# ADDENDUM DATED APRIL 2, 2024
# TO PRELIMINARY OFFICIAL STATEMENT DATED MARCH 21, 2024

**New Issue**

**Credit Enhanced Rating: S&P Global Ratings "AAA"**
**Underlying Rating: S&P Global Ratings "A-"**

## INDEPENDENT SCHOOL DISTRICT NO. 861
## (WINONA AREA PUBLIC SCHOOLS), MINNESOTA
(Winona and Wabasha Counties)

## $8,985,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2024A

The Cover page, Estimated Sources and Uses, Rating, Risk Factors Sections and Appendix E-Terms of Proposal have been revised. An additional section, "Direct Pay Tax Credits," has been added to the Preliminary Official Statement. Following is the revised Preliminary Official Statement.

# PRELIMINARY OFFICIAL STATEMENT DATED MARCH 21, 2024

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

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

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

**New Issue**

**Credit Enhanced Rating: S&P Global Ratings "AAA"**
**Underlying Rating: S&P Global Ratings "A-"**

# INDEPENDENT SCHOOL DISTRICT NO. 861
# (WINONA AREA PUBLIC SCHOOLS), MINNESOTA
(Winona and Wabasha Counties)

# $8,985,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2024A

**PROPOSAL OPENING**: April 4, 2024, 9:30 A.M., C.T.

**CONSIDERATION**: April 4, 2024, 6:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The $8,985,000* General Obligation Facilities Maintenance Bonds, Series 2024A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, including Section 123B.595, as amended, by Independent School District No. 861 (Winona Area Public Schools), Minnesota (the "District"), to provide funds for facility maintenance projects as described in the District's revised ten-year facility plan approved by the Commissioner of Education. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

**DATE OF BONDS:** April 25, 2024

**MATURITY:** February 1 as follows:

| Year | Amount* | Year | Amount* | Year | Amount* |
|---|---|---|---|---|---|
| 2026 | $1,790,000 | 2030 | $370,000 | 2034 | $420,000 |
| 2027 | 1,670,000 | 2031 | 360,000 | 2035 | 440,000 |
| 2028 | 1,835,000 | 2032 | 375,000 | 2036 | 460,000 |
| 2029 | 385,000 | 2033 | 400,000 | 2037 | 480,000 |

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

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

**INTEREST:** 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:** $8,985,000.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of $179,700 shall be made by the winning bidder by wire transfer of funds.

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

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

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

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

## 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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# WINONA AREA PUBLIC SCHOOLS
# SCHOOL BOARD

| | | Term Expires |
|---|---|---|
| Nancy Denzer | Board Chair | January 2027 |
| Tina Lehnertz | Vice Chair | January 2025 |
| Michael Hanratty | Clerk | January 2027 |
| Karl Sonneman | Treasurer | January 2027 |
| Jim Schul | Member | January 2025 |
| Stephanie Smith | Member | January 2025 |
| Pete Watkins | Member | January 2027 |

# ADMINISTRATION

Brad Berzinski, Superintendent of Schools

Sarah Slaby, Director of Finance

# PROFESSIONAL SERVICES

Ratwik, Roszak & Maloney, P.A., District Attorney, St. Paul, Minnesota

Dorsey & Whitney LLP, Bond Counsel. Minneapolis, Minnesota

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

# INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 861 (Winona Area Public Schools), Minnesota (the "District") and the issuance of its $8,985,000* General Obligation Facilities Maintenance 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 4, 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 April 25, 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 2026 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 at least 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, including Section 123B.595, as amended, by the District, to finance indoor air quality projects, including the design and construction of geothermal dehumidification HVAC projects at Jefferson Elementary and Washington-Kosciusko Elementary, as described in the District's revised ten-year facility plan and approved by the Commissioner of Education.

## ESTIMATED SOURCES AND USES*

| | | |
|---|---|---|
| **Sources** | | |
| Par Amount of Bonds | $8,985,000 | |
| Reoffering Premium | 623,577 | |
| **Total Sources** | | **$9,608,577** |
| **Uses** | | |
| Total Underwriter's Discount (1.000%) | $89,850 | |
| Costs of Issuance | 96,924 | |
| Capitalized Interest | 47,150 | |
| Deposit to Construction Fund | 9,374,653 | |
| **Total Uses** | | **$9,608,577** |

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

The District received an "A-" underlying rating from S&P 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 September 21, 2023 and the Award Resolution (collectively, the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, as amended, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

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

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

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

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

> "As of June 30, 2023, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2050, is approximately $17,500,000,000. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of June 30, 2023, is currently estimated at $2,700,000,000, with the maximum amount of principal and interest payable in any one month being $1,060,000,000. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.
>
> The State has not had to make any debt service payments on behalf of school districts or intermediate school districts under the program and does not expect to make any payments in the future. If such payments are made the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the school districts and intermediate school districts."

## CONTINUING DISCLOSURE

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

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

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

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

## LEGAL OPINION

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

## TAX CONSIDERATIONS

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

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

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

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

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

### *Tax Exempt Interest*

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

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of the Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of the Bond proceeds and other amounts. The District has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income.

Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

***Original Issue Discount***

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

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

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

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

***Market Discount***

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

***Bond Premium***

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

### *Related Tax Considerations*

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

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

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

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

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

### *Sale or Other Disposition*

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

### *Information Reporting and Backup Withholding*

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

## MUNICIPAL ADVISOR

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

## MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

## INDEPENDENT AUDITORS

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

## RISK FACTORS

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

**Taxes:** The Bonds 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 bond resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation, retroactive to the date of issuance.

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

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

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

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

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

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

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

**Cybersecurity:** The District is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the District will not experience an information technology breach or attack with financial consequences that could have a material adverse impact. Other governmental entities and even participants in the transaction are subject to similar cybersecurity risks that could affect the District's collections of tax revenues and timely payment of the Bonds.

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%<br>Over $500,000 - 1.25% | First $500,000 - 1.00%<br>Over $500,000 - 1.25% | First $500,000 - 1.00%<br>Over $500,000 - 1.25% |
| Agricultural homestead[1] | First $500,000 HGA - 1.00%<br>Over $500,000 HGA - 1.25%<br>First $1,880,000 - 0.50% [2]<br>Over $1,880,000 - 1.00% [2] | First $500,000 HGA - 1.00%<br>Over $500,000 HGA - 1.25%<br>First $1,900,000 - 0.50% [2]<br>Over $1,900,000 - 1.00% [2] | First $500,000 HGA - 1.00%<br>Over $500,000 HGA - 1.25%<br>First $1,890,000 - 0.50% [2]<br>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]<br>Over $500,000 - 1.25% [3] | First $500,000 - 1.00% [3]<br>Over $500,000 - 1.25% [3] | First $500,000 - 1.00% [3]<br>Over $500,000 - 1.25% [3] |
| Residential non-homestead: | 1 unit - 1st $500,000 - 1.00%<br>Over $500,000 - 1.25%<br>2-3 units - 1.25%<br>4 or more - 1.25%<br>Small City [4] - 1.25%<br>Affordable Rental:<br>First $174,000 - .75%<br>Over $174,000 - .25% | 1 unit - 1st $500,000 - 1.00%<br>Over $500,000 - 1.25%<br>2-3 units - 1.25%<br>4 or more - 1.25%<br>Small City [4] - 1.25%<br>Affordable Rental:<br>First $100,000 - .75%<br>Over $100,000 - .25% | 1 unit - 1st $500,000 - 1.00%<br>Over $500,000 - 1.25%<br>2-3 units - 1.25%<br>4 or more - 1.25%<br>Small City [4] - 1.25%<br>Affordable Rental:<br>First $100,000 - .75%<br>Over $100,000 - .25% |
| Industrial/Commercial/Utility[5] | First $150,000 - 1.50%<br>Over $150,000 - 2.00% | First $150,000 - 1.50%<br>Over $150,000 - 2.00% | First $150,000 - 1.50%<br>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** $4,427,096,464[1]

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

| | Winona County | Wabasha County | Total |
|---|---|---|---|
| Real Estate | $4,117,248,800 | $10,615,100 | $4,127,863,900 |
| Personal Property | 25,409,300 | 84,500 | 25,493,800 |
| Total Valuation | $4,142,658,100 | $10,699,600 | $4,153,357,700 |

**2022/23 Net Tax Capacity**

| | Winona County | Wabasha County | Total |
|---|---|---|---|
| Real Estate | $43,002,721 | $106,686 | $43,109,407 |
| Personal Property | 497,821 | 845 | 498,666 |
| Net Tax Capacity | $43,500,542 | $107,531 | $43,608,073 |
| Less: Captured Tax Increment Tax Capacity[2] | (235,907) | 0 | (235,907) |
| Taxable Net Tax Capacity | $43,264,635 | $107,531 | $43,372,166 |

1 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 93.91% of the actual selling prices of property most recently sold in the District. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the District of $4,427,096,464.

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

## 2022/23 NET TAX CAPACITY BY CLASSIFICATION

| | 2022/23 Net Tax Capacity | Percent of Total Net Tax Capacity |
|---|---|---|
| Residential homestead | $19,991,706 | 45.84% |
| Agricultural | 4,898,433 | 11.23% |
| Commercial/industrial | 10,910,363 | 25.02% |
| Public utility | 148,690 | 0.34% |
| Railroad operating property | 351,632 | 0.81% |
| Non-homestead residential | 6,568,345 | 15.06% |
| Commercial & residential seasonal/rec. | 240,238 | 0.55% |
| Personal property | 498,666 | 1.14% |
| Total | $43,608,073 | 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 | $3,220,364,000 | $2,954,005,900 | $33,452,313 | $33,332,230 | 2.05% |
| 2019/20 | 3,393,758,200 | 3,110,210,200 | 35,124,425 | 34,964,896 | 5.38% |
| 2020/21 | 3,485,865,600 | 3,215,265,900 | 36,407,098 | 36,188,265 | 2.71% |
| 2021/22 | 3,683,718,900 | 3,418,284,000 | 38,677,061 | 38,454,260 | 5.68% |
| 2022/23 | 4,153,357,700 | 3,885,408,500 | 43,608,073 | 43,372,166 | 12.75% |

1 Net Tax Capacity includes tax increment values.

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

## LARGEST TAXPAYERS[1]

| Taxpayer | Type of Property | 2022/23 Net Tax Capacity | Percent of District's Total Net Tax Capacity |
|---|---|---|---|
| Fastenal Company Purchasing | Commercial | $782,946 | 1.80% |
| Xcel Energy | Utility | 430,136 | 0.99% |
| Rivers Development & Construction Co. | Agriculture | 377,607 | 0.87% |
| Main Square Development, LLC | Commercial | 286,646 | 0.66% |
| Mikrut Properties, LLLP | Commercial | 280,107 | 0.64% |
| Gunderson Lutheran Admin Services | Commercial | 268,742 | 0.62% |
| MSDJ, LLC | Industrial | 240,528 | 0.55% |
| SOO Line Railroad Company | Rail Road | 246,640 | 0.57% |
| Walmart | Commercial | 213,904 | 0.49% |
| Individual | Agricultural | 7,262 | 0.02% |
| Total | | $3,134,518 | 7.19% |

District's Total 2022/23 Net Tax Capacity $43,608,073

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

[1] In 2023, the estimated median commercial and industrial sales ratio used to equalize utility values in Wabasha County dropped below 90% to 89.65%, 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)* | $26,505,000 |

*Preliminary, subject to change.

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

| | |
|---|---|
| Total lease purchase obligations paid by annual appropriations[3] | $64,060 |

## 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.

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

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

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

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

Some school districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minnesota Statutes, Section 273.1387). For taxes payable in 2023, and thereafter, the reimbursement percentage is 70% of the property's eligible net tax capacity multiplied by the school debt tax rate determined under Minnesota Statutes, Serction 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 6.00% of total annual debt service levies, based on the District's 2022/23 qualifying agricultural land valuation. The District's $6,495,000 General Obligation Taxable OPEB Refunding Bonds, Series 2016A, do **not** qualify for the agricultural credit pursuant to Minnesota Statutes.

## DIRECT PAY TAX CREDITS

The Inflation Reduction Act of 2022 ("IRA") allows direct pay tax credits for qualified energy projects undertaken by non-profits and governmental entities, which includes school districts. Tax credits for energy projects have existed for more than 25 years but had been available only to taxpayers who had an income tax obligation against which a credit could be deducted. The amount of the credit depends on the eligible energy costs incurred on a project and a percent figure used to compute the credit. The applicable percent is based on multiple factors used to adjust a base of six (6%) percent. The direct payment of a tax credit expands the availability of these tax credits to entities such as school districts who do not report income for purposes of computing an income tax liability. Direct pay tax credits may provide a source of funds for some districts who might undertake a qualified project.

The District is exploring the possibility that the geothermal projects at Jefferson School and Washington-Kosciusko School would be qualified energy projects that would be eligible for the tax credits. At present it is not known how much of the cost these projects will qualify for a credit or how much of a credit will be allowed on these energy costs. If any funds are received, it is not known where the State of Minnesota would require the funds to be deposited or how the State would require the funds to be used.

## 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 | $4,427,096,464 |
| Multiply by 15% | 0.15 |
| Statutory Debt Limit | $664,064,470 |
| Less: Long-Term Debt Outstanding Being Paid Solely from Taxes[1] (includes the Bonds)* | (23,475,000) |
| Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations | (64,060) |
| Unused Debt Limit* | $640,525,410 |

*Preliminary, subject to change.

1 Does not include the $6,495,000 General Obligation Taxable OPEB Refunding Bonds, Series 2016A, as they are not subject to the debt limit calculation per Minnesota Statutes.

**Independent School District No. 861 (Winona Area Public Schools), Minnesota**
**Schedule of Bonded Indebtedness**
**General Obligation Debt Secured by Taxes**
**(As of 04/25/2024)**

| | Capital Facilities Bonds Series 2013A | | Capital Facilities Bond Series 2013B | | Taxable OPEB Refunding Bonds 1) Series 2016A | | Facilities Maintenance Bonds Series 2022A | | Facilities Maintenance Bonds Series 2024A | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Dated** | 02/05/2013 | | 11/13/2013 | | 04/07/2016 | | 03/10/2022 | | 04/25/2024 | | | | | | | |
| **Amount** | $1,580,000 | | $2,140,000 | | $6,495,000 | | $15,490,000 | | $8,985,000* | | | | | | | |
| **Maturity** | 02/01 | | 02/01 | | 02/01 | | 02/01 | | 02/01 | | | | | | | |
| **Fiscal Year Ending** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Estimated Interest** | **Total Principal** | **Total Interest** | **Total P & I** | **Principal Outstanding** | **% Paid** | **Fiscal Year Ending** |
| **2025** | 110,000 | 9,725 | 160,000 | 20,273 | 570,000 | 88,450 | 2,155,000 | 462,100 | 0 | 337,218 | 2,995,000 | 917,766 | 3,912,766 | 23,510,000 | 11.30% | **2025** |
| **2026** | 115,000 | 7,525 | 165,000 | 15,473 | 585,000 | 71,350 | 525,000 | 375,900 | 1,790,000 | 439,850 | 3,180,000 | 910,098 | 4,090,098 | 20,330,000 | 23.30% | **2026** |
| **2027** | 115,000 | 5,053 | 170,000 | 10,523 | 605,000 | 53,800 | 645,000 | 354,900 | 1,670,000 | 350,350 | 3,205,000 | 774,625 | 3,979,625 | 17,125,000 | 35.39% | **2027** |
| **2028** | 120,000 | 2,580 | 175,000 | 5,338 | 625,000 | 37,163 | 360,000 | 329,100 | 1,835,000 | 266,850 | 3,115,000 | 641,030 | 3,756,030 | 14,010,000 | 47.14% | **2028** |
| **2029** | | | | | 645,000 | 19,350 | 360,000 | 314,700 | 385,000 | 175,100 | 1,390,000 | 509,150 | 1,899,150 | 12,620,000 | 52.39% | **2029** |
| **2030** | | | | | | | 1,010,000 | 300,300 | 370,000 | 155,850 | 1,380,000 | 456,150 | 1,836,150 | 11,240,000 | 57.59% | **2030** |
| **2031** | | | | | | | 1,075,000 | 259,900 | 360,000 | 137,350 | 1,435,000 | 397,250 | 1,832,250 | 9,805,000 | 63.01% | **2031** |
| **2032** | | | | | | | 1,120,000 | 216,900 | 375,000 | 119,350 | 1,495,000 | 336,250 | 1,831,250 | 8,310,000 | 68.65% | **2032** |
| **2033** | | | | | | | 1,150,000 | 183,300 | 400,000 | 100,600 | 1,550,000 | 283,900 | 1,833,900 | 6,760,000 | 74.50% | **2033** |
| **2034** | | | | | | | 1,185,000 | 148,800 | 420,000 | 80,600 | 1,605,000 | 229,400 | 1,834,400 | 5,155,000 | 80.55% | **2034** |
| **2035** | | | | | | | 1,220,000 | 113,250 | 440,000 | 59,600 | 1,660,000 | 172,850 | 1,832,850 | 3,495,000 | 86.81% | **2035** |
| **2036** | | | | | | | 1,260,000 | 76,650 | 460,000 | 37,600 | 1,720,000 | 114,250 | 1,834,250 | 1,775,000 | 93.30% | **2036** |
| **2037** | | | | | | | 1,295,000 | 38,850 | 480,000 | 19,200 | 1,775,000 | 58,050 | 1,833,050 | 0 | 100.00% | **2037** |
| | 460,000 | 24,883 | 670,000 | 51,605 | 3,030,000 | 270,113 | 13,360,000 | 3,174,650 | 8,985,000 | 2,279,518 | 26,505,000 | 5,800,768 | 32,305,768 | | | |

* Preliminary, subject to change.

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

**Independent School District No. 861 (Winona Area Public Schools), Minnesota**
**Schedule of Bonded Indebtedness**
**Non-General Obligation Debt Secured by Annual Appropriation**
**(As of 04/25/2024)**

| | Track Lease Purchase Series 2009 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Dated** | 05/13/2009 | | | | | | | |
| **Amount** | $1,855,000 | | | | | | | |
| **Maturity** | 08/01 | | | | | | | |

| Fiscal Year Ending | Principal | Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Fiscal Year Ending |
|---|---|---|---|---|---|---|---|---|
| **2025** | 64,060 | 3,869 | 64,060 | 3,869 | 67,929 | 0 | 100.00% | **2025** |
| | 64,060 | 3,869 | 64,060 | 3,869 | 67,929 | | | |

## OVERLAPPING DEBT[1]

| Taxing District | 2022/23 Taxable Net Tax Capacity | % In District | Total G.O. Debt[2] | District's Proportionate Share |
|---|---|---|---|---|
| Counties of: | | | | |
| Wabasha | $38,097,643 | 0.2823% | $4,990,000 | $14,087 |
| Winona | 63,206,822 | 68.4493% | 25,905,000 | 17,731,791 |
| Cities of: | | | | |
| Goodview | 4,179,560 | 100.0000% | 2,500,000 | 2,500,000 |
| Minnesota | 138,110 | 100.0000% | 215,770 | 215,770 |
| Stockton | 548,362 | 100.0000% | 507,260 | 507,260 |
| Winona | 26,492,434 | 100.0000% | 7,780,000 | 7,780,000 |
| Town of: | | | | |
| Warren | 1,505,255 | 29.8520% | 1,017,000 | 303,595 |
| District's Share of Total Overlapping Debt | | | | $29,052,503 |

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 $4,427,096,464 | Debt/ Per Capita 38,453[1] |
|---|---|---|---|
| Direct G.O. Debt Being Paid from Taxes and State Aids* | $26,505,000 | | |
| Less: Agricultural Credit[2] | (1,408,500) | | |
| Tax Supported General Obligation Debt* | $25,096,500 | 0.57% | $652.65 |
| District's Share of Total Overlapping Debt | $29,052,503 | 0.66% | $755.53 |
| Total* | $54,149,003 | 1.22% | $1,408.19 |

*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 | $13,158,863 | $12,914,868 | $13,152,779 | 99.95% |
| 2019/20 | 12,772,540 | 12,622,788 | 12,762,972 | 99.93% |
| 2020/21 | 11,734,707 | 11,671,005 | 11,714,852 | 99.83% |
| 2021/22 | 11,634,558 | 11,535,810 | 11,535,810 | 99.15% |
| 2022/23 | 10,835,050 | 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 6.00% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is $1,408,500. The District's $6,495,000 General Obligation OPEB Refunding Bonds, Series 2016A, do **not** qualify for the agricultural credit pursuant to Minnesota Statutes.

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. 861 (Winona Area Public Schools) | 21.961% | 20.245% | 17.355% | 16.712% | 15.364% |
| Wabasha County | 53.669% | 51.870% | 50.486% | 48.453% | 42.922% |
| Winona County | 39.530% | 38.925% | 37.966% | 36.925% | 35.301% |
| City of Dakota | 47.172% | 45.055% | 44.998% | 43.103% | 39.529% |
| City of Goodview | 45.883% | 44.189% | 43.832% | 42.150% | 40.982% |
| City of Minneiska | 14.168% | 13.342% | 13.555% | 13.457% | 11.856% |
| City of Minnesota | 25.733% | 26.590% | 26.505% | 24.010% | 21.722% |
| City of Rollingstone | 45.665% | 44.286% | 44.818% | 41.773% | 38.593% |
| City of Stockton | 25.625% | 23.455% | 22.822% | 20.930% | 18.236% |
| City of Winona | 41.597% | 41.846% | 42.031% | 41.456% | 40.881% |
| Town of Pleasant Hill[2] | 20.904% | 18.303% | 20.203% | 19.415% | 16.484% |
| SE Minnesota HRA | 0.362% | 0.340% | 0.332% | 0.315% | 0.272% |
| Wabasha County HRA | 0.391% | 0.352% | 0.349% | 0.329% | 0.295% |
| Winona County Port Authority | 2.836% | 2.222% | 2.098% | 2.021% | 1.942% |
| Winona County Watershed District | 0.413% | 0.382% | 0.383% | 0.682% | 0.592% |
| *Referendum Market Value Rates:* | | | | | |
| I.S.D. No. 861 (Winona Area Public Schools) | 0.22088% | 0.20778% | 0.19106% | 0.17209% | 0.12527% |

**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by Winona and Wabasha 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 454, including 201 non-licensed employees and 253 licensed employees (241 of whom are teachers). The District provides education for 2,301 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 |
|---|---|
| Winona Education Association | June 30, 2025 |
| Winona Administrators Association | June 30, 2025 |
| Winona Educational Office Professionals | June 30, 2025 |
| Winona Federation of Educational Assistants | June 30, 2025 |
| Plant Operation and Maintenance Employees | June 30, 2025 |
| Food and Nutrition | June 30, 2025 |

## POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District 's most recent actuarial study shows a total OPEB liability of $5,203,344 as of June 30, 2023. The District has been funding these obligations on a pay-as-you go basis. In January of 2009, the District issued $8,690,000 in OPEB Bonds to fund an irrevocable trust. As of June 30, 2023, the net position of the trust was $1,264,516. Future OPEB costs will be paid partially from the trust and partially from operating funds.

The District provides severance payable based on unused sick leave for paraprofessional, clerical maintenance and teacher employee groups. The accrued amount was $17,684.90 as of June 30, 2023.

**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 | 200 | 1,058 | 1,325 | 2,583 |
| 2020/21 | 137 | 999 | 1,312 | 2,448 |
| 2021/22 | 146 | 932 | 1,305 | 2,383 |
| 2022/23 | 149 | 930 | 1,250 | 2,329 |
| 2023/24 | 140 | 917 | 1,244 | 2,301 |

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

| Year | Kindergarten | Grades 1-6 | Grades 7-12 | Total |
|---|---|---|---|---|
| 2024/25 | 140 | 908 | 1,190 | 2,238 |
| 2025/26 | 134 | 888 | 1,113 | 2,135 |
| 2026/27 | 135 | 842 | 1,078 | 2,055 |

## SCHOOL BUILDINGS

| School Building | Year Constructed | Years of Additions/ Remodelings |
|---|---|---|
| Goodview Elementary | 1971 | 2005 |
| Jefferson Elementary | 1939 | -- |
| Washington Kosciusko Elementary | 1934 | 2008 |
| Winona Middle | 2000 | -- |
| Winona Senior High | 1967 | 2006, 2014 |
| Winona Area Learning Center | 2007 | -- |

## LITIGATION

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

## MUNICIPAL BANKRUPTCY

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

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

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

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

| **Fund** | **Total Cash and Investments** |
|---|---|
| General | $2,987,461 |
| Food Service | 722,497 |
| Community Service | 1,807,385 |
| Debt Service | 157,398 |
| Building/Construction | 7,906,889 |
| Trust (OPEB) & Agency | 2,237,704 |
| Total Funds on Hand | $15,819,336 |

## SUMMARY GENERAL FUND INFORMATION

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

| COMBINED STATEMENT | FISCAL YEAR ENDING JUNE 30 | | | | |
|---|---|---|---|---|---|
| | 2020 Audited | 2021 Audited | 2022 Audited | 2023 Audited | 2023-24 Revised Budget[1] |
| Revenues | | | | | |
| Local property taxes | $9,101,295 | $9,374,981 | $8,438,299 | $8,255,360 | $7,035,428 |
| Sales and other conversion of assets | 0 | 0 | 25,033 | 23,144 | 24,556 |
| Earnings on investments | 14,282 | 9,769 | 0 | 0 | 70,100 |
| Other | 1,606,032 | 1,016,205 | 1,405,663 | 1,399,752 | 1,489,476 |
| State sources | 30,125,608 | 29,351,914 | 28,271,971 | 27,793,394 | 30,525,637 |
| Federal sources | 1,552,275 | 2,633,805 | 3,860,063 | 4,384,904 | 2,576,297 |
| **Total Revenues** | $42,399,492 | $42,386,674 | $42,001,029 | $41,856,554 | $41,721,494 |
| Expenditures | | | | | |
| Current: | | | | | |
| Administration | $1,588,369 | $1,612,207 | $1,785,060 | $1,736,854 | $1,722,835 |
| District support services | 1,402,993 | 1,677,593 | 1,552,248 | 1,568,827 | 1,560,087 |
| Regular instruction | 14,454,787 | 14,359,971 | 15,131,049 | 15,884,744 | 14,995,198 |
| Vocational education instruction | 444,074 | 361,947 | 441,367 | 293,856 | 295,113 |
| Special education instruction | 10,335,557 | 10,011,820 | 10,444,763 | 10,057,316 | 9,914,630 |
| Instructional support services | 2,056,405 | 1,829,909 | 2,176,878 | 2,439,516 | 3,283,517 |
| Pupil support services | 5,434,957 | 5,390,421 | 5,928,210 | 6,013,910 | 5,892,111 |
| Sites and buildings | 4,435,308 | 4,436,231 | 3,714,663 | 4,316,052 | 4,373,644 |
| Fiscal and other fixed cost programs | 158,158 | 229,159 | 213,861 | 241,451 | 289,536 |
| Capital outlay | 276,647 | 198,410 | 340,074 | 429,912 | 848,634 |
| Debt service | 508,860 | 342,804 | 342,805 | 83,856 | 67,929 |
| **Total Expenditures** | $41,096,115 | $40,450,472 | $42,070,978 | $43,066,294 | $43,243,233 |
| **Excess of revenues over (under) expenditures** | $1,303,377 | $1,936,202 | ($69,949) | ($1,209,740) | ($1,521,739) |
| **Other Financing Sources (Uses)** | | | | | |
| Financed purchase issuance | $0 | $0 | $0 | $50,708 | $0 |
| Transfers in | 0 | 0 | 0 | 0 | 0 |
| Transfers (out) | 0 | (23,401) | 0 | 0 | 0 |
| **Total Other Financing Sources (Uses)** | 0 | (23,401) | 0 | 50,708 | 0 |
| **Net changes in Fund Balances** | $1,303,377 | $1,912,801 | ($69,949) | ($1,159,032) | ($1,521,739) |
| General Fund Balance July 1 | $4,138,298 | $5,441,675 | $7,354,476 | $7,284,527 | $6,125,495 |
| Prior Period Adjustment | 0 | 0 | 0 | 0 | 0 |
| Residual Equity Transfer in (out) | 0 | 0 | 0 | 0 | 0 |
| General Fund Balance June 30 | $5,441,675 | $7,354,476 | $7,284,527 | $6,125,495 | $4,603,756 |
| **DETAILS OF JUNE 30 FUND BALANCE** | | | | | |
| Nonspendable | $133,560 | $90,069 | $152,329 | $201,878 | $201,877 |
| Restricted | 2,803,266 | 3,293,571 | 3,945,019 | 3,320,091 | 2,329,954 |
| Unassigned | 2,504,849 | 3,970,836 | 3,187,179 | 2,603,526 | 2,071,925 |
| **Total** | $5,441,675 | $7,354,476 | $7,284,527 | $6,125,495 | $4,603,756 |

1 The 2023-24 revised budget was adopted on February 1, 2024.

# GENERAL INFORMATION

## LOCATION

The District, with a 2020 U.S. Census population of 38,402 and a 2022 population estimate of 38,453, and comprising an area of 270 square miles, is located approximately 125 miles southeast of St. Paul, Minnesota.

## LARGER EMPLOYERS[1]

Larger employers in the District include the following:

| Firm | Type of Business/Product | Estimated No. of Employees |
|---|---|---|
| Winona Health | Hospital and nursing home | 922 |
| Winona State University | Post-secondary education | 825 |
| Fastenal Company | Specialty fasteners and blade sharpeners | 800 |
| Benchmark Electronics, Inc. | Electronics manufacturer | 700 |
| St. Mary's University of Minnesota | Post-secondary education | 600 |
| I.S.D. No. 861 (Winona Area Public Schools) | Elementary and secondary education | 454 |
| St. Anne of Winona | Convalescent Home | 340 |
| Walmart | Retail | 335 |
| Miller Waste Mills Inc | Textile goods | 325 |
| RTP Co. | Thermo plastic manufacturers | 325 |

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

[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.

## U.S. CENSUS DATA

**Population Trend:** The District

| | |
|---|---|
| 2010 U.S. Census population | 40,120 |
| 2020 U.S. Census population | 38,402 |
| Percent of Change 2010 - 2020 | -4.28% |
| | |
| 2022 State Demographer Estimate | 38,453 |

**Income and Age Statistics**

| | The District | Winona County | State of Minnesota | United States |
|---|---|---|---|---|
| 2022 per capita income | $33,050 | $34,889 | $44,947 | $41,261 |
| 2022 median household income | $59,306 | $66,162 | $84,313 | $75,149 |
| 2022 median family income | $89,678 | $92,534 | $107,072 | $92,646 |
| 2022 median gross rent | $796 | $803 | $1,178 | $1,268 |
| 2022 median value owner occupied units | $191,700 | $203,500 | $286,800 | $281,900 |
| 2022 median age | 34.8 yrs. | 35.6 yrs. | 38.5 yrs. | 38.5 yrs. |

| | State of Minnesota | United States |
|---|---|---|
| District % of 2022 per capita income | 73.53% | 80.10% |
| District % of 2022 median family income | 83.75% | 96.80% |

**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 | Winona County | Winona County | State of Minnesota |
| 2020 | 27,087 | 5.0% | 6.3% |
| 2021 | 27,036 | 3.1% | 3.8% |
| 2022 | 27,630 | 2.2% | 2.7% |
| 2023 | 27,701 | 2.5% | 2.8% |
| 2024, January | 27,459 | 2.7% | 3.3% |

**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. The District has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the District requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the District since the date of the financial statements, in connection with the issuance of the Bonds, the District represents that there have been no material adverse change in the financial position or results of operations of the District, nor has the District incurred any material liabilities, which would make such financial statements misleading.

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

bergankdv

# Independent School District No. 861
# Winona Area Public Schools

## Basic Financial Statements

## June 30, 2023

**Independent School District No. 861**
**Table of Contents**

**Independent School District No. 861**
**Table of Contents**

**Independent School District No. 861**
**Board of Education and Administration**
**June 30, 2023**

| Board of Education | Position | Term Expires |
|---|---|---|
| Nancy Denzer | Chairperson | 2026 |
| Tina Lehnertz | Vice Chairperson | 2024 |
| Micheal Hanratty | Clerk | 2026 |
| Karl Sonneman | Treasurer | 2026 |
| Jim Schul | Director | 2024 |
| Stephanie Smith | Director | 2024 |
| Pete Watkins | Director | 2026 |

| Administration | |
|---|---|
| Annette Freiheit | Superintendent |
| Sarah Slaby | Director of Finance |

# Independent Auditor's Report

To the School Board
Independent School District No. 861
Winona Area Public Schools

## Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 861, Winona Area Public Schools as of and for the year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 861, Winona Area Public, as of June 30, 2023, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund, Food Service Special Revenue Fund and Community Service Special Revenue Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 861, Winona Area Public Schools 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

The management of Independent School District No. 861 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

**Supplementary Information**
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***
In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 9, 2023

**Independent School District No. 861**
**Management's Discussion and Analysis**

This section of Independent School District No. 861's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year that ended on June 30, 2023. 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 the reporting model that is required by the GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. GASB Statement No. 34 establishes reporting requirements that include financial statements, expanded disclosure and supplemental information, including the MD&A (this section).

Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

## FINANCIAL HIGHLIGHTS

Key financial highlights for the 2022-2023 years include the following:

- Net position increased by $9,463,009.
- Overall revenues were $49,896,741, while overall expenses totaled $40,433,732.
- General Fund balance decreased by $1,159,032.
- General Fund unassigned fund balance decreased $583,648.
- The district's current bond amount outstanding is $20,465,000.

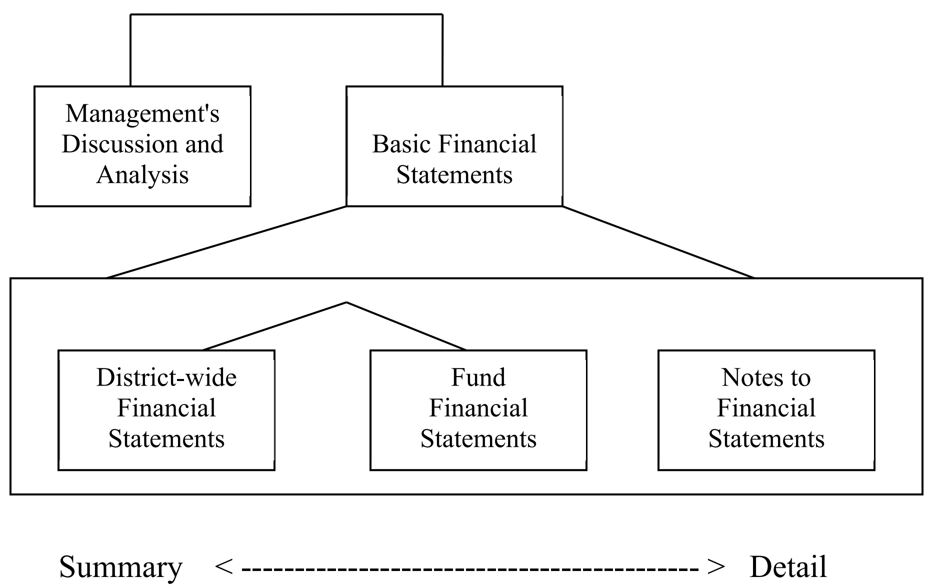
## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, Required Supplementary Information, which includes the MD&A, basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund-financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental fund 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.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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




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

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

| | District-Wide Statements | Governmental Funds |
|---|---|---|
| Scope | Entire District | The activity of the District that is not proprietary or fiduciary, such as special education and building maintenance. |
| Required financial statements | • Statement of Net Position<br>• Statement of Activities | • Balance Sheet<br>• Statement of Revenues, Expenditures, and Changes in Fund Balances |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus. | Modified accrual accounting and current financial focus. |
| Type of assets/liability information | All assets and liabilities, both financial and capital, short-term and long-term. | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included. |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid. | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable. |

### District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows 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 district-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the District's financial health or position.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### District-Wide Statements (Continued)

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

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

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

- Governmental Activities – Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of 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 debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has two kinds of funds:

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

- Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the postemployment benefit trust. The District is responsible for ensuring that the assets reported in this fund 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. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operation.

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

### Net Position

The District's combined net position was negative $6,370,411 on June 30, 2023, (see details in Table A-1). This was an increase of $9,463,009 from a negative balance of $15,833,420 at June 30, 2022. This increase was due to a decrease in the net inflows of resources reported on the district-wide financial statements.

**Table A-1**

| | Governmental Activities | |
|---|---|---|
| | 2023 | 2022 |
| **Assets** | | |
| Total current assets | $ 38,815,728 | $ 42,402,801 |
| Total capital assets | 28,403,729 | 27,007,395 |
| Total assets | 67,219,457 | 69,410,196 |
| **Deferred Outflows of Resources** | 9,365,195 | 10,102,125 |
| Total assets and deferred outflows of resources | $ 76,584,652 | $ 79,512,321 |
| **Liablities** | | |
| Current liabilities | $ 9,786,325 | $ 8,853,951 |
| Long-term liabilities | 53,171,043 | 43,080,017 |
| Total liabilities | 62,957,368 | 51,933,968 |
| **Deferred Inflows of Resources** | 19,997,695 | 43,411,773 |
| **Net Position** | | |
| Net investment in capital assets | 21,938,920 | 21,445,634 |
| Restricted amounts | 6,679,489 | 6,313,762 |
| Unrestricted amounts | (34,988,820) | (43,592,816) |
| Total net position | (6,370,411) | (15,833,420) |
| Total liabilities, deferred inflows of resources and net position | $ 76,584,652 | $ 79,512,321 |

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

### Change in Net Position

The increase in net position occurred as a result overall revenues exceeding expenditures. A summary of the revenue and expenses is presented in Table A-2 below.

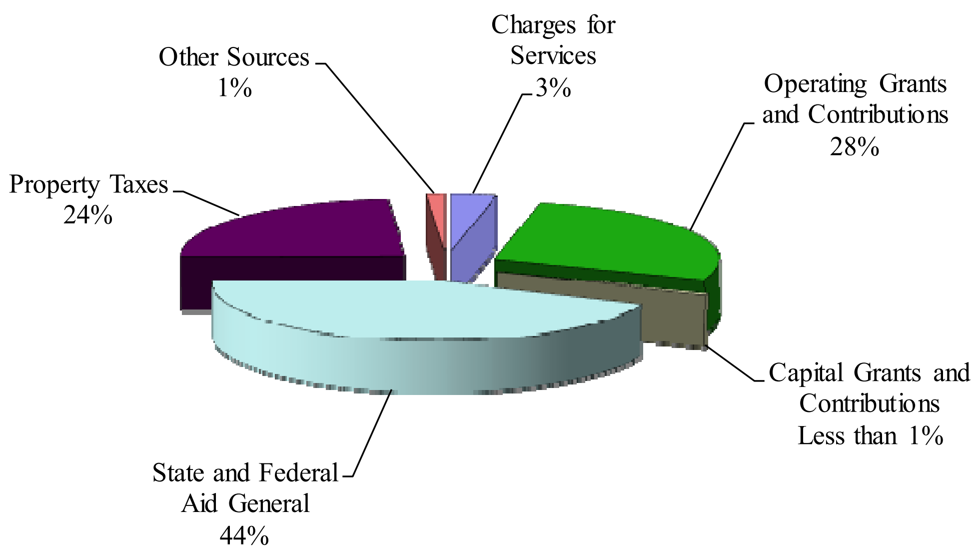
**Table A-2**

| | Governmental Activities for the Year Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| **Revenues** | | |
| Program revenues | | |
| Charges for services | $ 1,600,269 | $ 1,002,159 |
| Operating grants and contributions | 13,797,239 | 15,940,144 |
| Capital grants and contributions | 248,529 | 258,999 |
| General revenues | | |
| Property taxes | 11,908,248 | 12,052,891 |
| State and federal aid-formula grants | 21,711,421 | 20,574,202 |
| Other sources | 631,035 | 2,628 |
| Total revenues | 49,896,741 | 49,831,023 |
| **Expenses** | | |
| Administration | 1,372,126 | 1,715,327 |
| District Support Services | 1,563,886 | 1,476,375 |
| Elementary and Secondary Regular Education | 12,454,232 | 15,044,330 |
| Vocational Education Instruction | 201,925 | 419,270 |
| Special Education Instruction | 7,888,834 | 10,018,675 |
| Instructional Support Services | 2,115,698 | 2,141,041 |
| Pupil Support Services | 5,696,593 | 5,933,846 |
| Sites and Buildings | 4,562,837 | 4,651,794 |
| Fiscal and Other Fixed Cost Programs | 241,451 | 213,861 |
| Food Service | 1,841,559 | 1,921,271 |
| Community Service | 1,919,141 | 1,929,414 |
| Interest and Fiscal Charges on Long-Term Debt | 575,450 | 521,373 |
| Total expenses | 40,433,732 | 45,986,577 |
| Change in net position | 9,463,009 | 3,844,446 |
| Beginning of year net position | (15,833,420) | (19,677,866) |
| Ending of year net position | $ (6,370,411) | $ (15,833,420) |

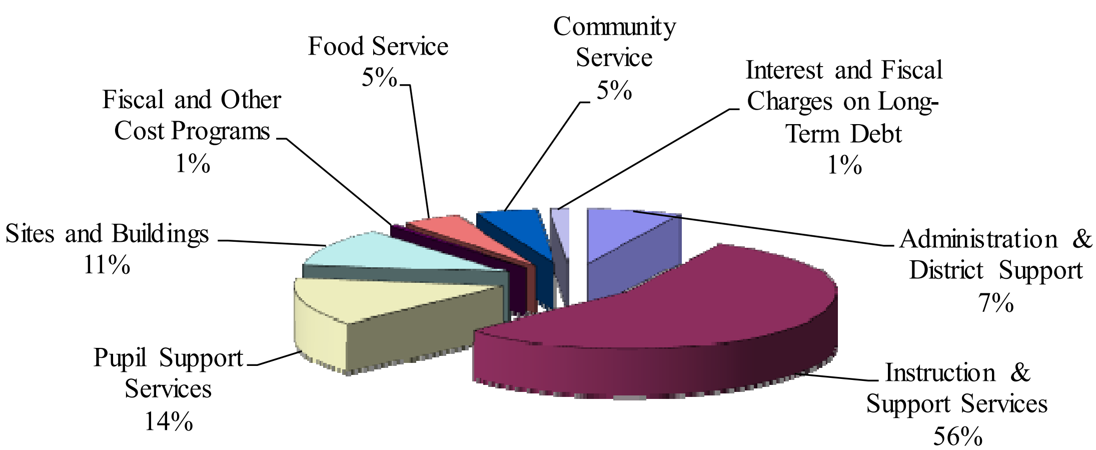
## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS) (CONTINUED)

The District's total revenue consisted of program revenues of $15,646,037, property taxes of $11,908,248, aid payments from the state and federal governments of $21,711,421 and $631,035 from miscellaneous other sources. Expenses totaling $40,433,732 consisted mainly of education costs for regular, vocational, and special needs programming totaling $20,544,991 between these three categories. Other areas of cost included: support services (District, instructional, administrative and pupil) $10,748,303, site, buildings, and equipment $4,562,837, fiscal and other fixed cost program $241,451, food service $1,841,559, community education and services $1,919,141, interest and fiscal charges on long-term debt $575,450.

**Revenues – Figure A-1**




**Expenditures – Figure A-2**



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

### Fund Balance

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, the governmental funds reported a combined fund balance of $21,433,118. This is down $3,901,663 from the District's June 30, 2022, combined fund balance total of $25,334,781. The reason for the decrease is a budgeted spend down of general fund reserve balances as well as a spend down of approximately $2,157,000 of the construction fund balance as the geothermal projects related to indoor air quality projects at Jefferson and Washington-Kosciusko Elementary Schools got underway during fiscal year 2023.

### Revenue and Expenditures

Revenues of the District's governmental funds totaled $49,736,912 while total expenditures were $53,694,126. A summary of the revenues and expenditures reported on the governmental fund financial statements appears in Table A-6 below.

**Table A-3**
**Revenues and Expenditures – Governmental Funds**

| | 2022 Beginning Fund Balance | 2022 Revenue | 2022 Expenditures | 2022 Other | 2022 Net Change in Fund Balance | 2022 Ending Fund Balance |
|---|---|---|---|---|---|---|
| General | $ 7,354,476 | $ 42,001,029 | $ 42,070,978 | $ - | $ (69,949) | $ 7,284,527 |
| Food Service | 50,788 | 2,508,947 | 1,889,808 | - | 619,139 | 669,927 |
| Community Service | 629,906 | 2,184,771 | 2,016,775 | - | 167,996 | 797,902 |
| Capital Projects | 1,071,190 | (17,459) | 1,860,154 | 16,204,546 | 14,326,933 | 15,398,123 |
| OPEB Debt Service | 29,501 | 694,040 | 657,075 | - | 36,965 | 66,466 |
| Debt Service | 613,798 | 2,647,527 | 2,631,498 | 488,009 | 504,038 | 1,117,836 |
| Totals | $ 9,749,659 | $ 50,018,855 | $ 51,126,288 | $ 16,692,555 | $ 15,585,122 | $ 25,334,781 |

| | 2023 Beginning Fund Balance | 2023 Revenue | 2023 Expenditures | 2023 Other | 2023 Net Change in Fund Balance | 2023 Ending Fund Balance |
|---|---|---|---|---|---|---|
| General | $ 7,284,527 | $ 41,856,554 | $ 43,066,294 | $ 50,708 | $ (1,159,032) | $ 6,125,495 |
| Food Service | 669,927 | 1,800,720 | 1,817,039 | 4,843 | (11,476) | 658,451 |
| Community Service | 797,902 | 2,266,437 | 2,316,098 | - | (49,661) | 748,241 |
| Capital Projects | 15,398,123 | 469,185 | 2,626,250 | - | (2,157,065) | 13,241,058 |
| OPEB Debt Service | 66,466 | 691,509 | 656,475 | - | 35,034 | 101,500 |
| Debt Service | 1,117,836 | 2,652,507 | 3,211,970 | - | (559,463) | 558,373 |
| Totals | $ 25,334,781 | $ 49,736,912 | $ 53,694,126 | $ 55,551 | $ (3,901,663) | $ 21,433,118 |

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

### General Fund Budgetary Highlights

During the year ended June 30, 2023, the District revised its operating budget. The revision is necessary because when the initial budget is prepared and adopted (a budget must be in place prior to the beginning of the year on July 1), details of student enrollment, staffing levels and other significant information items are estimates. When these items become known, the budget is then revised. A similar revision is made each year for the same reasons.

The District's final General Fund budget anticipated expenditures would exceed revenues by $1,516,175. The actual result was $1,159,032 expenditures over revenues and other financing sources. Revenues came in under budget by $37,193 or .09% of total general fund budget. Expenditures came in under budget by $343,628 or 0.79% of total general fund budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The District's capital assets consist of items of value over $4,000 when purchased. The assets are then depreciated over the life of the asset using the lifespan recommended by the GASB. Detailed information regarding the District's capital assets can be found in Note 3 of the financial statements.

### Long-Term Debt

At year-end, the District had a total of $22,474,299 of long-term debt. This consisted of bonded indebtedness of $20,465,000, unamortized bond premium of $1,229,807, capital leases payable of $171,391 and separation and severance of $608,101.

## FACTORS BEARING ON THE DISTRICT'S FUTURE

- The political environment at the state level 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.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to provide the District's citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact Sarah Slaby, Director of Finance, at the District Office 903 Gilmore Avenue, Winona, Minnesota 55987.

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## BASIC FINANCIAL STATEMENTS

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**Independent School District No. 861**
**Statement of Net Position**
**June 30, 2023**

| | Governmental Activities |
|---|---|
| **Assets** | |
| Cash and investments | $ 27,074,114 |
| Current property taxes receivable | 5,426,454 |
| Delinquent property taxes receivable | 88,312 |
| Accounts receivable | 119,782 |
| Interest receivable | 9,665 |
| Due from Department of Education | 3,337,780 |
| Due from other Minnesota school districts | 50,775 |
| Due from Federal Government through Department of Education | 2,372,297 |
| Due from other governmental units | 32,267 |
| Lease receivable | 86,328 |
| Inventory | 69,493 |
| Prepaid items | 148,461 |
| Capital assets not depreciated | |
| Land | 1,278,092 |
| Construction in progress | 3,337,148 |
| Capital assets, net of accumulated depreciation | |
| Land improvements | 2,980,698 |
| Buildings | 18,908,952 |
| Furniture and equipment | 1,898,839 |
| Total assets | 67,219,457 |
| **Deferred Outflows of Resources** | |
| Deferred outflows of resources related to pensions | 8,858,435 |
| Deferred outflows of resources related to other postemployment benefits (OPEB) | 198,843 |
| Deferred outflow of recources related to loss on refunding | 307,917 |
| Total deferred outflows of resources | 9,365,195 |
| Total assets and deferred outflows of resources | $ 76,584,652 |
| **Liabilities** | |
| Accounts payable | $ 2,113,493 |
| Salaries and benefits payable | 3,661,503 |
| Interest payable | 255,646 |
| Due to other minnesota school districts | 142,476 |
| Due to other governmental units | 282,671 |
| Unearned revenue | 195,106 |
| Bond principal payable (net of premium) | |
| Payable within one year | 2,945,000 |
| Payable after one year | 18,749,807 |
| Certificates of participation payable | |
| Payable within one year | 60,411 |
| Payable after one year | 64,060 |
| Financed purchases payable | |
| Payable within one year | 15,888 |
| Payable after one year | 31,032 |
| Severance payable | |
| Payable within one year | 114,131 |
| Payable after one year | 295,869 |
| Compensated absences payable | |
| Payable after one year | 198,101 |
| Net pension liability | 30,570,845 |
| Net OPEB liability | 3,261,329 |
| Total liabilities | 62,957,368 |
| **Deferred Inflows of Resources** | |
| Property taxes levied for subsequent year's expenditures | 10,812,721 |
| Deferred inflows of resources related to leases | 86,328 |
| Deferred inflows of resources related to pensions | 7,552,182 |
| Deferred inflows of resources realted to OPEB | 1,546,464 |
| Total deferred inflows of resources | 19,997,695 |
| **Net Position** | |
| Net investment in capital assets | 21,938,920 |
| Restricted for | |
| Debt service | 426,080 |
| Capital projects | 1,522,916 |
| Other purposes | 4,730,493 |
| Unrestricted | (34,988,820) |
| Total net position | (6,370,411) |
| Total liabilities, deferred inflows of resources, and net position | $ 76,584,652 |

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**Independent School District No. 861**
**Statement of Activities**
**Year ended June 30, 2023**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenues and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|---|
| Governmental activities | | | | | |
| Administration | $ 1,372,126 | $ 90 | $ 365 | $ - | $ (1,371,671) |
| District support services | 1,563,886 | 85,605 | 13,235 | - | (1,465,046) |
| Elementary and secondary regular instruction | 12,454,232 | 442,501 | 1,822,274 | 23,000 | (10,166,457) |
| Vocational education instruction | 201,925 | - | 2,540 | - | (199,385) |
| Special education instruction | 7,888,834 | 59,378 | 7,470,770 | - | (358,686) |
| Instructional support services | 2,115,698 | - | 483,807 | - | (1,631,891) |
| Pupil support services | 5,696,593 | 12,302 | 1,459,897 | - | (4,224,394) |
| Sites and buildings | 4,562,837 | - | - | 225,529 | (4,337,308) |
| Fiscal and other fixed cost programs | 241,451 | - | - | - | (241,451) |
| Food service | 1,841,559 | 432,412 | 1,362,103 | - | (47,044) |
| Community education and services | 1,919,141 | 567,981 | 1,182,248 | - | (168,912) |
| Interest and fiscal charges on long-term debt | 575,450 | - | - | - | (575,450) |
| Total governmental activities | $ 40,433,732 | $ 1,600,269 | $ 13,797,239 | $ 248,529 | (24,787,695) |

| | |
|---|---|
| General revenues | |
| Taxes | |
| Property taxes, levied for general purposes | 8,263,916 |
| Property taxes, levied for community education | 497,943 |
| Property taxes, levied for debt service | 3,146,389 |
| State and federal aid-formula grants | 21,711,421 |
| Other general revenues | 67,849 |
| Investment income | 558,343 |
| Gain of sale of assets | 4,843 |
| Total general revenues | 34,250,704 |
| Change in net position | 9,463,009 |
| Net position - beginning | (15,833,420) |
| Net position - ending | $ (6,370,411) |

**Independent School District No. 861**
**Balance Sheet - Governmental Funds**
**June 30, 2023**

| | General | Food Service | Community Service | Capital Projects |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and investments | $ 8,082,247 | $ 605,528 | $ 1,114,648 | $ 14,805,940 |
| Current property taxes receivable | 3,259,070 | - | 281,787 | - |
| Delinquent property taxes receivable | 62,749 | - | 3,710 | - |
| Accounts receivable | 111,930 | 25 | 7,827 | - |
| Interest receivable | - | - | - | 9,665 |
| Due from Department of Education | 3,307,354 | 12,280 | - | - |
| Due from Federal Government through Department of Education | 2,134,855 | 150,625 | 86,817 | - |
| Due from other Minnesota school districts | 14,234 | - | 36,541 | - |
| Due from other governmental units | 30,897 | - | 1,370 | - |
| Lease receivable | 86,328 | - | - | - |
| Inventory | 54,283 | 15,210 | - | - |
| Prepaid items | 147,595 | - | 866 | - |
| Total assets | $ 17,291,542 | $ 783,668 | $ 1,533,566 | $ 14,815,605 |
| **Liabilities** | | | | |
| Accounts payable | $ 500,452 | $ 30,779 | $ 7,715 | $ 1,574,547 |
| Salaries and benefits payable | 3,444,601 | 54,449 | 162,453 | - |
| Due to other Minnesota school districts | 134,314 | - | 8,162 | - |
| Due to other governmental units | 269,737 | - | 12,934 | - |
| Unearned revenue | 148,555 | 39,989 | 6,562 | - |
| Total liabilities | 4,497,659 | 125,217 | 197,826 | 1,574,547 |
| **Deferred Inflows of Resources** | | | | |
| Unavailable revenue - delinquent property taxes | 62,749 | - | 3,710 | - |
| Deferred inflow of resources related to lease receivable | 86,328 | - | - | - |
| Property taxes levied for subsequent year's expenditures | 6,519,311 | - | 583,789 | - |
| Total deferred inflows of resources | 6,668,388 | - | 587,499 | - |
| **Fund Balances** | | | | |
| Nonspendable | 201,878 | 15,210 | 866 | - |
| Restricted | 3,320,091 | 643,241 | 747,375 | 13,241,058 |
| Unassigned | 2,603,526 | - | - | - |
| Total fund balances | 6,125,495 | 658,451 | 748,241 | 13,241,058 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 17,291,542 | $ 783,668 | $ 1,533,566 | $ 14,815,605 |

| OPEB Debt Service | Debt Service | Total Governmental Funds |
|---|---|---|
| $ 456,970 | $ 2,008,781 | $ 27,074,114 |
| 332,660 | 1,552,937 | 5,426,454 |
| 4,457 | 17,396 | 88,312 |
| - | - | 119,782 |
| - | - | 9,665 |
| 1,054 | 17,092 | 3,337,780 |
| | | |
| - | - | 2,372,297 |
| - | - | 50,775 |
| - | - | 32,267 |
| - | - | 86,328 |
| - | - | 69,493 |
| - | - | 148,461 |
| $ 795,141 | $ 3,596,206 | $ 38,815,728 |
| | | |
| $ - | $ - | $ 2,113,493 |
| - | - | 3,661,503 |
| - | - | 142,476 |
| - | - | 282,671 |
| - | - | 195,106 |
| - | - | 6,395,249 |
| | | |
| 4,457 | 17,396 | 88,312 |
| - | - | 86,328 |
| 689,184 | 3,020,437 | 10,812,721 |
| 693,641 | 3,037,833 | 10,987,361 |
| | | |
| - | - | 217,954 |
| 101,500 | 558,373 | 18,611,638 |
| - | - | 2,603,526 |
| 101,500 | 558,373 | 21,433,118 |
| | | |
| $ 795,141 | $ 3,596,206 | $ 38,815,728 |

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**Independent School District No. 861**
**Reconciliation of the Balance Sheet to**
**the Statement of Net Position - Governmental Funds**
**June 30, 2023**

| | |
|---|---|
| Total fund balances - governmental funds | $ 21,433,118 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. | |
| Cost of capital assets | 68,969,108 |
| Less accumulated depreciation | (40,565,379) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of: | |
| Bond principal payable | (20,465,000) |
| Certificates of participation | (124,471) |
| Financed purchase payable | (46,920) |
| Premium on bonds payable | (1,229,807) |
| Severance payable | (410,000) |
| Compensated absences | (198,101) |
| Net OPEB liability | (3,261,329) |
| Net pension liability | (30,570,845) |
| Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds. | |
| Deferred outflows of resources related to pensions | 8,858,435 |
| Deferred inflows of resources related to pensions | (7,552,182) |
| Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to OPEB that are not recognized in the governmental funds. | |
| Deferred outflows of resources related to OPEB | 198,843 |
| Deferred inflows of resources related to OPEB | (1,546,464) |
| When a bond refunding occurs, the difference between the amount paid to the refunded bond escrow and the principal of the refunded debt is expensed in the governmental funds. These expenditures are capitalized on the statement of net position as deferred charges. | 307,917 |
| Delinquent property tax receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. | 88,312 |
| Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable. | (255,646) |
| Total net position - governmental activities | $ (6,370,411) |

**Independent School District No. 861**
**Statement of Revenues, Expenditures, and**
**Changes in Fund Balances - Governmental Funds**
**Year Ended June 30, 2023**

| | General | Food Service | Community Service |
|---|---|---|---|
| **Revenues** | | | |
| Local property taxes | $ 8,255,360 | $ - | $ 497,415 |
| Other local and county revenues | 1,399,752 | 19,939 | 880,027 |
| Revenue from state sources | 27,793,394 | 77,390 | 759,539 |
| Revenue from federal sources | 4,384,904 | 1,270,979 | 129,456 |
| Sales and other conversion of assets | 23,144 | 432,412 | - |
| Total revenues | 41,856,554 | 1,800,720 | 2,266,437 |
| **Expenditures** | | | |
| Current | | | |
| Administration | 1,736,854 | - | - |
| District support services | 1,568,827 | - | - |
| Elementary and secondary regular instruction | 15,884,744 | - | - |
| Vocational education instruction | 293,856 | - | - |
| Special education instruction | 10,057,316 | - | - |
| Instructional support services | 2,439,516 | - | - |
| Pupil support services | 6,013,910 | - | - |
| Sites and buildings | 4,316,052 | - | - |
| Fiscal and other fixed cost programs | 241,451 | - | - |
| Food service | - | 1,736,152 | - |
| Community education and services | - | - | 2,158,708 |
| Capital outlay | | | |
| Administration | 16,288 | - | - |
| Elementary and secondary regular instruction | 102,236 | - | - |
| Special education instruction | 23,685 | - | - |
| Instructional support services | 2,645 | - | - |
| Pupil support services | 38,437 | - | - |
| Sites and buildings | 246,621 | - | - |
| Food service | - | 80,887 | - |
| Community education and services | - | - | 157,390 |
| Debt service | | | |
| Principal | 72,472 | - | - |
| Interest and fiscal charges | 11,384 | - | - |
| Total expenditures | 43,066,294 | 1,817,039 | 2,316,098 |
| Excess of revenues over (under) expenditures | (1,209,740) | (16,319) | (49,661) |
| **Other Financing Sources (Uses)** | | | |
| Proceeds from sale of capital assets | - | 4,843 | - |
| Financed purchase issuance | 50,708 | - | - |
| Total other financing sources (uses) | 50,708 | 4,843 | - |
| Net change in fund balances | (1,159,032) | (11,476) | (49,661) |
| **Fund Balances** | | | |
| Beginning of year | 7,284,527 | 669,927 | 797,902 |
| End of Year | $ 6,125,495 | $ 658,451 | $ 748,241 |

| Capital Projects | OPEB Debt Service | Debt Service | Total Governmental Funds |
|---|---|---|---|
| $ - | $ 677,935 | $ 2,465,218 | $ 11,895,928 |
| 469,185 | 3,044 | 16,602 | 2,788,549 |
| - | 10,530 | 170,687 | 28,811,540 |
| - | - | - | 5,785,339 |
| - | - | - | 455,556 |
| 469,185 | 691,509 | 2,652,507 | 49,736,912 |
| | | | |
| - | - | - | 1,736,854 |
| - | - | - | 1,568,827 |
| | | | |
| - | - | - | 15,884,744 |
| - | - | - | 293,856 |
| - | - | - | 10,057,316 |
| - | - | - | 2,439,516 |
| - | - | - | 6,013,910 |
| 76,169 | - | - | 4,392,221 |
| - | - | - | 241,451 |
| - | - | - | 1,736,152 |
| - | - | - | 2,158,708 |
| | | | |
| - | - | - | 16,288 |
| | | | |
| - | - | - | 102,236 |
| - | - | - | 23,685 |
| - | - | - | 2,645 |
| - | - | - | 38,437 |
| 2,550,081 | - | - | 2,796,702 |
| - | - | - | 80,887 |
| - | - | - | 157,390 |
| | | | |
| - | 535,000 | 2,560,000 | 3,167,472 |
| - | 121,475 | 651,970 | 784,829 |
| 2,626,250 | 656,475 | 3,211,970 | 53,694,126 |
| | | | |
| (2,157,065) | 35,034 | (559,463) | (3,957,214) |
| | | | |
| - | - | - | 4,843 |
| - | - | - | 50,708 |
| - | - | - | 55,551 |
| | | | |
| (2,157,065) | 35,034 | (559,463) | (3,901,663) |
| | | | |
| 15,398,123 | 66,466 | 1,117,836 | 25,334,781 |
| | | | |
| $ 13,241,058 | $ 101,500 | $ 558,373 | $ 21,433,118 |

**Independent School District No. 861**
**Reconciliation of the Statement of Revenues,**
**Expenditures, and Changes in Fund Balances**
**of Activities - Governmental Funds**
**Year Ended June 30, 2023**

| | |
|---|---|
| Net change in fund balances - total governmental funds | $ (3,901,663) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the the cost of those assets is allocated over the estimated useful lives as depreciation expense. | |
| Capital outlays | 3,183,246 |
| Depreciation expense | (1,774,375) |
| Disposal of capital assets | (12,537) |
| Total OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. | 417,426 |
| Severance is recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. | 31,917 |
| Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective. | 8,180,532 |
| Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in net position in the Statement of Activities. | 3,167,472 |
| Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. | 49,552 |
| Governmental funds report the effect of bond premiums when the debt is first issued, whereas these amounts are amortized in the Statement of Activities. Also, deferred amounts from refunding are amortized over the life of the bond in the Statement of Activities. | 159,827 |
| Proceeds from the sale of bonds are recognized as other financing sources in funds increasing fund balance but having no effect the governmental funds increasing fund balance but having no effect on net position in the Statement of Activities. | |
| Financed Purchase Payable | (50,708) |
| Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. | 12,320 |
| Change in net position - governmental activities | $ 9,463,009 |

**Independent School District No. 861**
**Statement of Revenues, Expenditures, and**
**Changes in Fund Balances -**
**Budget and Actual - General Fund**
**Year Ended June 30, 2023**

| | Budgeted Amounts | | Actual | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | Amounts | Over (Under) |
| **Revenues** | | | | |
| Local property taxes | $ 8,254,363 | $ 8,254,516 | $ 8,255,360 | $ 844 |
| Other local and county revenues | 772,819 | 1,379,113 | 1,399,752 | 20,639 |
| Revenue from state sources | 27,189,469 | 27,966,257 | 27,793,394 | (172,863) |
| Revenue from federal sources | 4,316,438 | 4,265,802 | 4,384,904 | 119,102 |
| Sales and other conversion of assets | 22,500 | 28,059 | 23,144 | (4,915) |
| Total revenues | 40,555,589 | 41,893,747 | 41,856,554 | (37,193) |
| **Expenditures** | | | | |
| Current | | | | |
| Administration | 1,711,867 | 1,679,622 | 1,736,854 | 57,232 |
| District support services | 1,770,542 | 1,804,340 | 1,568,827 | (235,513) |
| Elementary and secondary regular instruction | 14,852,904 | 15,740,677 | 15,884,744 | 144,067 |
| Vocational education instruction | 285,104 | 280,391 | 293,856 | 13,465 |
| Special education instruction | 9,927,097 | 9,872,974 | 10,057,316 | 184,342 |
| Instructional support services | 2,056,467 | 2,906,131 | 2,439,516 | (466,615) |
| Pupil support services | 5,716,696 | 6,014,611 | 6,013,910 | (701) |
| Sites and buildings | 4,448,689 | 4,359,509 | 4,316,052 | (43,457) |
| Fiscal and other fixed cost programs | 242,000 | 242,000 | 241,451 | (549) |
| Capital outlay | | | | |
| Administration | 15,870 | 15,870 | 16,288 | 418 |
| District support services | 36,496 | 36,496 | - | (36,496) |
| Elementary and secondary regular instruction | 146,329 | 152,219 | 102,236 | (49,983) |
| Special education instruction | 23,316 | 30,212 | 23,685 | (6,527) |
| Instructional support services | 5,775 | 5,775 | 2,645 | (3,130) |
| Pupil support services | 40,024 | 40,024 | 38,437 | (1,587) |
| Sites and buildings | 126,143 | 126,143 | 246,621 | 120,478 |
| Debt service | | | | |
| Principal | 88,508 | 88,508 | 72,472 | (16,036) |
| Interest and fiscal charges | 14,420 | 14,420 | 11,384 | (3,036) |
| Total expenditures | 41,508,247 | 43,409,922 | 43,066,294 | (343,628) |
| Excess of revenues over (under) expenditures | (952,658) | (1,516,175) | (1,209,740) | 306,435 |
| **Other financing sources** | | | | |
| Capital lease transactions | - | - | 50,708 | 50,708 |
| Net change in fund balances | $ (952,658) | $ (1,516,175) | (1,159,032) | $ 357,143 |
| **Fund Balances** | | | | |
| Beginning of year | | | 7,284,527 | |
| End of year | | | $ 6,125,495 | |

**Independent School District No. 861**
**Statement of Revenues, Expenditures, and**
**Changes in Fund Balances -**
**Budget and Actual - Food Service**
**Year Ended June 30, 2023**

| | Budgeted Amounts | | Actual | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | Amounts | Over (Under) |
| **Revenues** | | | | |
| Other local and county revenues | $ 20,000 | $ 46,457 | $ 19,939 | $ (26,518) |
| Revenue from state sources | 71,531 | 68,961 | 77,390 | 8,429 |
| Revenue from federal sources | 994,283 | 1,245,286 | 1,270,979 | 25,693 |
| Sales and other conversion of assets | 538,783 | 485,603 | 432,412 | (53,191) |
| Total revenues | 1,624,597 | 1,846,307 | 1,800,720 | (45,587) |
| **Expenditures** | | | | |
| Current | | | | |
| Food service | 1,590,142 | 1,784,224 | 1,736,152 | (48,072) |
| Capital outlay | | | | |
| Food service | 10,000 | 48,476 | 80,887 | 32,411 |
| Total expenditures | 1,600,142 | 1,832,700 | 1,817,039 | (15,661) |
| Excess of revenues over (under) expenditures | 24,455 | 13,607 | (16,319) | (29,926) |
| **Other financing sources** | | | | |
| Proceeds from sale of capital assets | - | 5,200 | 4,843 | (357) |
| Net change in fund balances | $ 24,455 | $ 18,807 | (11,476) | $ (30,283) |
| **Fund Balances** | | | | |
| Beginning of year | | | 669,927 | |
| End of year | | | $ 658,451 | |

**Independent School District No. 861**
**Statement of Revenues, Expenditures, and**
**Changes in Fund Balances -**
**Budget and Actual - Community Service**
**Year Ended June 30, 2023**

| | Budgeted Amounts | | Actual | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | Amounts | Over (Under) |
| **Revenues** | | | | |
| Local property taxes | $ 505,285 | $ 505,639 | $ 497,415 | $ (8,224) |
| Other local and county revenues | 779,545 | 791,099 | 880,027 | 88,928 |
| Revenue from state sources | 776,102 | 825,490 | 759,539 | (65,951) |
| Revenue from federal sources | - | 110,907 | 129,456 | 18,549 |
| Total revenues | 2,060,932 | 2,233,135 | 2,266,437 | 33,302 |
| **Expenditures** | | | | |
| Current | | | | |
| Community education and services | 1,961,939 | 2,094,452 | 2,158,708 | 64,256 |
| Capital outlay | | | | |
| Community service | 5,150 | 70,150 | 157,390 | 87,240 |
| Total expenditures | 1,967,089 | 2,164,602 | 2,316,098 | 151,496 |
| Net change in fund balances | $ 93,843 | $ 68,533 | (49,661) | $ (118,194) |
| **Fund Balances** | | | | |
| Beginning of year | | | 797,902 | |
| End of year | | | $ 748,241 | |

**Independent School District No. 861**
**Statement of Fiduciary Net Position**
**June 30, 2023**

| | Irrevocable OPEB Trust | Winona CO Collaborative Custodial Fund |
|---|---|---|
| **Assets** | | |
| Current | | |
| Cash and investments | $ 2,174,660 | $ - |
| Due from other governments | - | 3,287 |
| Total assets | 2,174,660 | 3,287 |
| **Liabilities** | | |
| Current | | |
| Due to other governments | - | 2,117 |
| Accounts payable | - | 1,170 |
| Total liabilities | - | 3,287 |
| **Net Position** | | |
| Held in trust for OPEB | $ 2,174,660 | $ - |

**Statement of Changes in Fiduciary Net Position**
**Year Ended June 30, 2023**

| | Irrevocable OPEB Trust | Winona CO Collaborative Custodial Fund |
|---|---|---|
| **Additions** | | |
| Other local revenues | $ 196,425 | $ 126,137 |
| **Deductions** | | |
| Benefit payments | 399,161 | - |
| Special education | - | 126,137 |
| Total Deductions | 399,161 | 126,137 |
| Change in net position | (202,736) | - |
| **Net Position** | | |
| Beginning of year | 2,377,396 | - |
| End of year | $ 2,174,660 | $ - |

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### A. Reporting Entity

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

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

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

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

### B. Basic Financial Statement Information

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund financial statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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 (CONTINUED)

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

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

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

The Irrevocable OPEB Trust and Custodial Funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements.

### C. Measurement Focus and Basis of Accounting

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

#### 1. Revenue Recognition

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

#### 2. Recording of Expenditures

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

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

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

**Description of Funds:**

Major Funds:

General Fund – The General Fund is used to account for all financial resources except those 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.

Food Service Special Revenue Fund – The Food Service Fund is used to account for food service revenues and expenditures. Revenues in the Food Service Fund consist of user fees and state and federal reimbursements restricted for the Food Service program.

Community Service Special Revenue Fund – The Community Service Fund is used to account for service provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenue in the Community Service Fund consist of local property taxes, use fees, and state tax credits and aids restricted for the Community Service programs.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

OPEB Debt Service Fund – The OPEB Debt Service Fund is used to account for the accumulation of resources for, and payment of, OPEB obligation bond principal, interest, and related costs.

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

Fiduciary Funds:

Irrevocable OPEB Trust Fund – The Irrevocable OPEB Fund is used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits.

Custodial Fund – The Custodial Fund is established to account for cash and other assets held by the District as the agent for others. This fund accounts for money held and and/or receivable from Minnesota Department of Education under agency agreements with the Winona County Collaborative.

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

### D. Budgeting

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, Building Construction Fund, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budgeted 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 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.

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.

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

### E. Deposits and Investments

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

#### 1. District Funds Other than the OPEB Trust Fund

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

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

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

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

### E. Deposits and Investments (Continued)

#### 2. OPEB Trust Fund

These funds represent investments administered by the District's OPEB Trust Fund investment managers. As of June 30, 2023, they were comprised of various pools with U.S. Bank.

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

*Minnesota Statutes* authorize the OPEB Trust Fund to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, ankers' acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments.

### F. Property Tax Receivable

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

### G. Property Taxes Levied for Subsequent Year's Expenditures

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

### H. Inventories

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

### I. Prepaid Items

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

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

### J. Property Taxes

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

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

### K. Capital Assets

Capital assets are capitalized as historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of $4,000 for capitalizing capital 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.

Capital assets are recorded in the District-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount 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 20 years for furniture and 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 building or other improvable property.

### L. Deferred Outflows/Inflows of Resources

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

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

### L. Deferred Outflows/Inflows of Resources (Continued)

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

### M. Long-Term Obligations

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

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

*Compensated Absences*

Employees earn annual vacation at rates dependent upon each employee group labor contract. At June 30, 2023, unpaid vacation pay totaling $198,101 is recorded in the statement of net position.

*Sick Pay*

Substantially all District employees are entitled to sick leave at various rates. For certain employees, unused sick leave enters into the calculation of severance pay upon termination.

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

### N. Accrued Employee Benefits

*Severance and Other Postemployment Benefits*
Accounting policies for severance and other postemployment benefits are described as follows:

1. **Severance Payment - Nonaffiliated Employees, Plant Operation, and Maintenance Employees**
A severance payment is available to nongroup employees and plant operation and maintenance employees who have completed at least 15 consecutive years of full or part time service with the District and are at least age 55 or employees who qualify for early retirement under the rule of 90 as prescribed by PERA. An eligible individual will receive an amount equal to $5.00 an hour for each unused hour of sick leave, reduced by the 403b matching dollars paid by the District over the employee's employment.

2. **Severance Payment - Educational Office Professionals and Paraprofessionals**
A severance payment is available to educational office professionals and paraprofessionals that have 15 years of service and who are at least 55 years of age, or employees who qualify for early retirement under the rule of 90 as prescribed by PERA. Qualified employees receive a severance payment equal to $4.50 an hour for each hour of unused sick leave, reduced by the amount of 403b matching dollars paid by the District over the employee's employment.

3. **Severance Payment - School Nutrition Personnel**
A severance payment is available to food service personnel that have completed at least 15 years of continuous service with the District and are at least age 55 or employees who qualify for early retirement under the rule of 90 as prescribed by PERA. Qualified employees receive a severance payment equal to $5.00 an hour for each unused hour of sick leave.

4. **Severance Payment - Teachers**
A severance payment is available to teachers who have taught a minimum of 15 years in the District and are at least 55 years of age. An eligible individual will receive an amount equal to $10 per day for each day of unused sick leave, up to 195 days, directly into the retiree's 403b account.

5. **Other Postemployment Benefits - Educational Office Professionals, Teachers, and Paraprofessionals**
Upon retirement, employees with at least 15 years of continuous service with the District and are at least age 55 will receive $40,000, which will be placed into a postretirement healthcare account. If the employee is less than full time, the $40,000 benefit is prorated based on the employee's FTE status for the last 5 years of their employment with the District.

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

### N. Accrued Employee Benefits (Continued)

*Severance and Other Postemployment Benefits (Continued)*

5. **Other Postemployment Benefits - Educational Office Professionals, Teachers, and Paraprofessionals (Continued)**
   Starting with the 2005-2006 school year, teachers starting the school year who are age 50 with a minimum of 15 years of full-time service, the District will contribute $2,000 annually for teachers and $840 annually for paraprofessionals and educational office professionals into a healthcare savings account administered by the Minnesota State Retirement Association. Upon retirement, the cumulative amount of the deposits made for the teacher into the account will be subtracted from the $40,000 retirement incentive mentioned above.

6. **Other Postemployment Benefits - School Nutrition Personnel**
   Upon retirement, employees with a minimum of 15 years of full-time service in the District and are at least 55 years of age are eligible to receive a postemployment health care benefit. The benefit is an amount equal to $40,000, reduced by 403(b) matching dollars paid by the District over the employee's employment.

Part-time employees with a minimum of 15 years of service in the District, working in a capacity in which the employee was eligible for insurance benefits, and who are at least 55 years of age is eligible to receive a postemployment health care benefit. The benefit is equal to a prorated payment of the $40,000 based on the employee's fractional time.

The District budgets for payments of severance pay for the year when it anticipates the retirement of personnel requires a severance payment. The payment of severance pay is recorded as a current expenditure in the year of the payment. The liability for severance totaled $410,000 and is recorded in the statement of net position.

### O. Pensions

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

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

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

### P. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues in the General Fund for a variety of unexpended local grants and unearned fees. In the Food Service Fund, unearned revenues have been recorded for school lunch deposits. The District also recorded unearned revenue in the Community Service Fund related to unexpended local grants and fees.

### Q. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable portions of fund balance relate to prepaids and inventories. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The District currently does not report any committed fund balances. The Board of Education passed a resolution authorizing the Director of Finance the ability to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts, usually in the General Fund only.

In accordance with the District's fund balance policy, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the District's policy to use committed first, then assigned and finally unassigned fund balance.

The District has a minimum fund balance policy, which identifies a minimum unassigned fund balance in the General Fund of 8-10% of annual operating expenditures. In the Food Service Fund and Community Service Fund the District has a minimum fund balance policy, which identifies a minimum total fund balance of 10% of operating expenditures.

### R. Risk Management

The District is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; error and omissions; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

There has been no significant reduction 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 fiscal years.

### S. Net Position

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

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

### T. 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Deposits

#### 1. District Funds Other than the OPEB Trust Fund

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

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy requires the District's deposits be collateralized as required by *Minnesota Statutes* § 118.03 for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of June 30, 2023, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name and irrevocable letters of credit.

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

| | |
|---|---|
| Checking | $ 12,269,291 |
| Deposits (Nonpooled) | 1,782,698 |
| Total deposits | $ 14,051,989 |

### B. Investments

#### 1. District Funds Other than the OPEB Trust Fund

The District also invest idle funds as authorized by *Minnesota Statutes* as follows:

| | | Investment Maturities |
|---|---|---|
| Investment | Fair Value | Less Than 1 Year |
| Nonpooled Investments | | |
| Municipal Bonds | $ 715,000 | $ 715,000 |
| Money Market | 4,000,000 | 4,000,000 |
| US Treasuries | 6,607,282 | 6,607,282 |
| Government Agencies | 1,310,588 | 1,310,588 |
| Total Nonpooled Investments | $ 12,632,870 | $ 12,632,870 |

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### B. Investments (Continued)

#### 1. District Funds Other than the OPEB Trust Fund (Continued)

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy limits investments to U.S. Treasury obligations, U.S. Government Agency and instrumentality obligations, Canadian Government obligations, certificates of deposit, banker's acceptances, commercial paper rated in the highest tier, investment-grade obligations, repurchase agreements, money market mutual funds, and local government investment pools. Pooled investments were rated at AAA. The Money market nonpooled investments were rated at AAA. The State and Local Government Securities were all rated higher than A unless the security was not rated.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer, although the investment policy states to eliminate risk of loss resulting from the over concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalents assets in all District funds shall be diversified by maturity, issuer, and class of security. The policy also states unless matched to a specific cash flow, the District will not directly invest in securities maturing more than five years from the date of purchase or in accordance with state and local statutes and ordinances. The District's nonpooled investment in Massachusetts Edl Fing (5.7%), Federal National Mortgage Association (7.9%), exceeded 5% of the total nonpooled investments.

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 investments will be managed in a manner to attain a market rate of return through various economic and budgetary cycles while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

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 states that securities will be held by an independent third party custodian selected by the District as evidenced by safekeeping receipts in the District's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls.

The District has recurring fair value measurements as of June 30, 2023:

- $12,632,870 of nonpooled investments using Level 2 inputs
- $2,548,421 of the OPEB trust fund investments using level 1 inputs

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### B. Investments (Continued)

#### 2. OPEB Trust Fund

Credit Risk: As of June 30, 2023, the District's OPEB Trust Fund cash and cash equivalents and investments were unrated.

| Investments | Fair Value |
|---|---|
| Money Market | $ 16,611 |
| Fixed Income Funds | 1,232,869 |
| Equity Funds | 1,315,552 |
| Total investments - OPEB Trust Fund | $ 2,565,032 |

### C. Deposits and Investments

Summary of total deposits, and investments as of June 30, 2023:

| | |
|---|---|
| District funds other than Fiduciary Funds | |
| Petty cash | $ 1,000 |
| Deposits (Note 3. A. ) | 12,269,291 |
| Non-pooled deposits (Construction) (Note 3. A. ) | 2,173,070 |
| Non-pooled investments (Construction) | 12,632,870 |
| OPEB Trust Fund | |
| Deposits (Note 3. A. ) | (390,372) |
| Investments | 2,565,032 |
| Total deposits and investments | $ 29,250,891 |

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

| | |
|---|---|
| Statement of Net Position | |
| Cash and investments | $ 27,074,114 |
| Statement of Fiduciary Net Position | |
| OPEB Irrevocable Trust Fund | |
| Cash and cash equivalents | (390,372) |
| Investments | 2,565,032 |
| Total deposits and investments | $ 29,248,774 |

## NOTE 3 – CAPITAL ASSETS

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Governmental activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 1,278,092 | $ - | $ - | $ 1,278,092 |
| Construction in progress | 950,636 | 2,617,269 | 230,757 | 3,337,148 |
| Total capital assets not being depreciated | 2,228,728 | 2,617,269 | 230,757 | 4,615,240 |
| Capital assets being depreciated | | | | |
| Land improvements | 6,691,875 | 9,996 | - | 6,701,871 |
| Buildings | 49,627,883 | 10,376 | 13,122 | 49,625,137 |
| Furniture and equipment | 7,366,092 | 776,362 | 115,594 | 8,026,860 |
| Total capital assets being depreciated | 63,685,850 | 796,734 | 128,716 | 64,353,868 |
| Less accumulated depreciation for | | | | |
| Land improvements | (3,453,042) | (268,131) | - | (3,721,173) |
| Buildings | (29,531,375) | (1,193,119) | 8,309 | (30,716,185) |
| Furniture and equipment | (5,922,766) | (313,125) | 107,870 | (6,128,021) |
| Total accumulated depreciation | (38,907,183) | (1,774,375) | 116,179 | (40,565,379) |
| Total capital assets being depreciated, net | 24,778,667 | (977,641) | 12,537 | 23,788,489 |
| Governmental activities, capital assets, net | $ 27,007,395 | $ 1,639,628 | $ 243,294 | $ 28,403,729 |

## NOTE 3 – CAPITAL ASSETS (CONTINUED)

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

| | | |
|---|---|---|
| Government Activities | | |
| Administration | $ | 20,354 |
| District Support Services | | 13,354 |
| Regular Instuction | | 1,356,689 |
| Vocational Education Instruction | | 7,815 |
| Special Education Instruction | | 29,168 |
| Intructional Support Services | | 48,729 |
| Pupil Support Services | | 156,543 |
| Sites and Buildings | | 96,602 |
| Food Services | | 34,865 |
| Community Service | | 10,256 |
| Total depreciation expense, Government Activities | $ | 1,774,375 |

## NOTE 4 – 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 limitation by Minnesota law.

| | Issue Date | Interest Rates | Original Issue | Final Maturity | Total | Due Within One Year |
|---|---|---|---|---|---|---|
| Long-term liabilities | | | | | | |
| Capital Facilities Bonds, 2013A | 2/5/2013 | 2.0%-2.15% | $ 1,580,000 | 2/1/2028 | $ 570,000 | $ 110,000 |
| Capital Facilities Bonds, 2013B | 11/13/2013 | 2.0%-3.05% | 2,140,000 | 2/1/2028 | 825,000 | 155,000 |
| OPEB Refunding Bonds, 2016 | 4/17/2016 | 6.40% | 6,495,000 | 2/1/2029 | 3,580,000 | 550,000 |
| Facilities Maintenance, 2022 | 3/10/2022 | 3.00%-4.00% | 15,490,000 | 2/1/2037 | 15,490,000 | 2,130,000 |
| Total G.O. Bonds | | | | | 20,465,000 | 2,945,000 |
| Bond premiums | | | | | 1,229,807 | - |
| Certificate of participation payable | | | | | 124,471 | 60,411 |
| Financed purchases from direct borrowing | | | | | 46,920 | 15,888 |
| Severance payable | | | | | 410,000 | 114,131 |
| Compensated absences payable | | | | | 198,101 | - |
| Total all long-term liabilities | | | | | $ 22,474,299 | $ 3,135,430 |

## NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

### A. Components of Long-Term Liabilities (Continued)

The long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities. Bond principal payments are made by the Debt Service Fund. Financed Purchases are paid by the General Fund.

### B. Changes in Long-Term Liabilities

| | June 30, 2022 | Additions | Retirements | June 30, 2023 |
|---|---|---|---|---|
| Long-Term Liabilities | | | | |
| G.O. Bonds | $ 23,560,000 | $ - | $ 3,095,000 | $ 20,465,000 |
| Bonds Premium | 1,443,185 | - | 213,378 | 1,229,807 |
| Certificates of Participation Payable | 181,441 | - | 56,970 | 124,471 |
| Financed Purchases Payable | 11,725 | 50,708 | 15,513 | 46,920 |
| Severance payable | 455,000 | - | 45,000 | 410,000 |
| Compensated Absences Payable | 185,018 | 356,748 | 343,665 | 198,101 |
| Total | $ 25,836,369 | $ 407,456 | $ 3,769,526 | $ 22,474,299 |

*General Obligation Bonds*

On February 5, 2013, the District issued $1,580,000 of General Obligation Capital Facilities Bonds, Series 2013A. The proceeds of the issue were used to finance the betterment of capital projects in the District. Future ad valorem tax levies are dedicated to retire these bonds.

On November 13, 2013, the District issued $2,140,000 of General Obligation Capital Facilities Bonds, Series 2013B. The proceeds of the issue were used to finance the betterment of capital projects in the District. Future ad valorem tax levies are dedicated to retire these bonds.

On April 17, 2016, the District issued $6,495,000 in General Obligation Taxable OPEB Bonds, Series 2016A. Net proceeds of these bonds were used to purchase U.S. Treasury securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments on the Series 2009A bonds. As a result, $5,970,000 of the Series 2009A Bonds were considered defeased. The reacquisition price exceeded the net carrying amount of the old debt by $696,161. This amount is reported as deferred outflows of resources in the statement of net position and amortized over the remaining life of the new bond. The advanced refunding was undertaken to reduce total debt service payments over the next 13 years by $1,284,686 and resulted in an economic gain (difference between the present values of the old and net debt service payments) of $1,074,288.

On March 10, 2022, the District issued $15,490,000 in General Obligation School Building Bonds, Series 2022A. The proceeds of the issue are to be used to finance the betterment of school sites and facilities in the District. Future long term facilities maintenance funds are dedicated to retire these bonds.

## NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

### B. Changes in Long-Term Liabilities (Continued)

*Certificates of Participation*
The District raised funds through the issuance of a certificate of participation during the year ended June 30, 2009. The loan in the amount of $1,855,000, dated May 13, 2009, was used to finance the construction of a track facility. This loan is structured as governmental lease purchase agreements for facility improvements. Repayment of principal is made through rental payments, which are structured to correspond to the related debt service requirements. Annual debt service payments go through August 1, 2024.

### C. Minimum Debt Payments
Minimum annual principal and interest payments required to retire the G.O. Bond liabilities:

| Year Ending June 30, | General Obligation Bonds Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 2,945,000 | $ 689,098 | $ 3,634,098 |
| 2025 | 2,995,000 | 580,548 | 3,575,548 |
| 2026 | 1,390,000 | 470,248 | 1,860,248 |
| 2027 | 1,535,000 | 424,275 | 1,959,275 |
| 2028 | 1,280,000 | 374,180 | 1,654,180 |
| 2029-2033 | 5,360,000 | 1,294,450 | 6,654,450 |
| 2034-2038 | 4,960,000 | 377,550 | 5,337,550 |
| Total | $ 20,465,000 | $ 4,210,348 | $ 24,675,348 |

### D. Financed Purchase Obligations
The District entered into various financed purchase agreements for office equipment. Minimum annual principal and interest payments required to retire the Financed Purchase liabilities:

| Year Ending June 30, | Financed Purchases from Direct Borrowing Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 15,888 | $ 3,180 | $ 19,068 |
| 2025 | 17,207 | 1,862 | 19,068 |
| 2026 | 13,825 | 465 | 14,291 |
| Total | $ 46,920 | $ 5,507 | $ 52,427 |

## NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

### E. Certificates of Participation

| Year Ending June 30, | Certificates of Participation Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 60,411 | $ 7,518 | $ 67,929 |
| 2025 | 64,060 | 3,869 | 67,929 |
| Total | $ 124,471 | $ 11,387 | $ 135,858 |

*Severance Payable*
Severance payable consists of severance pay, which is convertible sick leave payable to employees upon retirement. Severance benefits have been paid by the General Fund, Food Service Fund, and Community Service Fund.

*Compensated Absences*
Compensated absences consist of unused vacation at June 30, 2023. In prior years, the General Fund, Food Service Fund, and Community Service Fund have been used to liquidate vacation payable.

## NOTE 5 – FUND BALANCES/NET POSITION

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.

## NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

### Fund Equity

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

| | General | Food Service | Community Service | Capital Projects | OPEB Debt Service | Debt Service | Total |
|---|---|---|---|---|---|---|---|
| Nonspendable for | | | | | | | |
| Inventory | $ 54,283 | $ 15,210 | $ - | $ - | $ - | $ - | $ 69,493 |
| Prepaid Items | 147,595 | - | 866 | - | - | - | 148,461 |
| Total nonspendable | 201,878 | 15,210 | 866 | - | - | - | 217,954 |
| Restricted/Reserved for | | | | | | | |
| Student Activities | 254,552 | - | - | - | - | - | 254,552 |
| Staff Development | 381,798 | - | - | - | - | - | 381,798 |
| Operating Capital | 991,623 | - | - | - | - | - | 991,623 |
| Medical Assistance | 45,517 | - | - | - | - | - | 45,517 |
| Capital Projects Levy | 791,562 | - | - | - | - | - | 791,562 |
| Long-Term Facilities Maintenance | 854,607 | - | - | 13,113,100 | - | - | 13,967,707 |
| Community Education | - | - | 580,857 | - | - | - | 580,857 |
| Early Childhood And Family Education | - | - | 94,895 | - | - | - | 94,895 |
| Adult Basic Education | - | - | 9,371 | - | - | - | 9,371 |
| School Readiness | - | - | 62,252 | - | - | - | 62,252 |
| Debt Service | - | - | - | - | 101,500 | 558,373 | 659,873 |
| Capital Projects | - | - | - | 127,958 | - | - | 127,958 |
| Food Service | - | 643,241 | - | - | - | - | 643,241 |
| Other purposes | 432 | - | - | - | - | - | 432 |
| Total restricted/reserved | 3,320,091 | 643,241 | 747,375 | 13,241,058 | 101,500 | 558,373 | 18,611,638 |
| Unassigned for | | | | | | | |
| General purposes | 2,603,526 | - | - | - | - | - | 2,603,526 |
| Total fund balances | $ 6,125,495 | $ 658,451 | $ 748,241 | $ 13,241,058 | $ 101,500 | $ 558,373 | $ 21,433,118 |

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

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

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

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

Restricted/Reserved for Capital Projects Levy – This balance represents available resources from the capital projects levy to be used for building construction and other projects under *Minnesota Statues* § 126C.10, subd. 14. All interest income attributable to the capital projects levy must be credited to this account.

## NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

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

Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education, and extended day programs.

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

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

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* § 124D.16).

Restricted/Reserved for Debt Service – These balances represent the positive Fund balance of the debt service fund and the OPEB debt service fund.

Restricted/Reserved for Capital Projects – This balance represents the positive Fund balance of the Capital Projects fund.

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

Restricted/Reserved for Other Purposes – This balance represents the earned, but unspent balance of various grants received.

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

The District participates in various pension plans, total pension expense for the year ended June 30, 2023, was ($5,833,593). The components of pension expense are noted in the following plan summaries.

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

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

### Teachers' Retirement Association

### A. Plan Description

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

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

### B. Benefits Provided

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

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

*Tier 1 Benefits*

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

With these provisions:

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

- 3% per year early retirement reduction factor for all years under normal retirement age.

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

### Teachers' Retirement Association (Continued)

### B. Benefits Provided (Continued)

*Tier 1 Benefits (Continued)*

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

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

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

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

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

### C. Contribution Rate

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

| | June 30, 2021 | | June 30, 2022 | | June 30, 2023 | |
|---|---|---|---|---|---|---|
| | Employee | Employer | Employee | Employer | Employee | Employer |
| Basic | 11.0% | 12.13% | 11.0% | 12.34% | 11.0% | 12.55% |
| Coordinated | 7.5% | 8.13% | 7.5% | 8.34% | 7.5% | 8.55% |

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

### Teachers' Retirement Association (Continued)

### C. Contribution Rate (Continued)

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

| | |
|---|---|
| Employer contributions reported in TRA's ACFR Statement of Changes in Fiduciary Net Position | $ 482,679 |
| Employer contributions not related to future contribution efforts | (2,178) |
| TRA's contributions not included in allocation | (572) |
| Total employer contributions | 479,929 |
| Total non-employer contributions | 35,590 |
| Total contributions reported in *Schedule of Employer and Non-Employer Allocations* | $ 515,519 |

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

### Teachers' Retirement Association (Continued)

### D. Actuarial Assumptions

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

| Key Methods and Assumptions Used in Valuation of Total Pension Liability | |
|---|---|
| **Actuarial Information** | |
| Valuation date | July 1, 2022 |
| Measurement date | June 30, 2022 |
| Experience study | June 28, 2019 (demographic and economic assumptions) |
| Actuarial cost method | Entry Age Normal |
| Actuarial assumptions | |
| Investment rate of return | 7.00% |
| Price inflation | 2.50% |
| Wage growth rate | 2.85% before July 1, 2028, and 3.25% after June 30, 2028. |
| Projected salary increase | 2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028. |
| Cost of living adjustment | 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually. |
| **Mortality Assumptions** | |
| Pre-retirement | RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale. |
| Post-retirement | RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale. |
| Post-disability | RP 2014 disabled retiree mortality table, without adjustment. |

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

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

**Teachers' Retirement Association (Continued)**

**D. Actuarial Assumptions (Continued)**

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

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.

Changes in actuarial assumptions since the 2021 valuation:

- None

**E. Discount Rate**

The discount rate used to measure the total pension liability was 7.0%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2022 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

**F. Net Pension Liability**

On June 30, 2023, the District reported a liability of $23,165,614 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 0.2893% at the end of the measurement period and 0.2849% for the beginning of the year.

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

### Teachers' Retirement Association (Continued)

### F. Net Pension Liability (Continued)

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 | $ 23,165,614 |
| State's proportionate share of the net pension liability associated with the District | 1,717,844 |
| Total | $ 24,883,458 |

For the year ended June 30, 2023, the District recognized pension expense of ($6,570,485). Included in this amount, the District recognized $236,209 as pension expense for the support provided by direct aid.

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

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 342,670 | $ 207,789 |
| Changes in actuarial assumptions | 3,654,922 | 5,431,010 |
| Net difference between projected and actual earnings on plan investments | 794,882 | - |
| Changes in proportion | 160,464 | 1,585,514 |
| District contributions subsequent to the measurement date | 1,528,493 | - |
| Total | $ 6,481,431 | $ 7,224,313 |

The $1,528,493 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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

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

### Teachers' Retirement Association (Continued)

### F. Net Pension Liability (Continued)

| Year Ending June 30, | Pension Expense Amount |
|---|---|
| 2024 | $ (5,518,118) |
| 2025 | 281,475 |
| 2026 | (22,080) |
| 2027 | 2,938,923 |
| 2028 | 48,425 |
| Total | $ (2,271,375) |

### G. Pension Liability Sensitivity

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

| District proportionate share of NPL | | |
|---|---|---|
| 1% Decrease in Discount Rate (6.0%) | Current Discount Rate (7.0%) | 1% Increase in Discount Rate (8.0%) |
| $ 36,519,328 | $ 23,165,614 | $ 12,219,731 |

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

### H. Pension Plan Fiduciary Net Position

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

### Public Employees' Retirement Association

### A. Plan Description

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

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

### Public Employees' Retirement Association (Continued)

### A. Plan Description (Continued)
General Employees Retirement Plan

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

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

General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

### C. Contributions
*Minnesota Statutes* Chapter 353 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.
General Employees Fund Contributions

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

### Public Employees' Retirement Association (Continued)

### C. Contributions (Continued)

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2023, were $549,778. The District's contributions were equal to the required contributions as set by state statute.

### D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2023, the District reported a liability of $7,405,231 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 $217,232.

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 0.0935% at the end of the measurement period and 0.0983% for the beginning of the period.

| | |
|---|---|
| District's proportionate share of net pension liability | $ 7,405,231 |
| State's proportionate share of the net pension liability associated with the District | 217,232 |
| Total | $ 7,622,463 |

For the year ended June 30, 2023, the District recognized pension expense of $736,892 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $32,459 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

### Public Employees' Retirement Association (Continued)

**D. Pension Costs (Continued)**

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

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 61,854 | $ 83,151 |
| Changes in actuarial assumptions | 1,759,376 | 31,601 |
| Net collective difference between projected and actual investments earnings | - | 2,712 |
| Changes in proportion | 5,996 | 210,405 |
| Contributions paid to PERA subsequent to the measurement date | 549,778 | - |
| Total | $ 2,377,004 | $ 327,869 |

The $549,778 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 Ending June 30, | Pension Expense Amount |
|---|---|
| 2024 | $ 539,369 |
| 2025 | 625,957 |
| 2026 | (335,659) |
| 2027 | 669,690 |
| Total | $ 1,499,357 |

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

### Public Employees' Retirement Association (Continued)

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

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

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

### F. Actuarial Methods and Assumptions

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

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

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

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

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

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

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

**F. Actuarial Methods and Assumptions (Continued)**
The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions
- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.

Changes in Plan Provisions
- There have been no changes since the previous valuation.

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

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

| | 1% Decrease in Discount Rate (5.5%) | Current Discount Rate (6.5%) | 1% Increase in Discount Rate (7.5%) |
|---|---|---|---|
| District's proportionate share of the PERA net pension liability | $ 11,696,950 | $ 7,405,231 | $ 3,885,359 |

**I. Pension Plan Fiduciary Net Position**
Detailed information about the General Employees Fund's fiduciary net position is available in a separately-issued PERA financial report that includes the financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

## NOTE 7 – OTHER POSTEMPLOYEMENT BENEFIT PLAN

### A. Plan Description

The district operates a single-employer retiree defined benefit plan (the Plan) that provides health insurance to eligible employees and their spouses. There are 514 active participants and 21 retired participants. Benefit and eligibility provisions are established through negotiations between the district and various unions representing District employees and are renegotiated each two-year bargaining period. Assets are accumulated in a trust that meet the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52, Postemployment Benefits Other than Pensions--Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria-Defined Benefit. Therefore, the District reports a "net OPEB liability" in accordance with GASB Statement No. 75. The Plan does not issue a publicly available financial report.

### B. Benefits Provided

Teachers, who are at least 55 years of age upon retirement and have been employed by the District for a minimum of 15 years at a minimum of 60% of a full contract, and their spouses are eligible to remain on the District's health insurance at their own cost until reaching age 65. Certain other non-teaching staff who are at least 55 years of age upon retirement and have been employed by the District full-time for a minimum of 15 years, and their spouses are eligible to remain on the District's health insurance at their own cost until reaching age 65.

The District contributes up to $40,000 to a health retirement account for eligible retired administration, teachers, office professionals, paraprofessionals, food service, and nonaffiliated plan members. For retired maintenance plan members, the District contributes the single health insurance premium, up to $40,000. The District also contributes 10% the final salary for retired administrators and teachers to the health retirement account. The District contributes eight days for each year of service (up to a maximum of 130 days) to a health retirement account for retired directors. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

### C. Actuarial Methods and Assumptions

The District's net OPEB liability was measured as of June 30, 2023, and the net OPEB liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 2.50% |
| Salary Increases | various |
| Expected long-term rate of return (net of investment expense) | 4.00% |
| Health Care Cost Trend Rates | 6.50% in 2022 grading to 5.00% over 6 years and then to 4.00% over the next 48 years |

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale for the June 30, 2023, measurement date.

## NOTE 7 – OTHER POSTEMPLOYEMENT BENEFIT PLAN (CONTINUED)

### C. Actuarial Methods and Assumptions (Continued)

*Discount Rate*

The discount rate used to measure the net OPEB liability was 4.00%. The discount rate is based on the estimated investment return on the irrevocable trust for the funded portion of the OPEB liability and the estimated yield of 20-Year AA-rated municipal bonds for the unfunded portion.

The long-term expected rate of return on OPEB 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 rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic equity | 33.0 % | 7.70 % |
| Fixed income | 50.0 | 4.60 |
| Private equity | 17.0 | 7.50 |
| Real estate | 0.0 | 0.00 |
| Cash | 0.0 | 0.00 |
| Total | 100.0 % | |

## NOTE 7 – OTHER POSTEMPLOYEMENT BENEFIT PLAN (CONTINUED)

### D. Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Liability (Asset) (a) - (b) |
| Balances at June 30, 2022 | $ 6,118,814 | $ 2,377,397 | $ 3,741,417 |
| Changes for the year | | | |
| Service cost | 352,234 | - | 352,234 |
| Interest cost | 238,617 | - | 238,617 |
| Assumption changes | 19,845 | - | 19,845 |
| Plan changes | (603,920) | - | (603,920) |
| Projected investment return | - | 145,021 | (145,021) |
| Differences between expected and actual | (302,686) | 51,403 | (354,089) |
| Benefit payments | (386,915) | (386,915) | - |
| Administrative expense | - | (12,246) | 12,246 |
| Net Changes | (682,825) | (202,737) | (480,088) |
| Balances at June 30, 2023 | $ 5,435,989 | $ 2,174,660 | $ 3,261,329 |

### E. Net OPEB Liability Sensitivity

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

| | 1% Decrease In Discount Rate (3.00%) | Current Discount Rate (4.00%) | 1% Increase In Discount Rate (5.00%) |
|---|---|---|---|
| Net OPEB Liability | $ 3,484,206 | $ 3,261,329 | $ 3,044,679 |

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

| | Healthcare Cost | | |
|---|---|---|---|
| | 1% Decrease (5.25% Decreasing to 4.00% Over 6 Years then 3.00%) | Current Trend Rates (6.25% Decreasing to 5.00% Over 6 Years then 4.00%) | 1% Increase (7.25% Decreasing to 6.00% Over 6 Years then 5.00%) |
| Net OPEB Liability | $ 2,970,963 | $ 3,261,329 | $ 3,605,643 |

## NOTE 7 – OTHER POSTEMPLOYEMENT BENEFIT PLAN (CONTINUED)

### E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of $(417,426). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Liability gains | $ - | $ 1,021,841 |
| Changes in actuarial assumptions | 198,843 | 495,841 |
| Investment gains and losses | - | 28,782 |
| Total | $ 198,843 | $ 1,546,464 |

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

| Year Ending June 30, | Pension Expense Amount |
|---|---|
| 2024 | $ (255,328) |
| 2025 | (236,546) |
| 2026 | (92,543) |
| 2027 | (198,914) |
| 2028 | (171,662) |
| Thereafter | (392,628) |
| Total | $ (1,347,621) |

## NOTE 8 – DEFINED CONTRIBUTION PLAN

The District provides eligible employees future retirements benefit through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amount set forth in their respective collective bargaining agreements. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The District contributions for the year ended June 30, 2023 are $102,428. The related employee contributions were $494,794 for the year ended June 30, 2023.

## NOTE 9 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan that is classified as a "cafeteria plan" under Section 125 of the Internal Revenue Code. All employee groups of the District are eligible when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

Before the beginning of the plan year, which is from January 1 to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions for the health care portion of the plan, whether or not such contributions have been made.

Payments of health insurance premiums are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General, Food Service, and Community Service Funds. Payments for amount withheld for medical reimbursement and dependent care are made to participating employees upon submitting a request for reimbursement of eligible expenses.

## NOTE 10 – JOINTLY GOVERNED ORGANIZATION

The District and 13 other school districts in Minnesota have entered into a Joint Powers Agreement to form the Minnesota Schools Wind Energy Cooperative (the Cooperative). The purpose of the cooperative is to acquire, develop, construct, finance, operate, and maintain a wind energy project to be located in Minnesota. The Cooperative is governed by a Joint Powers Board, which consists of two members (a school board member and the superintendent or another district employee) from each of the participating districts. Any district may withdraw from the Cooperative prior to the issuance of any project financing instruments, provided that the withdrawing district reimburses the Cooperative for its pro rata portion of the total development or other project costs other than obligations incurred by the Cooperative. Once financing instruments, other than Clean Renewable Energy Bonds (CREBs), have been issued, a district may withdraw provided it prepays the outstanding balance of its pro rata portion of any outstanding financing instruments. Upon issuance of the CREBs, no district may withdraw membership until the CREBs have been repaid in full. The District has not committed any financial resources to the Cooperative as of June 30, 2023.

## NOTE 11 – COMMITMENTS

As of June 30, 2023, the District had two construction projects with outstanding commitments. These two projects were the Jefferson School GeoThermal Project and the W-K School GeoThermal Project. These projects used a variety of vendors and have a total future commitment of $18,954,531.

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## REQUIRED SUPPLEMENTARY INFORMATION

**Independent School District No. 861**
**Winona Area Public Schools**
**Schedule of Changes in Net OPEB Liability**
**and Related Ratios**

| | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 |
|---|---|---|---|---|
| Total OPEB Liability | | | | |
| Service cost | $ 527,922 | $ 499,410 | $ 434,904 | $ 521,378 |
| Interest | 236,395 | 236,236 | 268,611 | 257,203 |
| Plan Changes | - | - | 9,843 | - |
| Differences between expected and actual experience | - | - | (609,137) | - |
| Changes of assumptions | - | (169,757) | 24,617 | 281,956 |
| Benefit payments | (659,108) | (824,373) | (745,025) | (582,751) |
| Net change in total OPEB liability | 105,209 | (258,484) | (616,187) | 477,786 |
| Beginning of year | 7,679,046 | 7,784,255 | 7,525,771 | 6,909,584 |
| End of year | $ 7,784,255 | $ 7,525,771 | $ 6,909,584 | $ 7,387,370 |
| Plan Fiduciary Net Pension (FNP) | | | | |
| Projected investment income | 453,392 | 330,462 | 258,744 | 238,648 |
| Differences between expected and actual experience | - | - | - | - |
| Benefit payments | (659,108) | (824,373) | (745,025) | (587,432) |
| Administrative expense | (3,714) | (3,275) | (23,324) | (20,394) |
| Net change in plan fiduciary net position | (209,430) | (497,186) | (509,605) | (369,178) |
| Beginning of year | 4,834,281 | 4,624,851 | 4,127,665 | 3,618,060 |
| End of year | $ 4,624,851 | $ 4,127,665 | $ 3,618,060 | $ 3,248,882 |
| Net OPEB liability | $ 3,159,404 | $ 3,398,106 | $ 3,291,524 | $ 4,138,488 |
| Plan FNP as a percentage of the total OPEB liability | 59.41% | 54.85% | 52.36% | 43.98% |
| Covered-employee payroll | $ 24,778,677 | $ 25,522,037 | $ 25,305,372 | $ 23,238,420 |
| Net OPEB liability as a percentage of covered-employee payroll | 12.75% | 13.31% | 13.01% | 17.81% |

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

| June 30, 2021 | June 30, 2022 | June 30, 2023 |
|---|---|---|
| $ 477,539 | $ 394,262 | $ 352,234 |
| 186,468 | 146,059 | 238,617 |
| (24,885) | - | (603,920) |
| | | |
| (622,086) | - | (302,686) |
| (192,738) | (351,718) | 19,845 |
| (659,599) | (621,858) | (386,915) |
| (835,301) | (433,255) | (682,825) |
| 7,387,370 | 6,552,069 | 6,118,814 |
| $ 6,552,069 | $ 6,118,814 | $ 5,435,989 |
| | | |
| 849,990 | (395,282) | 145,021 |
| | | |
| - | - | 51,403 |
| (659,599) | (621,858) | (386,915) |
| (23,935) | (20,801) | (12,246) |
| 166,456 | (1,037,941) | (202,737) |
| 3,248,882 | 3,415,338 | 2,377,397 |
| $ 3,415,338 | $ 2,377,397 | $ 2,174,660 |
| $ 3,136,731 | $ 3,741,417 | $ 3,261,329 |
| | | |
| 52.13% | 38.85% | 40.00% |
| $ 23,238,420 | $ 23,935,573 | $ 24,947,145 |
| | | |
| 13.50% | 15.63% | 13.07% |

**Independent School District No. 861**
**Winona Area Public Schools**
**Schedule of Investment Returns**

| | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 |
|---|---|---|---|---|
| Annual money-weighted rate of return, net of investment expense | 4.30% | 4.30% | 4.30% | 4.00% |

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

| June 30, 2021 | June 30, 2022 | June 30, 2023 |
|---|---|---|
| 26.10% | -11.60% | 8.30% |

**Independent School District No. 861**
**Schedule of District's and Non-employer**
**Proportionate Share of Net Pension Liability**
**Last Ten Years General Employees Retirement Fund**

| For Plan's Fiscal Year Ended June 30, | District's Proportion of the Net Pension Liability (Asset) | District's Proportionate Share of the Net Pension Liability (Asset) | District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability | District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability | District's Covered Payroll | District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|---|
| 2014 | 0.1460% | $ 6,861,686 | $ - | $ 6,861,686 | $ 7,651,708 | 89.68% | 78.75% |
| 2015 | 0.1292% | 6,695,815 | - | 6,695,815 | 1,860,093 | 359.97% | 78.19% |
| 2016 | 0.1268% | 10,295,531 | 134,405 | 10,429,936 | 1,984,467 | 518.81% | 68.91% |
| 2017 | 0.1196% | 7,635,185 | 96,010 | 7,731,195 | 7,697,027 | 99.20% | 75.90% |
| 2018 | 0.1121% | 6,218,848 | 204,030 | 6,422,878 | 7,523,293 | 82.66% | 79.53% |
| 2019 | 0.1022% | 5,650,409 | 175,659 | 5,826,068 | 7,219,773 | 78.26% | 80.23% |
| 2020 | 0.0981% | 5,881,543 | 181,321 | 6,062,864 | 7,029,520 | 83.67% | 79.06% |
| 2021 | 0.0983% | 4,197,850 | 128,191 | 4,326,041 | 7,076,827 | 59.32% | 87.00% |
| 2022 | 0.0935% | 7,405,231 | 217,232 | 7,622,463 | 7,006,600 | 105.69% | 76.67% |

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

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

| For Plan's Fiscal Year Ended June 30, | District's Proportion of the Net Pension Liability (Asset) | District's Proportionate Share of the Net Pension Liability (Asset) | District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability | District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability | District's Covered Payroll | District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|---|
| 2014 | 0.3735% | $ 17,202,274 | $ 1,210,819 | $ 18,413,093 | $ 17,048,760 | 100.9% | 81.50% |
| 2015 | 0.3420% | 21,156,082 | 2,594,660 | 23,750,742 | 17,404,200 | 121.6% | 76.77% |
| 2016 | 0.3389% | 80,835,736 | 8,113,435 | 88,949,171 | 17,675,373 | 457.3% | 44.88% |
| 2017 | 0.3324% | 66,353,070 | 6,413,575 | 72,766,645 | 18,004,907 | 368.5% | 51.57% |
| 2018 | 0.3205% | 20,132,628 | 1,891,248 | 22,023,876 | 17,709,773 | 113.7% | 78.07% |
| 2019 | 0.3117% | 19,867,823 | 1,758,242 | 21,626,065 | 17,707,821 | 112.2% | 78.21% |
| 2020 | 0.2936% | 21,691,561 | 1,817,816 | 23,509,377 | 17,022,008 | 127.4% | 75.48% |
| 2021 | 0.2849% | 12,468,076 | 1,051,447 | 13,519,523 | 17,047,847 | 73.1% | 86.63% |
| 2022 | 0.2893% | 23,165,614 | 1,717,844 | 24,883,458 | 17,881,535 | 129.6% | 76.17% |

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

**Independent School District No. 861**
**Schedule of District Contributions**
**General Employees Retirement Fund**
**Last Ten Years**

| Fiscal Year Ending June 30, | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | District's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2015 | $ 566,623 | $ 139,507 | $ - | $ 1,860,093 | 7.50% |
| 2016 | 589,026 | 148,835 | - | 1,984,467 | 7.50% |
| 2017 | 577,277 | 577,277 | - | 7,697,027 | 7.50% |
| 2018 | 564,247 | 564,247 | - | 7,523,293 | 7.50% |
| 2019 | 541,483 | 541,483 | - | 7,219,773 | 7.50% |
| 2020 | 527,214 | 527,214 | - | 7,029,520 | 7.50% |
| 2021 | 530,762 | 530,762 | - | 7,076,827 | 7.50% |
| 2022 | 525,495 | 525,495 | - | 7,006,600 | 7.50% |
| 2023 | 549,778 | 549,778 | - | 7,330,373 | 7.50% |

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

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

| Fiscal Year Ending June 30, | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required | Contribution Deficiency (Excess) | District's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2015 | $ 1,305,315 | $ 1,305,315 | $ - | $ 17,404,200 | 7.50% |
| 2016 | 1,325,653 | 1,325,653 | - | 17,675,373 | 7.50% |
| 2017 | 1,350,368 | 1,350,368 | - | 18,004,907 | 7.50% |
| 2018 | 1,328,233 | 1,328,233 | - | 17,709,773 | 7.50% |
| 2019 | 1,365,273 | 1,365,273 | - | 17,707,821 | 7.71% |
| 2020 | 1,348,143 | 1,348,143 | - | 17,022,008 | 7.92% |
| 2021 | 1,385,990 | 1,385,990 | - | 17,047,847 | 8.13% |
| 2022 | 1,491,320 | 1,491,320 | - | 17,881,535 | 8.34% |
| 2023 | 1,528,493 | 1,528,493 | - | 17,877,111 | 8.55% |

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

**Independent School District No. 861**
**Notes to the Required Supplementary Information**

## TRA Retirement Fund

### 2022 Changes
Changes in Actuarial Assumptions
- None

### 2021 Changes
Changes in Actuarial Assumptions
- The investment return assumption was changed from 7.5% to 7.0%.

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

### 2019 Changes
Changes in Actuarial Assumptions
- None

### 2018 Changes
Changes in Actuarial Assumptions
- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**Independent School District No. 861**
**Notes to the Required Supplementary Information**

**TRA Retirement Fund (Continued)**

**2017 Changes**
Changes in Actuarial Assumptions

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

**2016 Changes**
Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

**2015 Changes**
Changes of Benefit Terms

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

**TRA Retirement Fund (Continued)**

**2015 Changes (Continued)**
Changes in Actuarial Assumptions

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

## Independent School District No. 861
## Notes to the Required Supplementary Information

### General Employees Fund

**2022 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**General Employees Fund (Continued)**

**2019 Changes**
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2017 to MP-2018.

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

**2018 Changes**
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

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

**2017 Changes**
Changes in Actuarial Assumptions
- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

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

**General Employees Fund (Continued)**

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

Changes in Plan Provisions
- There have been no changes since the prior valuation.

**2015 Changes**
Changes in Actuarial Assumptions
- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

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

**Independent School District No. 861**
**Notes to the Required Supplementary Information**

**Post Employment Benefit Plan**
The following changes were reflected in the valuation performed on behalf of the District's other postemployment benefits plan for the year ended June 30:

**2022 Changes**
Changes in Actuarial Assumptions
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

**2021 Changes**
Changes in Plan Provisions
- The discount rate was changed from 2.20% to 3.80%.

**2020 Changes**
Changes in Actuarial Assumptions
- There have been no changes since the prior valuation.

Changes in Plan Provisions
- The discount rate was changed from 2.50% to 2.20%.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers), with MP-2019 Generational Improvement Scale.

**2019 Changes**
Changes in Actuarial Assumptions
- There have been no changes since the prior valuation.

Changes in Plan Provisions
- The expected long-term investment return assumption was changed from 4.30% to 4.00%.
- The discount rate was changed from 3.60% to 2.50%.

**2018 Changes**
Changes in Actuarial Assumptions
- A GASB 74/75 subsidy was added for the new superintendent.

Changes in Plan Provisions
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

**Post Employment Benefit Plan(Continued)**

**2017 Changes**
Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- The discount rate was changed from 3.00% to 3.60%.

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## SUPPLEMENTARY INFORMATION

**Independent School District No. 861**
**Statement of Revenues, Expenditures, and**
**Changes in Fund Balances -**
**Budget and Actual - Debt Service**
**Year Ended June 30, 2023**

| | Budgeted Amounts | | Actual | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | Amounts | Over (Under) |
| **Revenues** | | | | |
| Local property taxes | $ 2,479,226 | $ 2,468,314 | $ 2,465,218 | $ (3,096) |
| Other local and county revenues | 4,000 | 15,000 | 16,602 | 1,602 |
| Revenue from state sources | 160,000 | 170,913 | 170,687 | (226) |
| Total revenues | 2,643,226 | 2,654,227 | 2,652,507 | (1,720) |
| **Expenditures** | | | | |
| Debt service | | | | |
| Principal | 2,560,000 | 2,560,000 | 2,560,000 | - |
| Interest and fiscal charges | 653,107 | 653,107 | 651,970 | (1,137) |
| Total expenditures | 3,213,107 | 3,213,107 | 3,211,970 | (1,137) |
| Net change in fund balances | $ (569,881) | $ (558,880) | (559,463) | $ (583) |
| **Fund Balances** | | | | |
| Beginning of year | | | 1,117,836 | |
| End of year | | | $ 558,373 | |

**Independent School District No. 861**
**Statement of Revenues, Expenditures, and**
**Changes in Fund Balances -**
**Budget and Actual - OPEB Debt Service**
**Year Ended June 30, 2023**

| | Budgeted Amounts | | Actual | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | Amounts | Over (Under) |
| **Revenues** | | | | |
| Local property taxes | $ 677,885 | $ 678,356 | $ 677,935 | $ (421) |
| Other local and county revenues | 1,000 | 3,000 | 3,044 | 44 |
| Revenue from state sources | 11,000 | 10,530 | 10,530 | - |
| Total revenues | 689,885 | 691,886 | 691,509 | (377) |
| **Expenditures** | | | | |
| Debt service | | | | |
| Principal | 535,000 | 535,000 | 535,000 | - |
| Interest and fiscal charges | 122,000 | 122,000 | 121,475 | (525) |
| Total expenditures | 657,000 | 657,000 | 656,475 | (525) |
| Net change in fund balances | $ 32,885 | $ 34,886 | 35,034 | $ 148 |
| **Fund Balances** | | | | |
| Beginning of year | | | 66,466 | |
| End of year | | | $ 101,500 | |

**Independent School District No. 861**
**Uniform Financial Accounting And Reporting Standards**
**Compliance Table**
**Year Ended June 30, 2023**

| | | Audit | UFARS | Audit-UFARS |
|---|---|---|---|---|
| **01 GENERAL FUND** | | | | |
| Total revenue | | $ 41,856,554 | $ 41,856,554 | $ - |
| Total expenditures | | 43,066,294 | 43,066,293 | 1 |
| *Nonspendable:* | | | | |
| 4.60 | Nonspendable fund balance | 201,878 | 201,877 | 1 |
| *Restricted/reserved:* | | | | |
| 4.01 | Student Activities | 254,552 | 254,553 | (1) |
| 4.02 | Scholarships | - | - | - |
| 4.03 | Staff Development | 381,798 | 381,798 | - |
| 4.07 | Capital Projects Levy | 791,562 | 791,562 | - |
| 4.08 | Cooperative Revenue | - | - | - |
| 4.13 | Building Projects Funded by COP/LP | - | - | - |
| 4.14 | Operating Debt | - | - | - |
| 4.16 | Levy Reduction | - | - | - |
| 4.17 | Taconite Building Maintenance | - | - | - |
| 4.24 | Operating Capital | 991,623 | 991,623 | - |
| 4.26 | $ 25 Taconite | - | - | - |
| 4.27 | Disabled Accessibility | - | - | - |
| 4.28 | Learning and Development | - | - | - |
| 4.34 | Area Learning Center | - | - | - |
| 4.35 | Contracted Alternative Programs | - | - | - |
| 4.36 | State Approved Alternative Program | - | - | - |
| 4.38 | Gifted and Talented | - | - | - |
| 4.40 | Teacher Development and Evaluation | - | - | - |
| 4.41 | Basic Skills Programs | - | - | - |
| 4.45 | Career Technical Programs | - | - | - |
| 4.46 | First Grade Preparedness | - | - | - |
| 4.48 | Achievement and Integration | - | - | - |
| 4.49 | Safe School Crime | - | - | - |
| 4.51 | QZAB Payments | - | - | - |
| 4.52 | OPEB Liabilities not Held in Trust | - | - | - |
| 4.53 | Unfunded Severance and Retirement Levy | - | - | - |
| 4.59 | Basic Skills Extended Time | - | - | - |
| 4.67 | Long Term Facilities Maintenance | 854,607 | 854,607 | - |
| *Restricted:* | | | | |
| 4.72 | Medical Assistance | 45,517 | 45,517 | - |
| 4.64 | Restricted fund balance | 432 | 432 | - |
| 4.75 | Title VII - Impact Aid | - | - | - |
| 4.76 | Payments in Lieu of Taxes | - | - | - |
| *Committed:* | | | | |
| 4.18 | Committed for separation | - | - | - |
| 4.61 | Committed | - | - | - |
| *Assigned:* | | | | |
| 4.62 | Assigned fund balance | - | - | - |
| *Unassigned:* | | | | |
| 4.22 | Unassigned fund balance | 2,603,526 | 2,603,528 | (2) |
| **02 FOOD SERVICES FUND** | | | | |
| Total revenue | | $ 1,800,720 | $ 1,800,717 | $ 3 |
| Total expenditures | | 1,817,039 | 1,817,036 | 3 |
| *Nonspendable:* | | | | |
| 4.60 | Nonspendable fund balance | 15,210 | 15,210 | - |
| *Restricted/reserved:* | | | | |
| 4.52 | OPEB Liabilities not Held in Trust | - | - | - |
| *Restricted:* | | | | |
| 4.64 | Restricted fund balance | 643,241 | 643,241 | - |
| *Unassigned:* | | | | |
| 4.63 | Unassigned fund balance | - | - | - |
| **04 COMMUNITY SERVICES FUND** | | | | |
| Total revenue | | $ 2,266,437 | $ 2,266,434 | $ 3 |
| Total expenditures | | 2,316,098 | 2,316,098 | - |
| *Nonspendable:* | | | | |
| 4.60 | Nonspendable fund balance | 866 | 866 | - |
| *Restricted/reserved:* | | | | |
| 4.26 | $ 25 Taconite | - | - | - |
| 4.31 | Community Education | 580,857 | 580,855 | 2 |
| 4.32 | ECFE | 94,895 | 94,895 | - |
| 4.40 | Teacher Development and Evaluation | - | - | - |
| 4.44 | School Readiness | 62,252 | 62,252 | - |
| 4.47 | Adult Basic Education | 9,371 | 9,371 | - |
| 4.52 | OPEB Liabilities not Held in Trust | - | - | - |
| *Restricted:* | | | | |
| 4.64 | Restricted fund balance | - | - | - |
| *Unassigned:* | | | | |
| 4.63 | Unassigned fund balance | - | - | - |

| | | Audit | UFARS | Audit-UFARS |
|---|---|---|---|---|
| **06 BUILDING CONSTRUCTION FUND** | | | | |
| Total revenue | | $ 469,185 | $ 469,186 | $ (1) |
| Total expenditures | | 2,626,250 | 2,626,250 | - |
| *Nonspendable:* | | | | |
| 4.60 | Nonspendable fund balance | - | - | - |
| *Restricted/reserved:* | | | | |
| 4.07 | Capital Projects Levy | - | - | - |
| 4.09 | Alternative Facility Program | - | - | - |
| 4.13 | Building Projects Funded by COP | - | - | - |
| 4.67 | Long-term Facilities Maintenance | 13,113,100 | 13,113,100 | - |
| *Restricted:* | | | | |
| 4.64 | Restricted fund balance | 127,958 | 127,959 | (1) |
| *Unassigned:* | | | | |
| 4.63 | Unassigned fund balance | - | - | - |
| 4.33 | Maximum effort loan aid | - | - | - |
| **07 DEBT SERVICE FUND** | | | | |
| Total revenue | | $ 2,652,507 | $ 2,652,506 | $ 1 |
| Total expenditures | | 3,211,970 | 3,211,969 | 1 |
| *Nonspendable:* | | | | |
| 4.60 | Nonspendable fund balance | - | - | - |
| *Restricted/reserved:* | | | | |
| 4.25 | Bond Refunding | - | - | - |
| 4.33 | Maximum effort load aid | - | - | - |
| 4.51 | QZAB Payments | - | - | - |
| 4.67 | LTFM | - | - | - |
| *Restricted:* | | | | |
| 4.64 | Restricted fund balance | 558,373 | 558,373 | - |
| *Unassigned:* | | | | |
| 4.63 | Unassigned fund balance | - | - | - |
| **08 TRUST FUND** | | | | |
| Total revenue | | $ - | $ - | $ - |
| Total expenditures | | - | - | - |
| *Unassigned:* | | | | |
| 4.01 | Student Activities | $ - | $ - | $ - |
| 4.02 | Scholarships | - | - | - |
| 4.22 | Net position | - | - | - |
| **18 CUSTODIAL** | | | | |
| Total revenue | | $ 126,137 | $ 126,137 | $ - |
| Total expenditures | | 126,137 | 126,137 | - |
| *Restricted/Reserved* | | | | |
| 4.01 | Student Activities | $ - | $ - | $ - |
| 4.02 | Scholarships | - | - | - |
| 4.48 | Achievement and Integration | - | - | - |
| 4.64 | Restricted | - | - | - |
| **20 INTERNAL SERVICE FUND** | | | | |
| Total revenue | | $ - | $ - | $ - |
| Total expenditures | | - | - | - |
| *Unassigned:* | | | | |
| 4.22 | Net position | - | - | - |
| **25 OPEB REVOCABLE TRUST** | | | | |
| Total revenue | | $ - | $ - | $ - |
| Total expenditures | | - | - | - |
| *Unassigned:* | | | | |
| 4.22 | Net position | - | - | - |
| **45 OPEB IRREVOCABLE TRUST** | | | | |
| Total revenue | | $ 196,425 | $ 196,424 | $ 1 |
| Total expenditures | | 399,161 | 399,161 | - |
| *Unassigned:* | | | | |
| 4.22 | Net position | 2,174,660 | 2,174,659 | 1 |
| **47 OPEB DEBT SERVICE** | | | | |
| Total revenue | | $ 691,509 | $ 691,509 | $ - |
| Total expenditures | | 656,475 | 656,475 | - |
| *Nonspendable:* | | | | |
| 4.60 | Nonspendable fund balance | - | - | - |
| *Restricted:* | | | | |
| 4.64 | Restricted fund balance | 101,500 | 101,500 | - |
| *Unassigned:* | | | | |
| 4.63 | Unassigned fund balance | - | - | - |

**Independent School District No. 861**
**Schedule of Expenditures of Federal Awards**
**Year Ended June 30, 2023**

| Federal Agency/Pass Through Agency/Program Title | Federal Assistance Listing Number | Expenditures |
|---|---|---|
| **U.S. Department of Agriculture** | | |
| Through Minnesota Department of Education | | |
| Child Nutrition Cluster | | |
| School Breakfast Program | 10.553 | $ 213,786 |
| Summer Food Service Program | 10.559 | 130,589 |
| National School Lunch Program | 10.555 | 809,764 |
| Commodities (Non-Cash) | 10.555 | 109,827 |
| Total Child Nutrition Cluster | | 1,263,966 |
| Local Food for Schools | 10.185 | 3,191 |
| Total U.S. Department of Agriculture | | 1,267,157 |
| **U.S. Department of Education** | | |
| Through Minnesota Department of Education | | |
| Title I, Part A | 84.010 | 547,957 |
| Title IV, Part A - Student Support and Academic Enrichment | 84.424 | 31,566 |
| Title III, Part A - Language Enhancement | 84.365 | 18,875 |
| Title II, Part A - Improving Teacher Quality | 84.367 | 108,420 |
| Individuals with Disabilities Education Act Part C - Ages Birth through 2 | 84.181 | 56,713 |
| Education Stabilization Fund | | |
| COVID-19 American Rescue Plan - Homeless II | 84.425W | 4,233 |
| COVID-19 Expanded Summer Learning | 84.425D | 105,192 |
| COVID-19 Elementary and Secondary School Emergency Relief III | 84.425U | 1,408,763 |
| COVID-19 Elementary and Secondary School Emergency Relief II | 84.425D | 1,020,559 |
| Total Education Stabilization Fund | | 2,538,747 |
| Special Education Cluster | | |
| COVID-19 American Rescue Plan IDEA Part B Section 611 | 84.027X | 17,172 |
| Individuals with Disabilities Education Act Part B - CEIS | 84.027 | 87,341 |
| Special Education | 84.027 | 838,734 |
| Disabled Early Education | 84.173 | 41,528 |
| COVID-19 American Rescue Plan IDEA Part B Section 619 | 84.173X | 15,215 |
| COVID-19 American Rescue Plan IDEA Part B CEIS | 84.027X | 5,142 |
| Total Special Education Cluster | | 1,005,132 |
| Through Owatonna Public Schools | | |
| Adult Education Basic Grants to States | 84.002 | 5,016 |
| Through Goodhue County Education District | | |
| Carl Perkins | 84.048A | 15,485 |
| Total U.S. Department of Education | | 4,327,911 |
| **U.S. Department of the Treasury** | | |
| Through Minnesota Department of Education | | |
| COVID-19 American Rescue Plan | 21.027 | 261,239 |
| **U.S. Department of Health and Human Services** | | |
| Through Minnesota Department of Education | | |
| COVID-19 Minnesota COVID-19 Testing Program | 93.323 | 44,944 |
| Total Federal Expenditures | | $ 5,901,251 |

See notes to schedule of expenditures of federal awards.

## Independent School District No. 861
## Notes to the Schedule of Expenditures of Federal Awards

### NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the District 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 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 of net assets, or cash flows of the District.

### NOTE 2 – 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### NOTE 3 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same Assistance Listing numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

### NOTE 4 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

### NOTE 5 – INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

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

## Independent Auditor's Report

Board of Education
Winona Area Public Schools
Independent School District No. 861
Winona, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 861 (the District), 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 9, 2023.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance that we consider to be significant deficiencies, listed as Audit Finding 2023-001.

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

**District's Response to the Finding**
*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance. 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 the response.

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

BerganKDV, Ltd.

St. Cloud, Minnesota
November 9, 2023

# Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

## Independent Auditor's Report

Board of Education
Winona Area Public Schools
Independent School District No. 861
Winona, Minnesota

**<u>Report on Compliance for Each Major Federal Program</u>**

**Opinion on Each Major Federal Program**
We have audited the District'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, 2022. 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 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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.

**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 GAAS, *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 GAAS, *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.

**Report on Internal Control over Compliance (Continued)**

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

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
November 9, 2023

**Independent School District No. 861**
**Schedule of Findings and Questioned Costs**
**in Accordance with the Uniform Guidance**

## SECTION I – SUMMARY OF AUDITOR'S RESULTS

### Financial Statements

| | |
|---|---|
| Type of auditor's report issued: | We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP). |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified? | Yes, Audit Finding 2023-001 |
| Noncompliance material to financial statements noted? | No |

### Federal Awards

| | |
|---|---|
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Internal control over major programs: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified? | None reported |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516? | No |

### Identification of Major Programs

| | |
|---|---|
| Assistance Listing No.: | 21.027 |
| Name of Federal Program or Cluster: | American Rescue Plan |
| Assistance Listing No.: | 84.425 |
| Name of Federal Program or Cluster: | Education Stabilization Funds |
| Auditee qualified as low risk auditee? | No |

**Independent School District No. 861**
**Schedule of Findings and Questioned Costs**
**in Accordance with the Uniform Guidance**

## SECTION II – BASIC FINANCIAL STATEMENT FINDINGS

### Audit Finding 2023-001

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

*Condition:*
The District does not have adequate segregation of accounting duties.

*Context:*
During the year ended June 30, 2023, the District had a lack of segregation of accounting duties due to a limited number of office employees. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Business Manager is able to record journal entries without review
- The Business Manager reconciles property taxes and receivables without review
- The Business Manager has access to all areas of the accounting system.

Management is aware of this condition and will take certain steps to compensate for the lack of segregation. However, due to the small accounting staff needed to handle all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct.

This finding impacts the internal control for all significant accounting functions.

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

*Cause:*
There are a limited number of office employees capable of performing these tasks.

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

**Independent School District No. 861**
**Schedule of Findings and Questioned Costs**
**in Accordance with the Uniform Guidance**

## SECTION II – BASIC FINANCIAL STATEMENT FINDINGS

### Audit Finding 2023-001

*Responsible Official's Response:*

### CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   Administration will review current segregation of accounting duties to determine if further segregation is possible.

3. Official Responsible for Ensuring CAP
   Sarah Slaby, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2024.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONABLE COSTS

There were no questioned costs.

## SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

**Minnesota Legal Compliance**

**Independent Auditor's Report**

Board of Education
Winona Area Public Schools
Independent School District No. 861
Winona, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 861, Winona, Minnesota, as of and for the year ended June 30, 2023, and the related notes to basic financial statements, and have issued our report thereon dated November 9, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they relate to accounting matters. However, our audit 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 to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 9, 2023

# APPENDIX B

## FORM OF LEGAL OPINION

(See following pages)

# APPENDIX B

## FORM OF LEGAL OPINION

Independent School District No. 861
Winona, Minnesota

[Purchaser]
[City, State]

Re: **$**[PAR] General Obligation Facilities Maintenance Bonds, Series 2024A
Independent School District No. 861 (Winona Area Public Schools)
Winona and Wabasha Counties, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Independent School District No. 861 (Winona Area Public Schools), Winona and Wabasha Counties, Minnesota, of the obligations described above, dated, as originally issued, as of April [__], 2024 (the Bonds), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the District in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

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

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

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

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

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

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

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

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

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

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

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

Dated this [__] day of April, 2024.

Very truly yours,

# 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.

APPENDIX D

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

(See following pages)

## FORM OF CONTINUING DISCLOSURE

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

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

(1) on or before twelve (12) months after the end of each fiscal year of the District, commencing with the fiscal year ending June 30, 2024, the following financial information and operating data in respect of the District (the Disclosure Information):

(A) the audited financial statements of the District for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the District, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the District; and

(B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: "VALUATIONS – Current Property Valuations;" "DEBT – Direct Debt;" "TAX LEVIES, COLLECTION AND RATES – Tax Levies and Collections;" "THE ISSUER – Student Body;" and "GENERAL INFORMATION – Employment/Unemployment Data;" which information may be unaudited.

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

(2) In a timely manner, not in excess of 10 business days, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a "Material Fact," as hereinafter defined):

(A) principal and interest payment delinquencies;
(B) non-payment related defaults, if material;
(C) unscheduled draws on debt service reserves reflecting financial difficulties;
(D) unscheduled draws on credit enhancements reflecting financial difficulties;
(E) substitution of credit or liquidity providers, or their failure to perform;
(F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with

respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(G) modifications to rights of Bond holders, if material;

(H) Bond calls, if material and tender offers;

(I) defeasances;

(J) release, substitution, or sale of property securing repayment of the Bonds if material;

(K) rating changes;

(L) bankruptcy, insolvency, receivership, or similar event of the obligated person;

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

(N) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(O) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; "financial obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule; and

(P) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

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

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

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

(3) In a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:

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

(c) Manner of Disclosure.

(1) The District agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).

(2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

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

offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

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

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

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

# APPENDIX E

# TERMS OF PROPOSAL

## $8,985,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2024A INDEPENDENT SCHOOL DISTRICT NO. 861 (WINONA AREA PUBLIC SCHOOLS), MINNESOTA

Proposals for the purchase of $8,985,000* General Obligation Facilities Maintenance Bonds, Series 2024A (the "Bonds") of Independent School District No. 861 (Winona Area 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 9:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via bondsale@ehlers-inc.com or **PARITY**, in the manner described below, until 9:30 A.M. Central Time, on April 4, 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, including Section 123B.595, as amended, by the District, to provide funds for facility maintenance projects as described in the District's revised ten-year facility plan approved by the Commissioner of Education. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged.

### DATES AND MATURITIES

The Bonds will be dated April 25, 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* |
|---|---|---|---|---|---|
| 2026 | $1,790,000 | 2030 | $370,000 | 2034 | $420,000 |
| 2027 | 1,670,000 | 2031 | 360,000 | 2035 | 440,000 |
| 2028 | 1,835,000 | 2032 | 375,000 | 2036 | 460,000 |
| 2029 | 385,000 | 2033 | 400,000 | 2037 | 480,000 |

### ADJUSTMENT OPTION

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

### TERM BOND OPTION

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

## INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing 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 2026 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 at least 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

## DELIVERY

On or about April 25, 2024, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

## LEGAL OPINION

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

## SUBMISSION OF PROPOSALS

Proposals must not be for less than $8,985,000 plus accrued interest on the principal sum of $8,985,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

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

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

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

**A good faith deposit ("Deposit") in the amount of $179,700 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals.** The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

## AWARD

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

## BOND INSURANCE

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

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

## CUSIP NUMBERS

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

## QUALIFIED TAX-EXEMPT OBLIGATIONS

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

## CONTINUING DISCLOSURE

In order to assist the Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), in the Award Resolution, the District will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

## ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

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

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

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

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

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

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

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

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

## PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com 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. 861
(Winona Area Public Schools), Minnesota

# PROPOSAL FORM

**The School Board** **April 4, 2024**
**Independent School District No. 861 (Winona Area Public Schools), Minnesota (the "District")**

**RE: $8,985,000* General Obligation Facilities Maintenance Bonds, Series 2024A (the "Bonds")**
**DATED: April 25, 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 $8,985,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ________ | % due | 2026 | ________ | % due | 2030 | ________ | % due | 2034 |
| ________ | % due | 2027 | ________ | % due | 2031 | ________ | % due | 2035 |
| ________ | % due | 2028 | ________ | % due | 2032 | ________ | % due | 2036 |
| ________ | % due | 2029 | ________ | % due | 2033 | ________ | % due | 2037 |

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

**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 2026 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

**A good faith deposit ("Deposit") in the amount of $179,700 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals.** The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about April 25, 2024.

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

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

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

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

If the competitive sale requirements are not met, we elect to use either the: _____10% test, or the _____hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: ______________________________ By: ______________________________
Account Members:

**Award will be on a true interest cost basis.** According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from April 25, 2024 of the above proposal is $_______________and the true interest cost (TIC) is __________%.

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The foregoing offer is hereby accepted by and on behalf of the School Board of Independent School District No. 861 (Winona Area Public Schools), Minnesota, on April 4, 2024.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________