
Total Restricted	742,919	639,489	877,666	1,034,031	3,294,105
Assigned					
Construction					
Technology House	52,474				52,474
Technology	39,892				39,892
Total Assigned	92,366	0	0	0	92,366
Unassigned	1,624,500			(14,169)	1,610,331
	$ 2,518,746	$ 639,489	$ 877,666	$ 1,019,862	$ 5,055,763

Fund Equity:
Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the potential restricted fund balances for the governmental funds:

A. RESTRICTED FOR STUDENT ACTIVITIES

The fund balance restriction represents unspent resources available for student activity expenditures.

B. RESTRICTED FOR SCHOLARSHIPS

The fund balance restriction represents unspent resources available for scholarship expenditures.

NOTE 9. FUND BALANCES (Cont'd)

Fund Equity: (Cont'd)

C. RESTRICTED FOR STAFF DEVELOPMENT

In accordance with state statute, the District is required to restrict 2% of basic General Education revenue for staff development. The cumulative excess of such revenues over staff development expenditures is reported as a restriction of fund balance in the General Fund.

D. RESTRICTED FOR OPERATING CAPITAL

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

E. RESTRICTED FOR COMMUNITY EDUCATION

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

F. RESTRICTED FOR E.C.F.E. (EARLY CHILDHOOD AND FAMILY EDUCATION)

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

G. RESTRICTED FOR SAFE SCHOOLS LEVY

The fund balance restriction represents unspent resources available from the safe schools levy.

H. RESTRICTED FOR ADULT BASIC EDUCATION

The fund balance restriction represents accumulated resources available to provide adult basic education programming in accordance with funding made available for that purpose.

I. RESTRICTED FOR LONG-TERM FACILITIES MAINTENANCE (LTFM)

The fund balance restriction represents accumulated resources available for allowable expenses in accordance with their long-term facilities maintenance plan.

J. RESTRICTED FOR MEDICAL ASSISTANCE

The fund balance restriction represents unspent resources available for medical assistance expenditures.

K. RESTRICTED FOR P.I.L.T (PAYMENTS IN LIEU OF TAXES)

The fund balance restriction represents unspent resources available from the PILT funds.

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. PLAN DESCRIPTION

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

General Employees Retirement Plan (GERP; General Employees Plan; accounted for in the General Employees Fund):
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.

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

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

B. BENEFITS PROVIDED

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

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

GERP Benefits: (Cont'd)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

TRA Benefits:

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

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

Tier I Benefits:

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

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) 3 percent per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

TRA Benefits: (Cont'd)

-or-

Tier II Benefits:

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

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

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

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. CONTRIBUTIONS

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2023 were $276,848. The District's contributions were equal to the required contributions as set by state statute.

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

C. CONTRIBUTIONS (Cont'd)

TRA Contributions:

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:

	June 30, 2021	June 30, 2022	June 30, 2023
Basic:			
Employee	11.00%	11.00%	11.00%
Employer	12.13%	12.34%	12.55%
Coordinated:			
Employee	7.50%	7.50%	7.50%
Employer	8.13%	8.34%	8.55%

The District's contributions to TRA for the plan's fiscal year ended June 30, 2023 were $744,105. The District's contributions were equal to the required contributions for each year as set by state statute.

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.

Employer Contributions Reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	$ 482,679,000
Add Employer Contributions Not Related to Future Contribution Efforts	(2,178,000)
TRA's Contributions Not Included in Allocation	(572,000)
Total Employer Contributions	479,929,000
Total Non-Employer Contributions	35,590,000
Total Contributions Reported in Schedule of Employer and Non-Employer Allocations	$ 515,519,000

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

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS

GERP Pension Costs:

At June 30, 2023 the District reported a liability of $3,682,815 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 $108,052. 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 0.0465% at the end of the measurement period and 0.0455% for the beginning of the period.

Districts Proportionate Share of the Net Pension Liability	$ 3,682,815
State of Minnesota's Proportionate Share of the Net Pension Liability Associated With the District	108,052
Total	$ 3,790,867

There were no provision changes during the measurement period.

For the year ended June 30, 2023, the District recognized pension expense of $570,359 for its proportionate share of GERP’s pension expense. In addition, the District recognized $16,145 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution to the General Employees Fund.

At June 30, 2023 the District reported its proportionate share of GERP’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 30,762	$ 38,404
Changes in Actuarial Assumptions	816,105	14,270
Net Collective Differences Between Projected and Actual Investment Earnings	87,733	
Changes in Proportion	68,001	24,879
Contributions Paid to PERA Subsequent to Measurement Date	276,848	
Totals	$ 1,279,449	$ 77,553

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

GERP Pension Costs: (Cont'd)

The $276,848 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 ended June 30,	Pension Expense Amount
2024	$ 325,100
2025	363,492
2026	(96,600)
2027	333,056

TRA Pension Costs:

On June 30, 2023, the District reported a liability of $10,545,839 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 0.1317% at the end of the measurement period and 0.1315% 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	$ 10,545,839
State of Minnesota's Proportionate Share of the Net Pension Liability Associated With the District	782,251
Total	$ 11,328,090

For the year ended June 30, 2023, the District recognized pension expense of $1,571,692. It also recognized $107,562 as an increase to pension expense for the support provided by direct aid.

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

TRA Pension Costs: (Cont'd)
At June 30, 2023, the District reported its proportionate share of TRA's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 154,611	$ 94,322
Changes in Actuarial Assumptions	1,686,871	2,306,271
Net Collective Differences Between Projected and Actual Investment Earnings	302,601	
Changes in Proportion	159,444	236,709
Contributions Paid to TRA Subsequent to Measurement Date	744,105	
Totals	$ 3,047,632	$ 2,637,302

$744,105 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Pension Expense Amount
2024	$ (1,966,072)
2025	228,040
2026	23,657
2026	1,371,707
2027	8,893

E. LONG-TERM EXPECTED RETURN ON INVESTMENT

GERP:
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:

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

E. LONG-TERM EXPECTED RETURN ON INVESTMENT (Cont'd)

GERP: (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
	100.00%	

TRA:

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 TRA actuary has determined the average of the expected remaining service 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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	25.00%	0.75%
	100.00%	

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

F. ACTUARIAL ASSUMPTIONS

GERP:

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

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

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

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

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

The following changes in actuarial assumptions occurred in 2022:

Changes in Actuarial Assumptions:

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

TRA:

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

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

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

F. ACTUARIAL ASSUMPTIONS (Cont'd)

TRA: (Cont'd)

Actuarial Assumptions	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of Living Adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumptions	
Pre-Retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-Retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-Disability	RP-2014 disabled retiree mortality table, without adjustment.

The following changes in actuarial assumptions occurred since the 2021 valuation:

None.

G. DISCOUNT RATE

GERP:

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

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

G. DISCOUNT RATE (Cont'd)

TRA:

The discount rate used to measure the total pension liability was 7.00 percent. 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).

H. PENSION LIABILITY SENSITIVITY

The following presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraphs, 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:

	GERP		TRA	
1% Lower	5.50%	$ 5,817,200	6.00%	$ 16,624,941
Current Discount Rate	6.50%	3,682,815	7.00%	10,545,839
1% Higher	7.50%	1,932,291	8.00%	5,562,871

I. PENSION PLAN FIDUCIARY NET POSITION

GERP:

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

TRA:

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

NOTE 11. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

A. PLAN DESCRIPTION

The District operates a single-employer retiree benefit plan (the Plan) that provides health, dental, and life insurance to eligible employees and their spouses through the City's/Commission's commercial insurance plans. There are 115 active participants and 7 retired participants. Benefit and eligibility provisions are established through negotiations between the District and employee groups including a union. The union contract is renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

NOTE 11. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Cont'd)

B. TOTAL OPEB LIABILITY

The District's total OPEB liability of $1,514,672 was measured as of June 30, 2022, and was determined by an actuarial valuation as of that date. Update procedures were used to roll forward the total OPEB liability to June 30, 2023.

C. CHANGES IN TOTAL OPEB LIABILITY

Changes in the total OPEB liability were as follows:

	Total OPEB Liability
Beginning of Year	$ 1,411,754
Changes for the year:	
Service Cost	62,977
Interest	26,090
Differences Between Expected and Actual Experience	256,161
Changes of Assumptions or Other Inputs	(10,520)
Benefit Payments	(231,790)
Net changes	102,918
End of Year	$ 1,514,672

Changes of assumptions and other inputs reflect a change in the discount rate from 1.92% in 2022 to 3.69% in 2023.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.69%) or 1-percentage-point higher (4.69%) than the current discount rate:

	1.0% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1.0% Increase in Discount Rate (4.69%)
Total OPEB Liability	$ 1,580,913	$ 1,514,672	$ 1,449,860

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.80% decreasing to 2.90%) or 1-percentage-point higher (7.80% decreasing to 4.90%) than the current healthcare cost trend rates:

NOTE 11. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Cont'd)

C. CHANGES IN TOTAL OPEB LIABILITY (Cont'd)

	1.0% Decrease (5.80% decreasing to 2.90%)	Healthcare Cost Trend Rates (6.80% decreasing to 3.90%)	1.0% Increase (7.80% decreasing to 4.90%)
Total OPEB Liability	$ 1,469,003	$ 1,514,672	$ 1,568,686

D. OPEB EXPENSE, 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 $133,510. 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
Differences Between Expected and Actual Experience	$ 450,434	$ 152,991
Changes in Actuarial Assumptions or Other Inputs	49,114	71,979
Contributions Paid Subsequent to Measurement Date	215,659	
Totals	$ 715,207	$ 224,970

$215,659 reported as deferred outflows of resources related to OPEB resulting from the 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. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	OPEB Expense Amount
2024	$ 57,962
2025	57,962
2026	61,802
2027	24,296
2028	3,523
Thereafter	69,033

NOTE 11. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Cont'd)

E. ACTUARIAL METHODS AND ASSUMPTIONS

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

Inflation	2.50%
Salary Increases	Based on the most recently disclosed assumptions for the pension plan in which the employee participates.
Healthcare Cost Trend Rates	6.80% for 2023, gradually decreasing over several decades to an ultimate rate of 3.90% for 2076 and later years.
Retiree's Share of Benefit-Related Costs	Assumed to increase with healthcare trend rates.

A discount rate of 3.69% was applied in the measurement of the total OPEB liability. The discount rate is based on the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on the RP-2014 Mortality Tables with projected mortality improvements based on scale MP-2015 and other adjustments.

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

NOTE 12. DEFERRED COMPENSATION PLAN

The District implemented a 403(b)/ Health Retirement Account plan effective January 1, 2007. This 403(b)/Health Retirement Account plan replaced the existing Early Retirement Plan and Severance Plan. Full-time employees will contribute (see schedule below) to the 403(b) portion of the Plan while receiving matching contributions from the District that will be deposited into their Health Retirement Account. Part-time employees shall receive prorated benefits proportional to the extent of their employment.

Years of Service	District Contribution	Teacher Contribution
0-4	$	$
5-10	500	500
11-15	1,000	1,000
16+	1,500	1,500

Employees hired prior to January 15, 2006 qualify for both the 403(b)/Health Retirement Account Plan and the Post Retirement Health Care Savings Plan severance payment based on the employees' 175 day Daily Rate of Pay calculation. Employees hired after January 15, 2006 only qualify for the 403(b)/Health Retirement Account Plan.

NOTE 13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees (workers' compensation); and natural disasters. To mitigate these risks, the District has obtained commercial property and casualty insurance and workers' compensation coverage. The District pays an annual premium with no additional assessments.

There have been no significant reductions in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. The District's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for the year is estimated to be immaterial based on workers' compensation rates and salaries for the year.

NOTE 14. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The following is a summary of the major components of deferred outflows and inflows as presented in the Statement of Net Position:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Related to Pensions	$ 4,327,081	$ 2,714,855
Related to OPEB	715,207	224,970
Property Taxes Levied for Subsequent Year		5,953,440
Leases		33,931
Total	$ 5,042,288	$ 8,927,196

NOTE 15. COMMITMENTS AND CONTINGENCIES

A. CONSTRUCTION COMMITMENT

The District has active construction projects, including the following:

	Original Contract	Remaining Commitment
Middle School High School Renovations	$ 13,759,067	$ 280,247
Lake Ripley Elementary School Interior Renovations	7,468,725	333,544
Middle School High School Storefront Replacement	391,200	20,905
Middle School High School Site Improvements	908,018	45,401
Total Construction Commitment	$ 22,527,010	$ 680,097

NOTE 16. PRIOR PERIOD ADJUSTMENT

Net position of the governmental activities as of June 30, 2022 has been adjusted to reflect a correction of an error. In the District's June 30, 2022 financial statements, $943,361 in Construction in Progress capital assets were incorrectly excluded from the District's capital asset balances. The June 30, 2022 balance for Construction in Progress capital assets and the expenses of Site and Buildings have been restated from $19,443,071 to $20,386,432 (an increase of $943,361), and from $4,371,031 to $3,427,670 (a decrease of $943,361), respectively.

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REQUIRED SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #465

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2023

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Pensions							
GERP							
6/30/2022	0.0465%	$ 3,682,815	$ 108,052	$ 3,790,867	$ 3,495,920	108.44%	76.67%
6/30/2021	0.0455%	1,943,054	59,350	2,002,404	3,269,480	61.25%	87.00%
6/30/2020	0.0443%	2,655,987	81,962	2,737,949	3,169,200	86.39%	79.06%
6/30/2019	0.0461%	2,548,766	79,163	2,627,929	3,249,533	80.87%	80.23%
6/30/2018	0.0449%	2,490,868	81,753	2,572,621	3,039,120	84.65%	79.53%
6/30/2017	0.0447%	2,853,618	35,881	2,889,499	2,877,720	100.41%	75.90%
6/30/2016	0.0448%	3,637,538	47,523	3,685,061	2,840,947	129.73%	68.91%
6/30/2015	0.0489%	2,534,252		2,534,252	2,844,173	89.10%	78.19%
6/30/2014	0.0533%	2,503,767		2,503,767	2,800,793	89.39%	78.75%
TRA							
6/30/2022	0.1317%	10,545,839	782,251	11,328,090	8,277,566	136.85%	76.17%
6/30/2021	0.1315%	5,754,833	485,388	6,240,221	7,890,172	79.09%	86.63%
6/30/2020	0.1321%	9,759,725	818,062	10,577,787	7,630,909	138.62%	75.48%
6/30/2019	0.1386%	8,834,393	781,995	9,616,388	7,969,507	120.66%	78.21%
6/30/2018	0.1361%	8,548,354	803,214	9,351,568	7,596,907	123.10%	78.07%
6/30/2017	0.1331%	26,569,174	2,568,949	29,138,123	7,211,493	404.05%	51.57%
6/30/2016	0.1339%	31,938,345	3,204,905	35,143,250	6,971,493	504.03%	44.88%
6/30/2015	0.1445%	8,938,754	1,096,259	10,035,013	7,268,813	138.03%	76.77%
6/30/2014	0.1527%	7,036,306	494,867	7,531,173	6,605,321	114.02%	81.50%

The District implemented GASB Statement No. 68 for fiscal year ended June 30, 2015. Information for prior years is not available.

See Accompanying Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT #465

SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2023

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
Pensions					
GERP					
6/30/2023	$ 276,848	$ 276,848	$	$ 3,691,307	7.50%
6/30/2022	262,194	262,194		3,495,920	7.50%
6/30/2021	245,211	245,211		3,269,480	7.50%
6/30/2020	237,690	237,690		3,169,200	7.50%
6/30/2019	243,715	243,715		3,249,533	7.50%
6/30/2018	227,934	227,934		3,039,120	7.50%
6/30/2017	215,829	215,829		2,877,720	7.50%
6/30/2016	213,071	213,071		2,840,947	7.50%
6/30/2015	213,313	213,313		2,844,173	7.50%
TRA					
6/30/2023	744,105	744,105		8,702,982	8.55%
6/30/2022	690,349	690,349		8,277,566	8.34%
6/30/2021	641,471	641,471		7,890,172	8.13%
6/30/2020	604,368	604,368		7,630,909	7.92%
6/30/2019	614,449	614,449		7,969,507	7.71%
6/30/2018	569,768	569,768		7,596,907	7.50%
6/30/2017	540,862	540,862		7,211,493	7.50%
6/30/2016	522,862	522,862		6,971,493	7.50%
6/30/2015	545,161	545,161		7,268,813	7.50%

The District implemented GASB Statement No. 68 for fiscal year ended June 30, 2015. Information for prior years is not available.

See Accompanying Notes to Required Supplementary Information.

INDEPENDENT SCHOOL DISTRICT #465

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
JUNE 30, 2023

	Measurement Date					
	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Service Cost	$ 62,977	$ 55,998	$ 76,281	$ 68,062	$ 78,875	$ 82,975
Interest	26,090	34,304	56,474	65,932	50,156	44,968
Differences Between Expected and Actual Experience	256,161	51,205	(236,898)		465,461	
Changes in Assumptions	(10,520)	33,256	(74,296)	34,580	14,499	(51,843)
Benefit Payments	(231,790)	(214,316)	(196,519)	(191,140)	(180,298)	(225,953)
Net Change in Total OPEB Liability	102,918	(39,553)	(374,958)	(22,566)	428,693	(149,853)
Total OPEB Liability - Beginning of Year	1,411,754	1,451,307	1,826,265	1,848,831	1,420,138	1,569,991
Total OPEB Liability - End of Year	$ 1,514,672	$ 1,411,754	$ 1,451,307	$ 1,826,265	$ 1,848,831	$ 1,420,138
Covered Employee Payroll	$ 11,478,238	$ 10,336,940	$ 9,862,122	$ 9,979,671	$ 10,877,825	$ 10,655,201
Total OPEB Liability as a % of Covered Employee Payroll	13.20%	13.66%	14.72%	18.30%	17.00%	13.33%

The District implemented GASB Statement No. 75 for the year ended June 30, 2018. Information for prior years is not available.

See Accompanying Notes to Required Supplementary Information.

NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2022 Changes:
There have been no changes since the prior valuation.

2021 Changes:
There have been no changes since the prior valuation.

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

2019 Changes:
The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 Changes:
The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

Contribution stabilizer provisions were repealed.

Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.

Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes:
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:
There have been no changes since the prior valuation.

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2015 Changes:
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.

2014 Changes:
There have been no changes since the prior valuation.

B. TEACHERS RETIREMENT ASSOCIATION (TRA)

2022 Changes:
There have been no changes since the prior valuation.

2021 Changes:
There have been no changes since the prior valuation.

2020 Changes:
There have been no changes since the prior valuation.

2019 Changes:
There have been no changes since the prior valuation.

2018 Changes:
The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.

Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.

The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.

Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.

The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, 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.

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

2017 Changes:
There have been no changes since the prior valuation.

2016 Changes:
There have been no changes since the prior valuation.

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

2014 Changes:
The increase in the post-retirement benefit adjustment (COLA) is to be made once the System is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

C. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST

2022 Changes:
Retiree premiums were updated to current levels.

2021 Changes:
There have been no changes since the prior valuation.

2020 Changes:
Medical and dental premiums were updated to current levels.

2019 Changes:
There have been no changes since the prior valuation.

2018 Changes:
Retiree premiums were updated to current levels.

2017 Changes:
There have been no changes since the prior valuation.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2022 Changes:
The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 Changes:
The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.

The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2020 Changes:
The price inflation assumption was decreased from 2.50% to 2.25%.

The payroll growth assumption was decreased from 3.25% to 3.00%.

Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.

Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

The assumed spouse age difference was changed from two years older for females to one year older.

The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 Changes:
The mortality projection scale was changed from MP-2017 to MP-2018.

2018 Changes:
The mortality projection was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2017 Changes:
The Combined Service Annuity (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, 15.0% for vested deferred member liability and 3.0% 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.

2016 Changes:
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 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, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes:
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.

B. TEACHERS RETIREMENT ASSOCIATION (TRA)

2022 Changes:
There have been no changes since the prior valuation.

2021 Changes:
The investment return assumption was changed from 7.50% to 7.00%.

2020 Changes:
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 5 years and female rates set back 7 years. Generational projection uses the MP-2015 scale.

Assumed form of annuity election proportions were changed to a more closely reflect actual experience for female retirees.

2019 Changes:
There have been no changes since the prior valuation.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

2018 Changes:
The investment return assumption was changed from 8.50% to 7.50%.

The price inflation assumption was lowered from 3.00% to 2.50%.

The payroll growth assumption was lowered from 3.50% to 3.00%.

The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for 10 years followed by 0.75%, thereafter.

The total salary increase assumption was adjusted by the wage inflation change.

The amortization date for the funding of the Unfunded Actuarial Accrued Liability (UAAL) was reset to June 30, 2048 (30 years).

A mechanism in the law that provided the TRA Board with some authority to set contribution rates was eliminated.

2017 Changes:
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 8.00% to 7.50%.

The price inflation assumption was lowered from 2.75% to 2.50%.

The payroll growth assumption was lowered from 3.50% to 3.00%.

The general wage growth assumption was lowered from 3.50% to 2.85% for 10 years followed by 3.25%, thereafter.

The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes:
The price inflation assumption was lowered from 3.00% to 2.75%.

The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.50%.

Minor changes at 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 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

2016 Changes: (Cont'd)
The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 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 forms of payment at retirement were made.

2015 Changes:
The Cost of Living Adjustment was not assumed to increase to 2.5%, but remain at 2.0% for all future years.

The investment return assumption was changed from 8.25% to 8.00%.

2014 Changes:
The Cost of Living Adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2034.

C. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST

2022 Changes:
The discount rate was changed from 1.92% to 3.69% based on updated 20-year municipal bond rates.

Healthcare trend rates were reset to reflect updated cost increase expectations.

Medical per capita claim costs were updated to reflect recent experience and new plan offerings.

Mortality rates were updated from the rates used in the 7/1/2020 PERA General Employees Plan valuation to the rates used in the 7/1/2022 valuation.

The percent of teachers eligible for HCSP payments and principals electing medical coverage upon retirement was increased from 30% to 45% to reflect recent plan experience.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

C. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST (Cont'd)

The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings. The following table provides the changes for the assumed percent electing each plan:

Medical Plan	Fiscal 2023 Valuation	Fiscal 2022 Valuation
$1,000 Deductible	15%	15%
$3,375 Deductible- 100% HSA	65%	70%
$5,000 Deductible- 100% HSA	15%	N/A
$6,750 Deductible- 100% HSA	5%	15%

The inflation assumption was changed from 2.25% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2021 Changes:
The discount rate was changed from 2.45% to 1.92% based on updated 20-year municipal bond rates.

2020 Changes:
The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates.

Healthcare trend rates were reset to reflect updated cost increase expectations.

Medical per capita claims costs were updated to reflect recent experience and new plan offerings, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.

Withdrawal, retirement, mortality, disability, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 Teachers Retirement Association valuations to the rates used in the 7/1/2020 valuations.

The percent of future teachers and principal retirees eligible assumed to elect coverage at retirement changed from 40% to 30% to reflect recent plan experience.

The percent of future non-teachers and non-principal retirees assumed to elect coverage at retirement changed from 20% to 10% to reflect recent plan experience.

The percent of future retirees assumed to elect spouse coverage at retirement changed from 20% to 30% to reflect recent plan experience.

The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.

The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2019 Changes:
The discount rate has decreased from 3.62% to 3.13%.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

C. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST (Cont'd)

2018 Changes:
Changes of assumptions and other inputs reflect a change in the inflation rate from 2.75% in 2017, to 2.50% in 2018.

Changes of assumptions and other inputs reflect a change in the health care trend rate from (6.90% decreasing to 4.40%) in 2017, to (6.90% decreasing to 4.00%) in 2018.

2017 Changes:
There have been no changes since the prior valuation.

SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #465

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	Food Service	Community Service	Total
ASSETS			
Cash and Investments	$ 737,221	$ 439,150	$ 1,176,371
Receivables			
Accounts	760		760
Current Property Taxes		71,587	71,587
Delinquent Property Taxes		838	838
Due from Other Governments			
Other Minnesota School Districts		7,399	7,399
State Department of Education		15,088	15,088
Federal Department of Education	12,529	3,310	15,839
Other Governmental Units		40,000	40,000
Inventory	32,978		32,978
Total Assets	$ 783,488	$ 577,372	$ 1,360,860
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Payables			
Accounts	$ 20,800	$ 4,370	$ 25,170
Salaries	32,768	35,540	68,308
Payroll Deductions	20,914	14,415	35,329
Due to Other Minnesota School Districts	13,948		13,948
Due to Other Governmental Units		5	5
Unearned Revenue	17,751	21,339	39,090
Total Liabilities	106,181	75,669	181,850
Deferred Inflows of Resources			
Property Taxes Levied for Subsequent Year		158,310	158,310
Unavailable Revenue - Delinquent Property Taxes		838	838
Total Deferred Inflows of Resources	0	159,148	159,148
Fund Balance			
Restricted	677,307	356,724	1,034,031
Unassigned		(14,169)	(14,169)
Total Fund Balance	677,307	342,555	1,019,862
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 783,488	$ 577,372	$ 1,360,860

INDEPENDENT SCHOOL DISTRICT #465

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	Food Service	Community Service	Total
REVENUES			
Local Property Tax Levies	$	$ 157,471	$ 157,471
Other Local and County Revenues	60,069	489,315	549,384
Revenue from State Sources	69,145	135,653	204,798
Revenue from Federal Sources	714,026	9,683	723,709
Sales and Other Conversions of Assets	417,189		417,189
Total Revenues	1,260,429	792,122	2,052,551
EXPENDITURES			
Current			
Community Education and Services		720,537	720,537
Food Service	1,081,962		1,081,962
Capital Outlay	78,940	5,587	84,527
Total Expenditures	1,160,902	726,124	1,887,026
Net Change in Fund Balances	99,527	65,998	165,525
FUND BALANCE, BEGINNING OF YEAR	577,780	276,557	854,337
FUND BALANCE, END OF YEAR	$ 677,307	$ 342,555	$ 1,019,862

INDEPENDENT SCHOOL DISTRICT #465

BALANCE SHEET
GENERAL FUND
JUNE 30, 2023
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	2023	2022
ASSETS		
Cash and Investments	$ 4,438,520	$ 4,025,616
Receivables		
Accounts		164,416
Current Property Taxes	1,497,088	1,344,639
Delinquent Property Taxes	17,473	15,639
Lease Receivables	33,931	49,679
Due from Other Governments		
Other Minnesota School Districts	173,094	178,985
State Department of Education	1,481,721	1,235,486
Federal Department of Education	424,512	592,428
Other Governmental Units	16,816	16,332
Prepaid Items	58,961	87,691
Total Assets	$ 8,142,116	$ 7,710,911
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Payables		
Accounts	$ 240,029	$ 274,936
Contracts		46,181
Salaries	929,349	888,957
Payroll Deductions	869,173	825,866
Due to Other Minnesota School Districts	211,796	169,573
Due to Other Governmental Units	44,355	24,914
Unearned Revenue	106,422	67,780
Total Liabilities	2,401,124	2,298,207
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year	3,170,842	2,736,915
Unavailable Revenue - Delinquent Property Taxes	17,473	15,639
Lease	33,931	49,679
Total Deferred Inflows of Resources	3,222,246	2,802,233
Fund Balance		
Nonspendable	58,961	87,691
Restricted	742,919	710,381
Assigned	92,366	128,350
Unassigned	1,624,500	1,684,049
Total Fund Balance	2,518,746	2,610,471
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 8,142,116	$ 7,710,911

INDEPENDENT SCHOOL DISTRICT #465

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2023
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Local Property Tax Levies				
Tax Levy	$ 2,905,433	$ 2,908,629	$ 3,196	$ 2,743,758
Other Local and County Revenues				
Revenue from Other Minnesota Districts	117,000	105,762	(11,238)	121,540
Tuition, Fees and Admissions	194,468	201,791	7,323	155,815
Investment Earnings	57,295	91,637	34,342	5,389
Other Local Revenues	328,322	614,449	286,127	578,052
Total Other Local and County Revenues	697,085	1,013,639	316,554	860,796
Revenue from State Sources				
Endowment Apportionment	69,243	72,874	3,631	61,057
General Education Aid	13,442,795	13,238,096	(204,699)	12,858,112
Market Value Credit	10,021	10,021		6,229
Literacy Incentive Aid	86,787	86,787		78,288
Special Education Aid	2,609,883	2,571,507	(38,376)	2,480,750
Long-Term Facilities Maintenance Aid	158,842	152,942	(5,900)	154,044
Other State Revenues	60,704	53,115	(7,589)	48,677
Total Revenue from State Sources	16,438,275	16,185,342	(252,933)	15,687,157
Revenue from Federal Sources				
Title I - Grants to Local Educational Agencies	223,816	223,341	(475)	223,129
Title II - Part A - Teacher Quality State Grants	35,640	34,172	(1,468)	49,928
Title III - English Language Acquisition	6,000	6,588	588	6,059
Carl Perkins	7,000	7,419	419	8,250
Special Education	151,010	152,570	1,560	124,677
Other Federal Revenues	863,849	1,568,372	704,523	897,551
Total Revenue from Federal Sources	1,287,315	1,992,462	705,147	1,309,594
Sales and Other Conversions of Assets				
Sales and Insurance Recovery	64,500	(52,800)	(117,300)	100,624
Total Revenues	21,392,608	22,047,272	654,664	20,701,929

INDEPENDENT SCHOOL DISTRICT #465

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2023
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Final Budget	Actual	Over (Under) Final Budget	Actual
EXPENDITURES				
Current				
Administration				
Salaries and Wages	$ 802,554	$ 818,744	$ 16,190	$ 722,228
Employee Benefits	271,702	272,620	918	252,420
Purchased Services	21,611	17,830	(3,781)	15,713
Supplies and Materials	14,864	13,569	(1,295)	16,714
Other Expenditures	19,450	16,232	(3,218)	19,675
Total Administration	1,130,181	1,138,995	8,814	1,026,750
District Support Services				
Salaries and Wages	297,665	308,617	10,952	284,150
Employee Benefits	159,958	161,958	2,000	135,060
Purchased Services	275,472	259,156	(16,316)	188,453
Supplies and Materials	29,130	38,656	9,526	21,667
Other Expenditures	3,000	2,465	(535)	2,257
Total District Support Services	765,225	770,852	5,627	631,587
Elementary and Secondary Regular Instruction				
Salaries and Wages	5,979,403	5,829,314	(150,089)	5,768,810
Employee Benefits	1,831,761	1,821,178	(10,583)	1,835,221
Purchased Services	406,938	441,521	34,583	358,268
Supplies and Materials	743,930	870,852	126,922	801,944
Other Expenditures	8,500	13,036	4,536	17,167
Total Elementary and Secondary Regular Instruction	8,970,532	8,975,901	5,369	8,781,410
Vocational Education Instruction				
Salaries and Wages	272,412	272,218	(194)	253,081
Employee Benefits	70,616	67,164	(3,452)	64,849
Purchased Services		146	146	
Supplies and Materials	13,842	17,979	4,137	17,768
Total Vocational Education Instruction	356,870	357,507	637	335,698

INDEPENDENT SCHOOL DISTRICT #465

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2023
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Final Budget	Actual	Over (Under) Final Budget	Actual
EXPENDITURES (Cont'd)				
Current (Cont'd)				
Special Education Instruction				
Salaries and Wages	$ 2,866,953	$ 2,827,392	$ (39,561)	$ 2,612,027
Employee Benefits	686,089	664,594	(21,495)	614,332
Purchased Services	408,906	429,796	20,890	483,053
Supplies and Materials	22,575	12,685	(9,890)	23,597
Other Expenditures	18,000	15,039	(2,961)	17,566
Total Special Education Instruction	4,002,523	3,949,506	(53,017)	3,750,575
Instructional Support Services				
Salaries and Wages	621,032	784,786	163,754	760,921
Employee Benefits	201,351	197,676	(3,675)	176,881
Purchased Services	107,898	73,196	(34,702)	79,621
Supplies and Materials	48,444	694,466	646,022	59,454
Other Expenditures	25,000	21,544	(3,456)	4,873
Total Instructional Support Services	1,003,725	1,771,668	767,943	1,081,750
Pupil Support Services				
Salaries and Wages	364,528	368,164	3,636	313,581
Employee Benefits	101,027	100,036	(991)	84,034
Purchased Services	1,880,960	1,920,505	39,545	1,823,649
Supplies and Materials	10,820	9,120	(1,700)	10,655
Other Expenditures	2,575	2,271	(304)	2,252
Total Pupil Support Services	2,359,910	2,400,096	40,186	2,234,171
Sites and Buildings				
Salaries and Wages	737,007	745,668	8,661	714,545
Employee Benefits	130,798	153,348	22,550	143,099
Purchased Services	1,105,975	916,032	(189,943)	824,141
Supplies and Materials	371,193	406,136	34,943	371,164
Total Sites and Buildings	2,344,973	2,221,184	(123,789)	2,052,949
Fiscal and Other Fixed Costs Programs				
Purchased Services	81,550	81,549	(1)	93,146
Other Expenditures	13,000	32,250	19,250	14,375
Total Fiscal and Other Fixed Costs Programs	94,550	113,799	19,249	107,521
Total Current	21,028,489	21,699,508	671,019	20,002,411

INDEPENDENT SCHOOL DISTRICT #465

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2023
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Final Budget	Actual	Over (Under) Final Budget	Actual
EXPENDITURES (Cont'd)				
Capital Outlay				
Administration	$ 398	$ 531	$ 133	$ 34
District Support Services	33,916	44,555	10,639	196,045
Elementary and Secondary Regular Instruction	43,565	77,087	33,522	48,370
Special Education Instruction	1,989	2,652	663	3,203
Instructional Support Services	270,993	476,462	205,469	285,631
Pupil Support Services				40,982
Sites and Buildings	87,221	476,506	389,285	42,483
Total Capital Outlay	438,082	1,077,793	639,711	616,748
Total Expenditures	21,466,571	22,777,301	1,310,730	20,619,159
Excess (Deficiency) of Revenues Over (Under) Expenditures	(73,963)	(730,029)	(656,066)	82,770
OTHER FINANCING SOURCES (USES)				
Insurance Recovery		280,376	280,376	
Proceeds From Financed Purchase		357,928	357,928	
Proceeds From Long-Term Leases				151,417
Total Other Financing Sources (Uses)	0	638,304	638,304	151,417
Net Change in Fund Balance	$ (73,963)	(91,725)	$ (17,762)	234,187
FUND BALANCE, BEGINNING OF YEAR		2,610,471		2,376,284
FUND BALANCE, END OF YEAR		$ 2,518,746		$ 2,610,471

INDEPENDENT SCHOOL DISTRICT #465

BALANCE SHEET
FOOD SERVICE SPECIAL REVENUE FUND
JUNE 30, 2023
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	2023	2022
ASSETS		
Cash and Investments	$ 737,221	$ 643,075
Receivables		
Accounts	760	
Due from Other Governments		
Federal Department of Education	12,529	8,047
Other Governmental Units		1,000
Inventory	32,978	26,145
Total Assets	$ 783,488	$ 678,267
LIABILITIES AND FUND BALANCE		
Liabilities		
Payables		
Accounts	$ 20,800	$ 5,205
Salaries	32,768	31,575
Payroll Deductions	20,914	19,405
Due to Other Minnesota School Districts	13,948	14,318
Unearned Revenue	17,751	29,984
Total Liabilities	106,181	100,487
Fund Balance		
Restricted	677,307	577,780
Total Liabilities and Fund Balance	$ 783,488	$ 678,267

INDEPENDENT SCHOOL DISTRICT #465

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOOD SERVICE SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Other Local and County Revenues				
Investment Earnings	$ 9,800	$ 22,325	$ 12,525	$ 891
Other Local and County Revenues	71,233	37,744	(33,489)	15,653
Total Other Local and County Revenues	81,033	60,069	(20,964)	16,544
Revenue from State Sources				
State School Lunch Aid	28,930	30,116	1,186	34,824
Breakfast Program	9,529	10,758	1,229	
Minnesota Kindergarten Milk	3,750	3,271	(479)	3,809
Other Revenue from State Sources		25,000	25,000	9,000
Total Revenue from State Sources	42,209	69,145	26,936	47,633
Revenue from Federal Sources				
School Lunch Program	110,778	197,336	86,558	30,180
Free-Reduced Lunch Aid	346,118	298,295	(47,823)	770,355
Summer Food Service Program	20,000	24,214	4,214	78,405
Breakfast Program	78,921	91,302	12,381	116,956
Milk Program	484	610	126	567
USDA Commodities	63,500	85,037	21,537	75,918
Other Federal Revenues	748	17,232	16,484	6,235
Total Revenue from Federal Sources	620,549	714,026	93,477	1,078,616
Sales and Other Conversions of Assets	390,074	417,189	27,115	132,204
Total Revenues	1,133,865	1,260,429	126,564	1,274,997
EXPENDITURES				
Current				
Food Service				
Salaries and Wages	344,888	345,341	453	314,718
Employee Benefits	82,241	83,553	1,312	77,287
Purchased Services	73,379	81,005	7,626	69,339
Supplies and Materials	526,150	570,619	44,469	521,327
Other Expenditures	1,490	1,444	(46)	1,399
Capital Outlay				
Food Service	79,250	78,940	(310)	32,537
Total Expenditures	1,107,398	1,160,902	53,504	1,016,607
Net Change in Fund Balance	$ 26,467	99,527	$ 73,060	258,390
FUND BALANCE, BEGINNING OF YEAR		577,780		319,390
FUND BALANCE, END OF YEAR		$ 677,307		$ 577,780

INDEPENDENT SCHOOL DISTRICT #465

BALANCE SHEET
COMMUNITY SERVICE SPECIAL REVENUE FUND
JUNE 30, 2023
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	2023	2022
ASSETS		
Cash and Investments	$ 439,150	$ 384,065
Receivables		
Current Property Taxes	71,587	72,235
Delinquent Property Taxes	838	842
Due from Other Governments		
Other Minnesota School Districts	7,399	
State Department of Education	15,088	15,824
Federal Department of Education	3,310	
Other Governmental Units	40,000	45,906
Total Assets	$ 577,372	$ 518,872
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Payables		
Accounts	$ 4,370	$ 4,238
Salaries	35,540	34,856
Payroll Deductions	14,415	18,802
Due to Other Governmental Units	5	
Unearned Revenue	21,339	24,972
Total Liabilities	75,669	82,868
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year	158,310	158,605
Unavailable Revenue - Delinquent Property Taxes	838	842
Total Deferred Inflows of Resources	159,148	159,447
Fund Balance		
Restricted	356,724	277,836
Unassigned	(14,169)	(1,279)
Total Fund Balance	342,555	276,557
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 577,372	$ 518,872

INDEPENDENT SCHOOL DISTRICT #465

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
COMMUNITY SERVICE SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Local Property Tax Levies				
Tax Levy	$ 156,884	$ 157,471	$ 587	$ 158,361
Other Local and County Revenues				
Revenue from Other Minnesota School Districts	47,680	47,355	(325)	47,355
Tuition, Fees and Admissions	374,538	405,994	31,456	398,577
Investment Earnings	5,896	11,773	5,877	537
Other Local and County Revenues	23,500	24,193	693	30,971
Total Other Local and County Revenues	451,614	489,315	37,701	477,440
Revenue from State Sources				
Preschool Screening	4,125	5,410	1,285	5,100
Early Childhood	56,988	56,955	(33)	63,647
Learning Readiness	65,771	65,737	(34)	68,350
Aid to Nonpublic Schools	8,616	5,783	(2,833)	5,936
Market Value Credit	1,672	1,672		1,207
Other State Revenues	96	96		164
Total Revenue from State Sources	137,268	135,653	(1,615)	144,404
Revenue from Federal Sources				
Other Federal Revenues	6,374	9,683	3,309	23,092
Total Revenues	752,140	792,122	39,982	803,297
EXPENDITURES				
Current				
Community Education and Services				
Salaries and Wages	499,653	505,302	5,649	447,225
Employee Benefits	90,719	91,510	791	79,126
Purchased Services	80,622	70,729	(9,893)	68,646
Supplies and Materials	66,538	51,987	(14,551)	56,444
Other Expenditures	12,300	1,009	(11,291)	14,086
Capital Outlay				
Community Education and Services	5,178	5,587	409	6,088
Total Expenditures	755,010	726,124	(28,886)	671,615
Net Change in Fund Balance	$ (2,870)	65,998	$ 68,868	131,682
FUND BALANCE, BEGINNING OF YEAR		276,557		144,875
FUND BALANCE, END OF YEAR		$ 342,555		$ 276,557

INDEPENDENT SCHOOL DISTRICT #465

BALANCE SHEET
BUILDING CONSTRUCTION CAPITAL PROJECT FUND
JUNE 30, 2023
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	2023	2022
ASSETS		
Cash and Investments	$ 1,554,408	$ 10,356,028
LIABILITIES AND FUND BALANCE		
Liabilities		
Payables		
Accounts	$ 12,562	$ 156,519
Contracts	664,180	2,437,589
Total Liabilities	676,742	2,594,108
Fund Balance		
Restricted	877,666	7,761,920
Total Liabilities and Fund Balance	$ 1,554,408	$ 10,356,028

INDEPENDENT SCHOOL DISTRICT #465

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUILDING CONSTRUCTION CAPITAL PROJECT FUND
YEAR ENDED JUNE 30, 2023
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Other Local and County Revenues				
Investment Earnings	$ 284,144	$ 293,154	$ 9,010	$ 225,031
Other Local Revenues	126,000	128,886	2,886	35,478
Total Revenues	410,144	422,040	11,896	260,509
EXPENDITURES				
Current				
Sites and Buildings				
Purchased Services	700,000	459,615	(240,385)	1,233,578
Capital Outlay				
Sites and Buildings	6,958,597	6,846,679	(111,918)	14,025,934
Total Expenditures	7,658,597	7,306,294	(352,303)	15,259,512
Net Change in Fund Balance	$ (7,248,453)	(6,884,254)	$ 364,199	(14,999,003)
FUND BALANCE, BEGINNING OF YEAR		7,761,920		22,760,923
FUND BALANCE, END OF YEAR		$ 877,666		$ 7,761,920

INDEPENDENT SCHOOL DISTRICT #465

BALANCE SHEET
DEBT SERVICE FUND
JUNE 30, 2023
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	2023	2022
ASSETS		
Cash and Investments	$ 1,763,739	$ 1,662,956
Receivables		
Current Property Taxes	1,452,368	1,327,769
Delinquent Property Taxes	13,897	13,045
Due from Other Governments		
State Department of Education	47,670	47,352
Total Assets	$ 3,277,674	$ 3,051,122
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year	$ 2,624,288	$ 2,457,946
Unavailable Revenue - Delinquent Property Taxes	13,897	13,045
Total Deferred Inflows of Resources	2,638,185	2,470,991
Fund Balance		
Restricted	639,489	580,131
Total Deferred Inflows of Resources and Fund Balance	$ 3,277,674	$ 3,051,122

INDEPENDENT SCHOOL DISTRICT #465

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2023
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022

	2023			2022
	Final Budget	Actual	Over (Under) Final Budget	Actual
REVENUES				
Local Property Tax Levies				
Tax Levy	$ 2,064,395	$ 2,058,926	$ (5,469)	$ 2,219,573
Other Local and County Revenues				
Investment Earnings	27,183	43,064	15,881	2,486
Revenue from State Sources				
Market Value Credit	25,905	25,905		19,848
Long Term Facilities Maintenance Aid	71,147	71,147		71,079
Other State Revenues	379,647	379,647		381,538
Total Revenue from State Sources	476,699	476,699	0	472,465
Total Revenues	2,568,277	2,578,689	10,412	2,694,524
EXPENDITURES				
Debt Service				
Fiscal and Other Fixed Costs Programs				
Principal	1,385,000	1,385,000		1,440,000
Interest	1,132,906	1,132,906		1,241,195
Service Charges	1,900	1,425	(475)	1,902
Total Expenditures	2,519,806	2,519,331	(475)	2,683,097
Net Change in Fund Balance	$ 48,471	59,358	$ 10,887	11,427
FUND BALANCE, BEGINNING OF YEAR		580,131		568,704
FUND BALANCE, END OF YEAR		$ 639,489		$ 580,131

REQUIRED REPORTS

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INDEPENDENT SCHOOL DISTRICT #465

UFARS COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2023

	Audited	UFARS	Difference
01 GENERAL FUND			
Total Revenue	$ 22,047,272	$ 22,047,272	$
Total Expenditures	22,777,301	22,777,301	
Nonspendable:			
460 Nonspendable	58,961	58,961	
Restricted/Reserved:			
401 Student Activities	131,137	131,137	
402 Scholarships	76,609	76,609	
403 Staff Development	39,373	39,373	
406 Health and Safety			
407 Capital Projects Levy			
408 Cooperative Programs			
413 Project Funded By Cop			
414 Operating Debt			
416 Levy Reduction			
417 Taconite Building Maintenance			
423 Certain Teacher Programs			
424 Operating Capital	79,443	79,443	
426 $25 Taconite			
427 Disabled Accessibility			
428 Learning & Development			
434 Area Learning Center			
435 Contracted Alt. Programs			
436 State Approved Alt. Programs			
438 Gifted & Talented			
440 Teacher Development & Eval			
441 Basic Skills Programs			
445 Career & Technical Programs			
448 Achievement and Integration			
449 Safe Schools - Crime Levy	21,604	21,604	
450 Transition for Pre-Kindergarten			
451 QZAB and QSCB Payments			
452 OPEB Liab Not Held in a Trust			
453 Unfunded Sev & Retirement Levy			
459 Basic Skills Ext Time			
467 LTFM	354,192	354,192	
472 Medical Assistance	30,567	30,567	
Restricted:			
464 Restricted			
475 Title VII - Impact Aid			
476 PILT	9,994	9,994	
Committed:			
418 Separation/Retirement Benefits			
461 Committed			
Assigned:			
462 Assigned	92,366	92,366	
Unassigned:			
422 Unassigned	1,624,500	1,624,500	
02 FOOD SERVICE			
Total Revenue	1,260,429	1,260,429	
Total Expenditures	1,160,902	1,160,900	2
Nonspendable:			
460 Nonspendable			
Restricted/Reserved:			
452 OPEB Liab Not Held in a Trust			
Restricted:			
464 Restricted	677,307	677,308	(1)
Unassigned:			
463 Unassigned			
04 COMMUNITY SERVICE			
Total Revenue	792,122	792,122	
Total Expenditures	726,124	726,126	(2)
Nonspendable:			
460 Nonspendable			
Restricted/Reserved:			
426 $25 Taconite			
431 Community Education	205,780	205,780	
432 E.C.F.E	129,147	129,147	
440 Teacher Development & Eval			
444 School Readiness	(14,169)	(14,169)	
447 Adult Basic Education	4,187	4,187	
452 OPEB Liab Not Held in a Trust			
Restricted:			
464 Restricted	17,610	17,610	
Unassigned:			
463 Unassigned			

	Audited	UFARS	Difference
06 BUILDING CONSTRUCTION			
Total Revenue	$ 422,040	$ 422,040	$
Total Expenditures	7,306,294	7,306,294	
Nonspendable:			
460 Nonspendable			
Restricted/Reserved:			
407 Capital Projects Levy			
413 Project Funded by COP			
467 LTFM	126,763	126,763	
Restricted:			
464 Restricted	750,903	750,903	
Unassigned:			
463 Unassigned			
07 DEBT SERVICE			
Total Revenue	2,578,689	2,578,688	1
Total Expenditures	2,519,331	2,519,331	
Restricted/Reserved:			
425 Bond Refunding's			
451 QZAB and QSCB Payments			
Restricted:			
464 Restricted	639,489	639,489	
Unassigned:			
463 Unassigned			
08 TRUST			
Total Revenue			
Total Expenditures			
422 Net Assets			
18 CUSTODIAL FUND			
Total Revenue	9,250	9,250	
Total Expenditures	15,273	15,273	
401 Student Activities			
402 Scholarships	16,221	16,221	
448 Achievement and Integration			
Restricted:			
464 Restricted			
20 INTERNAL SERVICE			
Total Revenue			
Total Expenditures			
Unassigned:			
422 Net Assets			
25 OPEB REVOCABLE TRUST			
Total Revenue			
Total Expenditures			
422 Net Assets			
45 OPEB IRREVOCABLE TRUST			
Total Revenue			
Total Expenditures			
422 Net Assets			
47 OPEB DEBT SERVICE			
Total Revenue			
Total Expenditures			
Nonspendable:			
460 Nonspendable Fund Balance			
Restricted:			
425 Bond Refunding			
464 Restricted Fund Balance			
Unassigned:			
463 Unassigned Fund Balance			

INDEPENDENT SCHOOL DISTRICT #465

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor\ Pass-Through Grantor\ Program Title	Assistance Listing Number	Passed Through Entity Identifying Number	Expenditures
U.S. Department of Agriculture			
Minnesota Department of Education			
Child Nutrition Cluster:			
National School Lunch Program:			
Free and Reduced Lunch			$ 445,933
Food Distribution (Commodities-noncash)			85,037
Supply Chain Assistance Funding			49,698
Total National School Lunch Program	10.555	0000193922001	580,668
COVID-19 - Summer Food Service Program	10.559	0000193922001	24,214
School Breakfast Program	10.553	0000193922001	91,302
Special Milk Program for Children	10.556	0000193922001	610
Total Child Nutrition Cluster			696,794
Local Food for Schools Cooperative Agreement Program	10.185	0000193922001	16,484
Pandemic EBT Administrative Costs	10.649	0000193922001	628
Total U.S. Department of Agriculture			713,906
U.S. Department of Education			
Minnesota Department of Education			
Title I Grants to Local Educational Agencies	84.010	0000193922001	223,341
Title II, Part A - Supporting Effective Instruction State Grants	84.367	0000193922001	34,172
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act			
American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	* 0000193922001	824,339
Special Education Cluster:			
Special Education Grants to States	84.027	0000193922001	88,523
Meeker and Wright Special Education Cooperative			
Special Education Cluster:			
Covid-19 Special Education Grants to States	84.027	Not Assigned	41,574
Special Education Preschool Grants	84.173	Not Assigned	17,809
Covid-19 Special Education Preschool Grants	84.173	Not Assigned	4,664
Total Special Education Cluster			152,570
Hutchinson ISD #423			
Title III, Part A - English Language Acquisition State Grants	84.365	Not Assigned	6,588
Ridgewater College			
Career and Technical Education -- Basic Grants to States	84.048A	Not Assigned	7,419
Total U.S. Department of Education			1,248,429
U.S. Department of the Treasury			
Minnesota Department of Education			
Coronavirus State and Local Fiscal Recovery Fund	21.027	0000193922001	129,836
U.S. Federal Communications Commission			
Emergency Connectivity Fund	32.009	* 0000193922001	624,000
Total Federal Awards			$ 2,716,171

* Denotes Major Program

See Accompanying Notes to Schedule of Expenditures of Federal Awards

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

NOTE 1. REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended Independent School District #465, Litchfield, Minnesota. The District's reporting entity is defined in Note 1 to the financial statements.

NOTE 2. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Independent School District #465 under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the District.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, Subpart E - Cost Principles, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 4. FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

NOTE 5. SUBRECIPIENTS

During the year ended June 30, 2023, the District did not pass any federal money to subrecipients.

NOTE 6. DE MINIMIS COST RATE

The District elected not to charge the de minimis indirect cost rate of 10% to Federal programs.

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COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To The Board of Education
Independent School District #465
Litchfield, 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 *Governmental Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #465, Litchfield, Minnesota, as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated November 27, 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-bid laws, depositsitories of public funds and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and uniform financial accounting and reporting standards, of the *Minnesota Legal Compliance Audit Guide for School Districts,* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely 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.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

November 27, 2023

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INDEPENDENT AUDITOR'S REPORT ON STUDENT ACTIVITIES COMPLIANCE

Members of the Board of Education, Advisors, and Students
Independent School District #465
Litchfield, Minnesota

We have audited Independent School District #465's compliance with the types of compliance requirements described in the *Manual for Activity Fund Accounting* issued by the Minnesota Department of Education, pursuant to Minnesota Statutes §123B.49 for the year ended June 30, 2023. The *Manual for Activity Fund Accounting* provides uniform financial accounting and reporting standards for student activities.

We believe that our audit provides a reasonable basis for our opinion on compliance with the *Manual for Activity Fund Accounting.* Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the Student Activity Fund for the year ended June 30, 2023.

Management's Responsibility

Management is responsible for compliance with the requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Manual for Activity Fund Accounting.* Those standards and the *Manual for Activity Fund Accounting* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the District occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

November 27, 2023

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

To the Board of Education
Independent School District #465

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #465, Litchfield, Minnesota, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the 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 Questioned Costs as items 2023-001 that we consider to be a significant deficiency.

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Members: American Institute of Certified Public Accountants, Minnesota Society of Certified Public Accountants

Report on Compliance and Other Matters

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

District's Responses to Findings

The District's responses to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

November 27, 2023

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

To The Board of Education
Independent School District #465
Litchfield, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District #465's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Willmar Office
331 Third St SW, Ste 2
PO Box 570
Willmar, MN 56201
(320) 235-3311
(888) 388-1040

Benson Office
1209 Pacific Ave, Ste 3
Benson, MN 56215
(320) 843-2302

Morris Office
401 Atlantic Ave
Morris, MN 56267
(320) 589-2602

Litchfield Office
820 Sibley Ave N
Litchfield, MN 55355
(320) 693-7975

Sartell Office
Ste 110
2351 Connecticut Ave
Sartell, MN 56377
(320) 252-7565
(800) 862-1337

www.cdscpa.com

Auditor's Responsibilities for the Audit of Compliance

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

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

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

Report on Internal Control Over Compliance (Cont'd)

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

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

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

November 27, 2023

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INDEPENDENT SCHOOL DISTRICT #465

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

I. SUMMARY OF AUDITOR'S RESULTS

A. FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
- Material weakness(es) identified?	No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?	2023-001
Noncompliance material to financial statements noted?	No

B. FEDERAL AWARDS

Type of auditor's report issued on compliance for major program(s):	Unmodified
Internal control over major programs:	
- Material weakness(es) identified?	No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Any audit findings disclosed that are required to be reported in accordance with Part 200 of the Uniform Guidance?	No

C. IDENTIFICATION OF MAJOR PROGRAMS

Assistance Listing No.:	32.009, 84.425U
Name of Federal Program or Cluster:	Emergency Connectivity Fund, Education Stabilization Fund
Dollar threshold used to distinguish between Types A and B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

FINDING: 2023-001 LIMITED SEGREGATION OF DUTIES

Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.

Criteria: The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. The lack of such controls could result in the occurrence of a material error or fraud in relation to the financial statements not being detected by management.

Cause: The District has assigned duties to staff based on a cost-benefit relationship to the District and the practicality of the level of staffing the District maintains.

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

Recommendation: The District should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

CORRECTIVE ACTION PLAN (CAP):
Explanation of Disagreement with Audit Findings:
There is no disagreement with the audit finding.

Actions Planned in Response to Finding:
The District is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can made.

Official Responsible for Ensuring CAP:
Jesse Johnson, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:
June 30, 2024

Plan to Monitor Completion of CAP:
Board of Education

INDEPENDENT SCHOOL DISTRICT #465

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None

IV. FINDINGS RELATED TO MINNESOTA LEGAL COMPLIANCE

None

V. FINDINGS RELATED TO STUDENT ACTIVITY COMPLIANCE

None

INDEPENDENT SCHOOL DISTRICT #465

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2023

Comment Reference	Comment Title	Status	Year Finding Initially Occurred	If not corrected, Provide Planned Corrective Action or Other Explanation
Financial Statement Findings:				
2022-001	Limited Segregation of Duties	Not Corrected	2018	See current year finding 2023-001
Minnesota Legal Compliance Findings:				
None				
Federal Award Findings:				
None				
Manual for Activity Fund Accounting Findings:				
None				

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

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

$________
INDEPENDENT SCHOOL DISTRICT NO. 465
(LITCHFIELD PUBLIC SCHOOLS)
MEEKER AND MCLEOD COUNTIES, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2024A

We have acted as bond counsel to Independent School District No. 465 (Litchfield Public Schools), Meeker and McLeod Counties, Minnesota (the "Issuer"), in connection with the issuance by the Issuer of its General Obligation School Building Bonds, Series 2024A (the "Bonds"), originally dated May ___, 2024, and issued in the original aggregate principal amount of $________. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings, and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

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

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

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

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

5. The resolution adopted by the School Board of the Issuer on August 14, 2023, obligates the Issuer to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of that law against the State of Minnesota (the "State") in the absence of appropriated and available funds to pay the obligations of the State thereunder.

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

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

Dated ________________, 2024, at Minneapolis, Minnesota.

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

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

11. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

$_______
INDEPENDENT SCHOOL DISTRICT NO. 465
(LITCHFIELD PUBLIC SCHOOLS)
MEEKER AND MCLEOD COUNTIES, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2024A

CONTINUING DISCLOSURE CERTIFICATE

__________, 2024

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 465 (Litchfield Public Schools), Meeker and McLeod Counties, Minnesota (the "District"), in connection with the issuance of its General Obligation School Building Bonds, Series 2024A (the "Bonds"), in the original aggregate principal amount of $_______. The Bonds are being issued pursuant to a resolution adopted by the School Board of the District (the "Resolution"). The Bonds are being delivered to _____________[, as syndicate manager] (the "Purchaser"), on the date hereof. Pursuant to the Resolution, the District has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The District hereby covenants and agrees as follows:

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

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

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

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

"Bonds" means the General Obligation School Building Bonds, Series 2024A, issued by the District in the original aggregate principal amount of $_______.

"Disclosure Certificate" means this Continuing Disclosure Certificate.

"District" means Independent School District No. 465 (Litchfield Public Schools), Meeker and McLeod Counties, Minnesota, which is the obligated person with respect to the Bonds.

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

"Final Official Statement" means the Final Official Statement, dated _________, 2024, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

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

"Fiscal Year" means the fiscal year of the District.

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

"GASB" means the Governmental Accounting Standards Board.

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

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

"MSRB" means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Wabasha, DC 20005.

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

"Purchaser" means _____________[, as syndicate manager].

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

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

"SEC" means Securities and Exchange Commission, and any successor thereto.

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

(a) The District shall provide to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends June 30, 2024, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate, provided that the Audited Financial Statements of the District may be submitted separately from the balance of the Annual Report.

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

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

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

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

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

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

Section 5. Reporting of Material Events.

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

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the obligated person;

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 465 (LITCHFIELD PUBLIC SCHOOLS), MEEKER AND MCLEOD COUNTIES, MINNESOTA

____

Board Chair

____

Clerk

APPENDIX E

TERMS OF PROPOSAL

$1,505,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2024A
INDEPENDENT SCHOOL DISTRICT NO. 465 (LITCHFIELD PUBLIC SCHOOLS), MINNESOTA

Proposals for the purchase of $1,505,000 General Obligation School Building Bonds, Series 2024A (the "Bonds") of Independent School District No. 465 (Litchfield Public Schools), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via bondsale@ehlers-inc.com or **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on April 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 6:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held November 5, 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 May 2, 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:

Year	Amount*	Year	Amount*	Year	Amount*
2025	$310,000	2029	$115,000	2033	$135,000
2026	205,000	2030	120,000	2034	145,000
2027	100,000	2031	125,000		
2028	115,000	2032	135,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

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

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

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

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

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

DELIVERY

On or about May 2, 2024, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

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

SUBMISSION OF PROPOSALS

Proposals must not be for less than $1,505,000 plus accrued interest on the principal sum of $1,505,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

1) Electronically to bondsale@ehlers-inc.com; or

2) Electronically via **PARITY** in accordance with this Terms of Proposal until 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 $30,100 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

(1) The District shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;

(2) all bidders shall have an equal opportunity to bid;

(3) the District may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

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

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

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

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

(1) the close of the fifth (5^{th}) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Bonds are awarded by the District to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

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

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

By Order of the School Board

Independent School District No. 465
(Litchfield Public Schools), Minnesota

PROPOSAL FORM

The School Board **April 8, 2024**
Independent School District No. 465 (Litchfield Public Schools), Minnesota (the "District")

RE: **$1,505,000* General Obligation School Building Bonds, Series 2024A (the "Bonds")**
DATED: **May 2, 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 $1,505,000) 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	2029	________	% due	2033
________	% due	2026	________	% due	2030	________	% due	2034
________	% due	2027	________	% due	2031			
________	% due	2028	________	% due	2032			

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

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2025 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) 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 $30,100 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 May 2, 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 May 2, 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. 465 (Litchfield Public Schools), Minnesota, on April 8, 2024.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________