

## PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 31, 2020

In the opinion of Bond Counsel, under present federal and State of Minnesota laws, regulations and rulings, the interest to be paid on the Certificates of this offering is not includible in gross income of the recipient for United States or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. Interest on the Certificates is includible in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax. See "Tax Exemption" herein for a discussion of federal tax legislation.

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

**New Issue**

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

### INDEPENDENT SCHOOL DISTRICT NO. 858 (ST. CHARLES PUBLIC SCHOOLS), MINNESOTA (Winona, Fillmore, and Olmsted Counties)

### \$965,000\* CERTIFICATES OF PARTICIPATION, SERIES 2021B

**PROPOSAL OPENING:** January 11, 2021, 11:30 A.M., C.T.

**CONSIDERATION:** January 11, 2021, 6:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$965,000\* Certificates of Participation, Series 2021B (the "Certificates") are being issued pursuant to Minnesota Statutes, Section 465.71, by Independent School District No. 858 (St. Charles Public Schools), Minnesota (the "District") for the purpose of financing the acquisition of vacant land for future school district purposes. The Certificates will be special obligations of the District payable from and secured by a pledge of lease payments required to be made by the District to Zions Bancorporation, National Association (the "Trustee") pursuant to a Lease-Purchase Agreement (the "Lease") to be entered into between the District and Trustee. **THE CERTIFICATES DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE DISTRICT AND ARE NOT A CHARGE AGAINST THE GENERAL CREDIT OF THE DISTRICT.** Delivery is subject to receipt of an approving legal opinion of Knutson, Flynn & Deans, P.A., Mendota Heights, Minnesota.

**DATE OF CERTIFICATES:** February 4, 2021

**MATURITY:** April 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2022	\$35,000	2029	\$45,000	2036	\$55,000
2023	40,000	2030	45,000	2037	55,000
2024	40,000	2031	50,000	2038	55,000
2025	40,000	2032	50,000	2039	55,000
2026	40,000	2033	50,000	2040	60,000
2027	45,000	2034	50,000	2041	60,000
2028	45,000	2035	50,000		

**MATURITY ADJUSTMENTS:** \* The District reserves the right to increase or decrease the principal amount of the Certificates 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:** October 1, 2021 and semiannually thereafter.

**OPTIONAL REDEMPTION:** Certificates maturing on April 1, 2030 and thereafter are subject to call for prior optional redemption on April 1, 2029 and any date thereafter, at a price of par plus accrued interest.

**MINIMUM PROPOSAL:** \$947,148.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$19,300 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT &**

**TRUSTEE:** Zions Bancorporation, National Association

**BOND COUNSEL:** Knutson, Flynn & Deans, P.A.

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

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

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

## REPRESENTATIONS

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

## 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 Certificates 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 Certificates, 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 Certificates and all times subsequent thereto up to and including the time of the delivery of the Certificates, 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 Certificates; (3) a certificate evidencing the due execution of the Certificates, 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 Certificates, (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 Certificates 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 Certificates 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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## **ST. CHARLES PUBLIC SCHOOL BOARD**

		<u>Term Expires</u>
Brian Davidson	Chairperson	January 2025
Roger Leistikow	Vice Chairperson	January 2023
Karen Hanson	Clerk	January 2023
Todd Cage	Treasurer	January 2025
Amy Berends	Member	January 2023
Travis Gransee	Member	January 2023
Peter Snyder	Member	January 2025

## **ADMINISTRATION**

Jeff Apse, Superintendent of Schools

Annette Zittel, Finance Manager

Laura Reisdorf, HR Coordinator/Accounts Payable

## **PROFESSIONAL SERVICES**

Knutson, Flynn & Deans, P.A., Bond Counsel, Mendota Heights, Minnesota

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

## INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 858 (St. Charles Public Schools), Minnesota (the "District") and the issuance of its \$965,000\* Certificates of Participation, Series 2021B (the "Certificates", the "Obligations" or the "Series 2021B Certificates"). Any descriptions or summaries of the Certificates, 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 Certificates to be included in the resolution authorizing the issuance and sale of the Certificates ("Award Resolution") to be adopted by the Board of Education on January 11, 2021.

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

## THE CERTIFICATES

### GENERAL

The Certificates will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of February 4, 2021. The Certificates will mature on April 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on April 1 and October 1 of each year, commencing October 1, 2021, to the registered owners of the Certificates 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 2022 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Certificates 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 Certificates 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 Certificates are held under the book-entry system, beneficial ownership interests in the Certificates may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Certificates 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 Certificates shall be payable as provided in the Award Resolution.

The District has selected Zions Bancorporation, National Association, Chicago, Illinois, to act as paying agent (the "Paying Agent") and trustee (the "Trustee"). The District will pay the charges for Paying Agent and Trustee services. The District reserves the right to remove the Paying Agent and/or Trustee and to appoint a successor.

\*Preliminary, subject to change.

## OPTIONAL REDEMPTION

At the option of the District, the Certificates maturing on or after April 1, 2030 shall be subject to optional redemption prior to maturity on April 1, 2029 or any date thereafter, at a price of par plus accrued interest.

The Certificates shall be subject to extraordinary redemption and prepayment, in whole or in part, at the option of the District on any date, in certain cases of damage, destruction or condemnation as described in Article VI of the Lease Purchase Agreement, and subject to a determination by the District that rebuilding, restoration and replacement of the Project would not be economically feasible.

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

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

## AUTHORITY; PURPOSE

The Certificates are being issued by the District pursuant to Minnesota Statutes, Section 465.71, and a Trust Agreement (the "Trust Agreement") dated as of February 4, 2021, between the District and the Trustee.

The Certificates are being issued for the purpose of financing the acquisition of vacant land (the "Site") for future school district purposes (the "Project"). The Certificates will be special obligations of the District payable from and secured by a pledge of lease payments required to be made by the District to the Trustee pursuant to a Lease Purchase Agreement (the "Lease") to be entered into between the District and the Trustee.

Pursuant to the Trust Agreement, the District will assign to the Trustee its interest in the Lease and the Lease Payments to be made thereunder (except for certain rights of the District to indemnification and payment of expenses) and will grant to the Trustee a security interest in the financed Project. Lease Payments are unconditional and subject to annual appropriations by the governing body of the District in each year sufficient to pay such Lease Payments as described herein.

Brief descriptions of the Trustee, the District, the Project, the Lease, and the Trust Agreement are included below. Such descriptions do not purport to be comprehensive or definitive.

***The Trustee*** has the authority to lease property, to acquire and lease the Project to the District pursuant to the Lease and to receive and pledge the revenues from the Project, in accordance with the terms of the Lease and as provided in the Trust Agreement. The Trustee is authorized to enter into the Trust Agreement and the Lease.

***The District*** is a body politic and corporate, organized under and pursuant to the Constitution and laws of the State of Minnesota. The District has the right and lawful authority to lease the Project from the Trustee and to make rental payments therefor as set forth in the Lease.

***The Project*** consists of the betterment of the Site and all additions and improvements to be constructed on the Site with the proceeds of the Certificates, and the fixtures, to be installed thereon or therein.

***The Lease:*** Pursuant to the Lease, the Trustee will lease the Project to the District, subject to the District's right to terminate the Lease at the end of any Fiscal Year. Lease Payments are to be made by the District in amounts sufficient to pay the principal of and interest on the Certificates when due.

***The Trust Agreement:*** The District will issue the Certificates pursuant to the Trust Agreement, and the Trust Agreement sets forth the rights and obligations of the District, the Trustee and the Certificateholders with respect thereto.

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

<b>Sources</b>			
	Par Amount of Certificates	\$965,000	
	Reoffering Premium	<u>30,664</u>	
	<b>Total Sources</b>		<b>\$995,664</b>
<b>Uses</b>			
	Total Underwriter's Discount (1.850%)	\$17,853	
	Costs of Issuance	47,106	
	Deposit to Project Construction Fund	<u>930,705</u>	
	<b>Total Uses</b>		<b>\$995,664</b>

\*Preliminary, subject to change.

## **SECURITY**

The Certificates are valid and binding special, limited obligations of the District payable solely from and secured by a pledge of lease payments to be made to the Trustee by the District pursuant to the Lease. The Certificates do not constitute a general obligation of the District and are not a charge against the general credit of the District.

The lease payments under the terms of the Lease will be payable solely from District funds which are normally budgeted and appropriated by the Board of Education and which may be terminated by action of the Board of Education. The District's obligation to make lease payments under the Lease is subject to its annual right to terminate the Lease at the end of any fiscal year by failure to appropriate the funds. (See Risk Factors herein).

In the event the annual appropriation is not made, the Trustee is entitled to repossession and the right to re-lease the improvements and its interest in the land. The Trustee, on behalf of the owners of the Certificates, will attempt to sublease and operate the Project. There is no assurance that the Trustee will be able to re-lease the interest in the improvements and land, or to do so for amounts that would pay all interest and principal on the Certificates.

## **CONCURRENT FINANCING**

By means of a separate Preliminary Official Statement, the District will be issuing General Obligation Capital Facilities and Facilities Maintenance Bonds, Series 2021A (the "Concurrent Obligations" or the "Series 2021A Bonds") scheduled to close on February 4, 2021.

## **RATING**

General obligation debt of the District, with the exception of any outstanding credit enhanced issues, is currently rated "A1" by Moody's Investors Service ("Moody's").

The District has requested a rating on the Certificates from Moody's, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from Moody's. 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 Certificates.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Certificates, 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 Certificates any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

## **CONTINUING DISCLOSURE**

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

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

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

Prior continuing disclosure undertakings entered into by the District included language stating that the Annual Financial Statements would be filed "when available." Although the District did not always comply with this requirement, the Annual Financial Statements were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. Except to the extent that the preceding is deemed to be material, the District believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The District has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the District.



## **LEGAL OPINION**

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

## **TAX EXEMPTION AND RELATED CONSIDERATIONS**

In the opinion of Knutson, Flynn & Deans, P.A., as Bond Counsel, on the basis of laws in effect on the date of issuance of the Certificates, interest on the Certificates is not includible in gross income for federal income tax purposes or in taxable net income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Certificates is includible in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax. Certain provisions of the Internal Revenue Code of 1986, as amended (the Code), however, impose continuing requirements that must be met after the issuance of the Certificates in order for interest thereon to be and remain not includible in federal gross income and in Minnesota taxable net income. Noncompliance with such requirements by the Issuer may cause the interest on the Certificates to be includible in federal gross income and in Minnesota taxable net income, retroactive to the date of issuance of the Certificates, irrespective in some cases of the date on which such noncompliance occurs or is ascertained. No provision has been made for redemption of or for an increase in the interest rate on the Certificates in the event that interest on the Certificates becomes includible in federal gross income or Minnesota taxable net income.

Interest on the Certificates is not an item of tax preference includible in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts, and is not includible in adjusted current earnings in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax, and the environmental tax imposed by Section 59A of the Code. Interest on the Certificates may be includible in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includible in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent of the interest on the Certificates that is received or accrued during the taxable year. Section 86 of the Code requires recipients of certain Social Security and railroad retirement benefits to take into account interest on the Certificates in determining the taxability of such benefits. Passive investment income, including interest on the Certificates, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent of its gross receipts is passive investment income. Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Certificates.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest on the Certificates. Prospective purchasers or Bondholders should consult their tax advisors with respect to collateral tax consequences, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income. Except as stated in its opinion, no opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on or arising with respect to ownership of the Certificates.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

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

## **MUNICIPAL ADVISOR**

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

## **MUNICIPAL ADVISOR AFFILIATED COMPANIES**

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

## **INDEPENDENT AUDITORS**

The basic financial statements of the District for the fiscal year ended June 30, 2020 have been audited by CliftonLarsonAllen LLP, Rochester, 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**

Following is a description of possible risks to holders of the Certificates 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.

**Non-Appropriation Risk:** The District's obligation to make annual lease payments on the Certificates is subject to annual appropriation by the School Board for each fiscal year during the term of the Lease. In the event the annual appropriation is not made, the Trustee is entitled to repossession and the right to re-lease the improvements and the Trustee's interest in the land. There is no assurance that the Trustee will be able to re-lease the interest in the improvements and land, or to do so for amounts that would pay all interest and principal on the Certificates.

**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 Certificates 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 Certificates may fall for purposes of resale. Noncompliance following the issuance of the Certificates with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Certificates 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 Certificates, or for an increase in the interest rate on the Certificates, in the event that interest on the Certificates becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

**Continuing Disclosure:** A failure by the District to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Certificates. 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 Certificates in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Certificates and their market price.

**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 Certificates to the accounts of the Beneficial Owners of the Certificates 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 Certificates.

**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 Certificates in the secondary market.

**Secondary Market for the Certificates:** No assurance can be given that a secondary market will develop for the purchase and sale of the Certificates or, if a secondary market exists, that such Certificates can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Certificates at the request of the owners thereof. Prices of the Certificates 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 Certificates. 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 Certificates will be similarly qualified.

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

**Impact of the Spread of COVID-19:** In late 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. COVID-19 has spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and President Trump declaring a national emergency. In response to the spread of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. The effects of the spread of COVID-19 and the government and private responses to the spread continue to rapidly evolve. COVID-19 has caused significant disruptions to the global, national and State economy. The extent to which the coronavirus impacts the District and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the District, including the duration of the outbreak and measures taken to address the outbreak.

On March 13, 2020, Minnesota Governor Tim Walz signed Emergency Executive Order 20-01 and declared a peacetime emergency. In subsequent executive orders, the Governor has extended the peacetime emergency by 30 days. On June 5, 2020, the Governor signed Emergency Executive Order 20-74 which outlines guidelines for continuing to safely reopen Minnesota's economy and ensuring safe non-work activities during the COVID-19 peacetime emergency. This order is effective as of June 10, 2020, and outlines the guidelines for continuing to lift the restrictions that were identified in prior executive orders signed by the Governor.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Certificates. 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	2017/18	2018/19	2019/20
Residential homestead <sup>1</sup>	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead <sup>1</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,940,000 - 0.50% <sup>2</sup> Over \$1,940,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% <sup>2</sup> Over \$1,900,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,880,000 - 0.50% <sup>2</sup> Over \$1,880,000 - 1.00% <sup>2</sup>
Agricultural non-homestead	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>
Seasonal recreational residential	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: First \$121,000 - .75% Over \$121,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: First \$139,000 - .75% Over \$139,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: First \$150,000 - .75% Over \$150,000 - .25%
Industrial/Commercial/Utility <sup>5</sup>	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

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

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

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

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

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

## CURRENT PROPERTY VALUATIONS

2019/20 Economic Market Value \$905,530,871<sup>1</sup>

### 2019/20 Assessor's Estimated Market Value

	<b>Winona County</b>	<b>Filmore County</b>	<b>Olmsted County</b>	<b>Total</b>
Real Estate	\$769,547,500	\$ 1,516,200	\$103,706,200	\$874,769,900
Personal Property	4,271,700	0	90,100	4,361,800
Total Valuation	<u>\$773,819,200</u>	<u>\$ 1,516,200</u>	<u>\$103,796,300</u>	<u>\$879,131,700</u>

### 2019/20 Net Tax Capacity

	<b>Winona County</b>	<b>Filmore County</b>	<b>Olmsted County</b>	<b>Total</b>
Real Estate	\$ 6,697,287	\$ 9,284	\$ 765,450	\$ 7,472,021
Personal Property	83,577	0	1,802	85,379
Net Tax Capacity	<u>\$ 6,780,864</u>	<u>\$ 9,284</u>	<u>\$ 767,252</u>	<u>\$ 7,557,400</u>
Less: Captured Tax Increment Tax Capacity <sup>2</sup>	<u>(130,138)</u>	<u>0</u>	<u>0</u>	<u>(130,138)</u>
Taxable Net Tax Capacity	<u>\$ 6,650,726</u>	<u>\$ 9,284</u>	<u>\$ 767,252</u>	<u>\$ 7,427,262</u>

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<sup>1</sup> According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 97.12% of the actual selling prices of property most recently sold in the District. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the District of \$905,530,871.

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

## 2019/20 NET TAX CAPACITY BY CLASSIFICATION

	<b>2019/20 Net Tax Capacity</b>	<b>Percent of Total Net Tax Capacity</b>
Residential homestead	\$ 2,847,682	37.68%
Agricultural	3,336,340	44.15%
Commercial/industrial	650,147	8.60%
Public utility	5,486	0.07%
Railroad operating property	25,358	0.34%
Non-homestead residential	567,979	7.52%
Commercial & residential seasonal/rec.	39,029	0.52%
Personal property	85,379	1.13%
Total	<u><u>\$ 7,557,400</u></u>	<u><u>100.00%</u></u>

## TREND OF VALUATIONS

<b>Levy Year</b>	<b>Assessor's Estimated Market Value</b>	<b>Assessor's Taxable Market Value</b>	<b>Net Tax Capacity<sup>1</sup></b>	<b>Taxable Net Tax Capacity<sup>2</sup></b>	<b>Percent +/- in Estimated Market Value</b>
2015/16	\$ 772,051,300	\$ 726,522,700	\$ 6,302,345	\$ 6,234,083	+ 1.70%
2016/17	769,433,300	725,752,800	6,368,956	6,286,226	- 0.34%
2017/18	797,171,900	754,480,100	6,715,439	6,619,255	+ 3.61%
2018/19	815,823,400	773,226,000	6,956,367	6,833,433	+ 2.34%
2019/20	879,131,700	834,244,400	7,557,400	7,427,262	+ 7.76%

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<sup>1</sup> Net Tax Capacity includes tax increment values.

<sup>2</sup> Taxable Net Tax Capacity does not include tax increment values.

## LARGER TAXPAYERS

<b>Taxpayer</b>	<b>Type of Property</b>	<b>2019/20 Net Tax Capacity</b>	<b>Percent of District's Total Net Tax Capacity</b>
Individuals	Agriculture	\$ 94,958	1.26%
Integrus Energy Group, Inc.	Utility	66,096	0.87%
Individuals	Agriculture	62,744	0.83%
RMTD, LLC	Agriculture	61,299	0.81%
Individuals	Agriculture	57,545	0.76%
Green-Way Coop Service Company	Agriculture	53,998	0.71%
Individuals	Agriculture	48,426	0.64%
Individuals	Agriculture	46,335	0.61%
Individuals	Agriculture	45,359	0.60%
Holden Farms, Inc.	Agriculture	37,683	0.50%
Total		<u><u>\$574,443</u></u>	<u><u>7.60%</u></u>

District's Total 2019/20 Net Tax Capacity      \$7,557,400

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



## DEBT

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

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

Total G.O. debt secured by taxes and state aids <sup>2</sup> (includes the Series 2021A Bonds, as defined herein)*	<u>\$28,825,000</u>
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#### Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations <sup>3</sup> (includes the Series 2021B Certificates, as defined herein)*	<u>\$965,000</u>
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\*Preliminary, subject to change.

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

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

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

## **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 most school district bonds. Obligations not eligible for the program include all alternative facilities bonds, facilities maintenance bonds, capital facilities bonds and OPEB bonds, as well as building bonds with relatively short maturities.

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

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

Some Districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to Districts to offset a portion of certain bond levies (Minn. Stat. Section 273.1387). The reimbursement percentages are 40% for taxes payable in 2018 and 2019, 50% for 2020, 55% for 2021, 60% for 2022, and 70% for 2023 and thereafter. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, and to rural vacant land and managed forest land. The amount of agricultural credit received in the debt service fund for taxes payable 2021 is approximately 21.3% of total annual debt service levies, based on the District's 2019/20 qualifying agricultural land valuation.

Independent School District No. 858 (St. Charles Public Schools), Minnesota  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Taxes  
(As of 02/04/2021)

Fiscal Year Ending	School Building Refunding Bonds Series 2015A				Facilities Maintenance Bonds Series 2016A				School Building Bonds Series 2019A				School Building & Facilities Maintenance Bonds Series 2020A				Capital Facilities & Facilities Maintenance Bonds Series 2021A			
	Dated Amount	11/03/2015 \$3,700,000	02/01	02/01	03/08/2016 \$5,500,000	02/01	02/01	02/01	12/30/2019 \$9,965,000	02/01	02/01	02/01	03/05/2020 \$9,675,000	02/01	02/01	02/01	02/04/2021 \$3,390,000*	02/01	02/01	02/01
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Estimated Interest
2022		655,000	16,375			0	135,965			0	240,420			305,000	231,994	190,000	78,887	1,150,000	703,641	1,853,641
2023						555,000	135,965			160,000	240,420			285,000	219,794	190,000	73,850	1,150,000	670,029	1,860,029
2024						565,000	119,315			185,000	234,020			310,000	208,394	200,000	68,150	1,260,000	629,879	1,889,879
2025						580,000	102,365			195,000	226,620			325,000	195,994	200,000	62,150	1,300,000	587,129	1,887,129
2026						600,000	84,965			205,000	218,820			330,000	182,994	210,000	56,150	1,345,000	542,929	1,887,929
2027						615,000	66,965			215,000	210,620			340,000	176,394	220,000	49,850	1,390,000	503,829	1,893,829
2028						625,000	54,665			225,000	202,020			355,000	162,794	230,000	43,250	1,425,000	462,729	1,887,729
2029						640,000	42,165			230,000	193,020			370,000	148,594	230,000	36,650	1,470,000	420,429	1,890,429
2030						655,000	29,045			240,000	188,420			375,000	137,494	240,000	29,750	1,510,000	384,709	1,894,709
2031						665,000	14,963			240,000	183,620			335,000	125,994	240,000	26,150	1,380,000	354,726	1,734,726
2032										575,000	178,820			560,000	125,294	240,000	22,550	1,375,000	326,664	1,701,664
2033										595,000	167,320			590,000	114,094	250,000	18,950	1,435,000	300,364	1,735,364
2034										710,000	155,420			590,000	102,294	250,000	14,575	1,460,000	272,289	1,732,289
2035										720,000	141,220			515,000	92,294	250,000	10,200	1,485,000	245,714	1,728,714
2036										730,000	126,100			525,000	81,994	250,000	5,200	1,515,000	213,294	1,728,294
2037										740,000	110,405			545,000	71,494	250,000		1,285,000	181,899	1,466,899
2038										755,000	94,125			555,000	60,594	250,000		1,310,000	154,719	1,464,719
2039										770,000	77,138			570,000	49,494	250,000		1,340,000	126,631	1,466,631
2040										795,000	59,428			575,000	37,381	250,000		1,370,000	96,809	1,466,809
2041										830,000	40,745			570,000	25,163	250,000		1,400,000	65,908	1,465,908
2042										850,000	20,825			580,000	13,050	250,000		1,430,000	33,875	1,463,875
		655,000	16,375			5,500,000	786,378			9,965,000	3,309,545			9,315,000	2,567,581	3,390,000	596,312	28,825,000	7,276,191	36,101,191

\* Preliminary, subject to change.

Independent School District No. 858 (St. Charles Public Schools), Minnesota  
Schedule of Bonded Indebtedness  
Non-General Obligation Debt Secured by Annual Appropriation  
(As of 02/04/2021)

Certificates of Participation  
Series 2012B

Dated Amount	02/04/2021 \$965,000*									
Maturity	04/01									
Fiscal Year Ending	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending		
2022	35,000	28,521	35,000	28,521	63,521	930,000	3.63%	2022		
2023	40,000	23,573	40,000	23,573	63,573	890,000	7.77%	2023		
2024	40,000	22,373	40,000	22,373	62,373	850,000	11.92%	2024		
2025	40,000	21,173	40,000	21,173	61,173	810,000	16.06%	2025		
2026	40,000	19,973	40,000	19,973	59,973	770,000	20.21%	2026		
2027	45,000	18,773	45,000	18,773	63,773	725,000	24.87%	2027		
2028	45,000	17,423	45,000	17,423	62,423	680,000	29.53%	2028		
2029	45,000	16,073	45,000	16,073	61,073	635,000	34.20%	2029		
2030	45,000	14,723	45,000	14,723	59,723	590,000	38.86%	2030		
2031	50,000	13,823	50,000	13,823	63,823	540,000	44.04%	2031		
2032	50,000	12,823	50,000	12,823	62,823	490,000	49.22%	2032		
2033	50,000	11,823	50,000	11,823	61,823	440,000	54.40%	2033		
2034	50,000	10,823	50,000	10,823	60,823	390,000	59.59%	2034		
2035	50,000	9,698	50,000	9,698	59,698	340,000	64.77%	2035		
2036	55,000	8,573	55,000	8,573	63,573	285,000	70.47%	2036		
2037	55,000	7,335	55,000	7,335	62,335	230,000	76.17%	2037		
2038	55,000	5,960	55,000	5,960	60,960	175,000	81.87%	2038		
2039	55,000	4,585	55,000	4,585	59,585	120,000	87.56%	2039		
2040	60,000	3,210	60,000	3,210	63,210	60,000	93.78%	2040		
2041	60,000	1,620	60,000	1,620	61,620	0	100.00%	2041		
	965,000	272,871	965,000	272,871	1,237,871					

\* Preliminary, subject to change.

## BONDED DEBT LIMIT

Minnesota Statutes, Section 475.53, subdivision 4, presently limits the "net debt" of a school district to 15% of its actual market value. The actual 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:

2019/20 Economic Market Value	\$905,530,871
Multiply by 15%	<u>0.15</u>
Statutory Debt Limit	\$135,829,631
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Series 2021A Bonds)*	(28,825,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations (applies to issues in excess of \$1,000,000 originally issued after 6/1/97 which do not have revenues pledged)	<u>0</u>
Unused Debt Limit*	<u><u>\$107,004,631</u></u>

\*Preliminary, subject to change.

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

Taxing District	2019/20 Taxable Net Tax Capacity	% In District	Total G.O. Debt <sup>2</sup>	District's Proportionate Share
Winona County	\$ 51,193,756	12.9913%	\$ 9,610,000	\$ 1,248,464
Fillmore County	34,985,760	0.0265%	760,000	201
Olmsted County	213,293,679	0.3597%	83,770,000	301,321
City of Elba	106,681	100.0000%	35,000	35,000
City of St. Charles	2,831,496	100.0000%	3,485,000	3,485,000
City of Utica	212,562	100.0000%	179,000	179,000
Town of Utica	1,478,821	9.4137%	400,000	37,655
District's Share of Total Overlapping Debt				<u><u>\$ 5,286,641</u></u>

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

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

# DEBT PAYMENT HISTORY

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

# DEBT RATIOS

	<b>G.O. Debt</b>	<b>Debt/Economic Market Value (\$905,530,871)</b>	<b>Debt/ Current Population Estimate (6,087)</b>
Direct G.O. Debt Secured By Taxes and State Aids (includes the Series 2021A Bonds)*	\$28,825,000	3.18%	\$4,735.50
Less: Agricultural Credit <sup>1</sup>	<u>(6,139,725)</u>		
Tax Supported General Obligation Debt*	\$22,685,275	2.51%	\$3,726.84
District's Share of Total Overlapping Debt	<u>\$ 5,286,641</u>	<u>0.58%</u>	<u>\$868.51</u>
Total*	<u><u>\$27,971,916</u></u>	<u><u>3.09%</u></u>	<u><u>\$4,595.35</u></u>

\*Preliminary, subject to change.

# FUTURE FINANCING

In addition to the Concurrent Obligations, the District has no current plans for additional financing in the next 12 months.

# 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.

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<sup>1</sup> Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 21.3% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is \$6,139,725.

## TAX RATES, LEVIES AND COLLECTIONS

### TAX LEVIES AND COLLECTIONS

<b>Tax Year</b>	<b>Net Tax Levy<sup>1</sup></b>	<b>Total Collected Following Year</b>	<b>Collected to Date<sup>2</sup></b>	<b>% Collected</b>
2015/16	\$ 1,839,862	\$ 1,822,784	\$ 1,839,477	99.98%
2016/17	1,839,458	1,824,327	1,838,449	99.95%
2017/18	1,616,650	1,596,060	1,615,297	99.92%
2018/19	1,748,479	1,730,159	1,742,136	99.64%
2019/20	2,433,615	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.<sup>3</sup> Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

The spread of COVID-19 and responses taken by the United States government, state governments, local governments and private industries have caused significant disruptions to the national and State economy. See "RISK FACTORS - Impact of the Spread of COVID-19" herein. Certain states have announced extended deadlines for payment of property taxes, although as of this date Minnesota has not taken such measures. The District cannot predict whether and how much payment of property taxes will be impacted. Any delays or reduction in the receipt of property taxes may materially adversely impact the District's finances and payment of debt obligations, including the Obligations.

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<sup>1</sup> This reflects the Final Levy Certification of the District after all adjustments have been made.

<sup>2</sup> Collections are through May 15, 2020 for Winona County, June 12, 2020 for Fillmore County, and October 20, 2020 for Olmsted County.

<sup>3</sup> Second half tax payments on agricultural property are due on November 15th of each year.

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

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
I.S.D. No. 858 (St. Charles Public Schools)	22.092%	21.469%	18.622%	19.551%	29.564%
Winona County	38.343%	39.845%	39.512%	40.716%	40.065%
Fillmore County	28.907%	33.063%	33.484%	32.954%	32.151%
Olmsted County	57.796%	54.346%	54.837%	53.562%	52.017%
City of Elba	42.493%	41.975%	38.480%	37.823%	35.010%
City of St. Charles	43.662%	45.389%	43.909%	45.210%	43.131%
City of Utica	38.917%	40.961%	33.007%	31.746%	32.038%
Town of Pilot Mound <sup>2</sup>	13.212%	15.514%	15.085%	14.232%	13.512%
Olmsted County HRA	0.865%	0.793%	0.966%	1.286%	1.692%
Southeast Minnesota Multi County HRA	0.392%	0.388%	0.369%	0.362%	0.340%

*Referendum Market Value Rates:*

I.S.D. No. 858 (St. Charles Public Schools)	0.13997%	0.14179%	0.13315%	0.13391%	0.13048%
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**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by Winona, Fillmore and Olmsted Counties.

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

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



## THE ISSUER

### EMPLOYEES

The District is governed by an elected school board and employs a staff of 183, including 97 non-licensed employees and 86 licensed employees (80 of whom are teachers). The District provides education for 1,004 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.

#### 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.

#### Recognized and Certified Bargaining Units

<b>Bargaining Unit</b>	<b>Expiration Date of Current Contract</b>
St. Charles Education Association	June 30, 2021
St. Charles Principal's Association	June 30, 2021

### POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent audited Financial Statements shows a total OPEB liability of \$334,161 as of June 30, 2020. The District has been funding these obligations on a pay-as-you-go basis.

**Source:** The District's most recent audited Financial Statements.

## 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
2016/17	76	451	434	961
2017/18	70	443	436	949
2018/19	70	473	452	995
2019/20	79	454	466	999
2020/21	93	433	478	1,004

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2021/22	74	457	450	981
2022/23	74	454	437	965
2023/24	74	453	424	951

## SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
St. Charles Elementary	1923	1954, 2003
St. Charles Secondary	1967	2003

## FUNDS ON HAND (as of November 30, 2020)

Fund	Total Cash and Investments
General	\$ 3,052,475
Food Service	31,815
Community Service	54,967
Debt Service	759,664
Building/Construction	15,108,619
<b>Total Funds on Hand</b>	<b><u><u>\$19,007,539</u></u></b>

## **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 Obligations and the Concurrent Obligations otherwise questioning the validity of the Obligations and the Concurrent Obligations.

## **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 Obligations. Such modifications could be adverse to holders of the Obligations and there could ultimately be no assurance that holders of the Obligations would be paid in full or in part on the Obligations.

## SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the District's General Fund. These summaries are not purported to be the complete audited financial statements of the District, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the District. Copies of the complete statements are available upon request. Appendix A includes the District's 2020 audited financial statements.

FISCAL YEAR ENDING JUNE 30					
COMBINED STATEMENT	2017 Audited	2018 Audited	2019 Audited	2020 Audited	2020-21 Budget 1)
Revenues					
Local property taxes	\$1,170,756	\$1,231,271	\$1,077,577	\$1,266,120	\$1,576,925
Earnings on investments	\$7,448	\$7,764	\$5,992	\$11,347	\$30,000
Other local and county revenues	316,322	275,029	266,469	427,863	228,144
Revenues from state sources	8,270,183	8,239,750	8,765,634	9,127,589	9,768,055
Revenues from federal sources	332,198	299,477	226,112	238,769	279,202
<b>Total Revenues</b>	<b>\$10,096,907</b>	<b>\$10,053,291</b>	<b>\$10,341,784</b>	<b>\$11,071,688</b>	<b>\$11,882,326</b>
Expenditures					
Current:					
Administration	614,719	690,835	611,330	655,474	611,354
District support services	337,443	297,543	516,884	464,672	487,386
Elementary & secondary regular instruction	5,491,964	5,907,653	5,927,339	6,115,765	6,085,728
Vocational education instruction	85,367	89,576	91,731	166,477	186,734
Special education instruction	1,162,711	1,192,762	1,266,757	1,261,542	1,305,309
Instructional support services	269,306	298,192	277,876	395,768	324,911
Pupil support services	660,417	700,094	720,240	735,292	723,312
Sites and buildings	907,737	953,254	1,007,015	1,066,234	1,220,410
Fiscal and other fixed cost programs	54,586	55,974	60,008	78,330	106,403
Capital outlay	65,278	185,879	437,493	317,934	343,722
Debt service	6,747	6,793	7,053	8,213	9,863
<b>Total Expenditures</b>	<b>\$9,656,275</b>	<b>\$10,378,555</b>	<b>\$10,923,726</b>	<b>\$11,265,701</b>	<b>\$11,405,132</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$440,632</b>	<b>(\$325,264)</b>	<b>(\$581,942)</b>	<b>(\$194,013)</b>	<b>\$477,194</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of equipment	\$1,000	\$5,699	\$0	\$9,069	\$4,500
Insurance recovery proceeds	29,701	11,595	0	23,903	0
Capital loans	0	0	0	34,391	0
Operating transfers out	0	(838,199)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$30,701</b>	<b>(\$820,905)</b>	<b>\$0</b>	<b>\$67,363</b>	<b>\$4,500</b>
<b>Net changes in Fund Balances</b>	<b>\$471,333</b>	<b>(\$1,146,169)</b>	<b>(\$581,942)</b>	<b>(\$126,650)</b>	<b>\$481,694</b>
General Fund Balance July 1	2,699,043	3,170,376	2,024,207	1,442,265	
Prior Period Adjustment	0	0	0	120,443	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance June 30	\$3,170,376	\$2,024,207	\$1,442,265	\$1,436,058	
<b>DETAILS OF JUNE 30 FUND BALANCE</b>					
Nonspendable	\$47,834	\$48,593	\$23,014	\$43,083	
Restricted	531,347	613,804	689,306	909,550	
Assigned	1,106,692	689,957	180,309	84,288	
Unassigned	1,484,503	671,853	549,636	399,137	
<b>Total</b>	<b>\$3,170,376</b>	<b>\$2,024,207</b>	<b>\$1,442,265</b>	<b>\$1,436,058</b>	

*Note: In the summer of 2014, the District evaluated options for the fiscal 2016 budget regarding the use of newly created board authorized levies of Local Optional Revenue and Board Approved Operating Referendum Authority to generate sufficient funds to address operating finances and some capital needs. Deficits in fiscal 2018 through 2020 reflect increased one-time expenditures for some of the District's capital needs as planned for, utilizing the funds mentioned. One-time capital expenditures included the purchase of several school buses and district vehicles, HVAC and air quality improvements, and classroom computers and technology upgrades.*

- 1) The 2020-21 budget was adopted on May 11, 2020. The District's total General Fund Balance is expected to increase by approximately \$500,000 for the fiscal year ending June 30, 2021, including a projected increase of approximately \$200,000 in the Unassigned General Fund Balance.

## GENERAL INFORMATION

### LOCATION

The District, with a 2010 U.S. Census population of 5,921 and a current population estimate of 6,087, and comprising an area of 118 square miles, is located approximately 100 miles southeast of the Minneapolis-St. Paul metro area and 25 miles east of the City of Rochester.

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

Larger employers in the District include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
I.S.D. No. 858 (St. Charles Public Schools)	Elementary and secondary education	183
Ameri Gas	Propane provider	180
Golden Living Center-Whitewater	Nursing home	93
City of St. Charles	Municipal government and services	61
Miller's Market	Retail grocery	35
Amish Market Square	Restaurant & gift shop	30
St. Charles Aquatic Center	Swimming pools- public	30
Jennie-O Turkey Store	Poultry processing plant	23
KWIK TRIP	Convenience store	22
Sema Equipment	Farm equipment	20

**Source:** *Data Axle, written and telephone survey (November 2020), and the Minnesota Department of Employment and Economic Development.*

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<sup>1</sup> This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data. Estimates provided are accurate as of the date noted and may not reflect changes in the number of employees resulting from the current COVID-19 pandemic. (See "Risk Factors - Impact of the Spread of COVID-19").

## U.S. CENSUS DATA

### Population Trend: The District

2000 U.S. Census population	5,382
2010 U.S. Census population	5,921
2019 Population Estimate	6,087
Percent of Change 2000 - 2010	+ 10.01%

### Income and Age Statistics

	The District	Winona County	State of Minnesota	United States
2019 per capita income	\$31,602	\$28,689	\$36,245	\$32,621
2019 median household income	\$76,280	\$55,529	\$68,411	\$60,293
2019 median family income	\$85,257	\$74,810	\$86,204	\$73,965
2019 median gross rent	\$643	\$673	\$944	\$1,023
2019 median value owner occupied units	\$201,600	\$161,100	\$211,800	\$204,900
2019 median age	33.6 yrs.	34.8 yrs.	37.9 yrs.	37.9 yrs.

	State of Minnesota	United States
District % of 2019 per capita income	87.19%	96.88%
District % of 2019 median family income	98.90%	115.27%

**Source:** 2000 and 2010 Census of Population and Housing, and 2019 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>).

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>	<u>Average Unemployment</u>	
	Winona County	Winona County	State of Minnesota
2016	28,309	3.5%	3.9%
2017	28,084	3.1%	3.4%
2018	28,051	2.6%	2.9%
2019	28,197	2.9%	3.2%
2020, November	28,022	2.8%	3.9%

**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 Certificates, 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.

**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**



ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
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ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
BOARD OF EDUCATION AND ADMINISTRATION  
YEAR ENDED JUNE 30, 2020

INTRODUCTORY SECTION

		Term Expires
BOARD OF EDUCATION		
Brian Davidson	Chair	12/31/20
Roger Leistikow	Vice Chair	12/31/22
Todd Cage	Treasurer	12/31/20
Karen Hanson	Clerk	12/31/22
Travis Gransee	Member	12/31/22
Amy Berends	Member	12/31/22
Peter Snyder	Member	12/31/20
*****		
ADMINISTRATION		
Jeff Apse	Superintendent	

FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Independent School District No. 858  
St. Charles, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Independent School District No. 858 (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2020, and the respective changes in financial position and budgetary comparison for General Fund, Food Service Fund, and Community Service Fund thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

During fiscal year ended June 30, 2020, the District adopted GASB Statement No. 84 *Fiduciary Activities*. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle (see Note 15). Our auditors' opinion was not modified with respect to the restatement.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the District's total OPEB liability and related ratios, the schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

#### ***Other 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 Uniform Financial Accounting and Reporting Standards Compliance Table is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Uniform Financial Accounting and Reporting Standards Compliance Table 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the Uniform Financial Accounting and Reporting Standards Compliance Table is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Rochester, Minnesota  
September 24, 2020

REQUIRED SUPPLEMENTARY INFORMATION

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**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

This section of St. Charles Public Schools – Independent School District No. 858's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follows this section.

**FINANCIAL HIGHLIGHTS**

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

- Net position decreased by \$1,147,488 compared to June 30, 2019's restated net position.
- Overall General Fund revenues were \$11,071,688 as compared to \$11,265,701 of expenditures.
- The District had engaged in a trend of deficit spending in the General Fund in FY18 through FY20 due to Capital Facility improvements. In FY20, the District initiated its commitment to reduce its trend in deficit spending. Excess (Deficiency) of Revenues Over (Under) Expenditures decreased from (\$581,942) in FY19 to (\$194,013) in FY20. A positive shift of \$387,929.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

**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 and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.  
To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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).

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 that explains the relationship (or differences) between them.

ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position is a deficit of \$(2,530,816) on June 30, 2020, primarily due to changes in pension-related balances.

Table A-1  
The District's Net Position

	Governmental Activities as of June 30,		Percentage Change
	2020	2019	
Current and Other Assets	\$ 24,656,126	\$ 5,161,072	377.73 %
Capital Assets	16,293,556	13,843,770	17.70
Total Assets	40,949,682	19,004,842	115.47
Deferred Outflows of Resources	5,852,712	8,551,422	(31.56)
Current Liabilities	4,401,932	2,242,433	96.30
Long-Term Liabilities	33,523,561	14,258,583	135.11
Total Liabilities	37,925,493	16,501,016	129.84
Deferred Inflows of Resources	11,407,717	12,559,019	(9.17)
Net Position:			
Net Investment in Capital Assets	6,025,519	6,130,902	(1.72)
Restricted	1,208,218	971,703	24.34
Unrestricted	(9,764,553)	(8,606,376)	13.46
Total Net Position	\$ (2,530,816)	\$ (1,503,771)	68.30

ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's total revenues were \$13,173,795 for the year ended June 30, 2020. Property taxes and state formula aid accounted for 73% of total revenue for the year (see Figure A-1). The remainder came from charges for services, program revenues and operating and capital grants contributions, with less than 1% coming from investment earnings and other general revenues.

Table A-2  
Change in Net Position

	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2020	2019	
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services	\$ 861,486	\$ 734,289	17.32 %
Operating Grants and Contributions	2,397,824	1,649,515	45.37
Capital Grants and Contributions	186,587	188,524	(1.03)
<b>General Revenues</b>			
Property Taxes	1,925,816	1,742,350	10.53
Unrestricted State Aid	7,573,868	7,405,834	2.27
Investment Earnings	123,105	8,875	1287.10
Other	105,109	23,370	349.76
<b>Total Revenues</b>	<b>13,173,795</b>	<b>11,752,767</b>	<b>12.09</b>
<b>Expenses</b>			
Administration	711,483	429,436	65.68
District Support Services	460,226	536,511	(14.22)
Regular Instruction	7,142,357	4,486,985	59.18
Vocational Education Instruction	186,242	61,038	205.12
Special Education Instruction	1,349,902	974,450	38.53
Instructional Support Services	421,117	229,470	83.52
Pupil Support Services	795,400	639,369	24.40
Sites and Buildings	1,443,265	1,039,231	38.88
Fiscal and Other Fixed Cost Programs	78,330	60,008	30.53
Food Service	641,724	643,670	(0.30)
Community Service	577,031	468,885	23.06
Interest and Fiscal Charges on Long-Term Liabilities	514,196	141,775	262.68
<b>Total Expenses</b>	<b>14,321,283</b>	<b>9,710,828</b>	<b>47.48</b>
<b>Change in Net Position</b>	<b>(1,147,488)</b>	<b>2,041,939</b>	
Beginning Net Position, as Previously Stated	(1,503,771)	(3,545,710)	
Restatement	120,443	-	
Beginning Net Position, as Restated	(1,383,328)	(3,545,710)	
Ending Net Position	<b>\$ (2,530,816)</b>	<b>\$ (1,503,771)</b>	

The total cost of all programs and services was \$14,321,283. The district's expenses are primarily related to educating and caring for students (69%) (see Figure A-2). The purely administrative activities of the district account for 5% of the costs.

ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Total expenditures surpassed revenues, decreasing net position \$1,147,488 compared to last year.

The cost of all governmental activities this year was \$14,321,283.

- Some of the cost (\$861,486) was paid by the users of the District's programs.
- Certain programs were subsidized with grants and contributions of (\$2,584,411) from federal and state governments.
- Some of the District's costs (\$10,875,386), were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with \$1,925,816 in property taxes, \$7,573,868 of state aid based on the statewide education aid formula, and with investment earnings and other general revenues totaling \$228,214.

Figure A-1

Sources of District's Revenues for Fiscal 2020

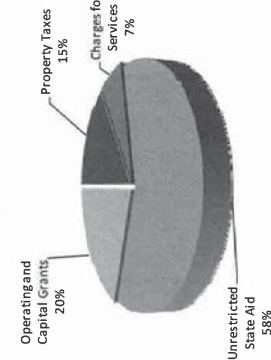
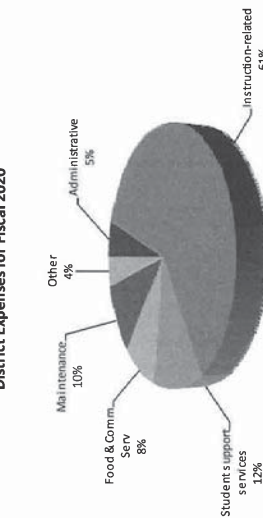


Figure A-2

District Expenses for Fiscal 2020



**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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

Typically, the District does not include in an analysis of all governmental funds a breakout of expenditures as depicted in Figure A-2. To do so distorts the latitude available to the District to allocate resources to instruction. All governmental funds include not only funds received for the general operation of the district, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The above graph, by pooling all expenditures, implies that the District does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option. Therefore, a more accurate analysis of resources allocated to instruction should be limited to an analysis of resources received for the general operation of the District and that analysis would show that 69% of those resources are spent on instruction.

**Table A-3  
Program Expenses and Net Cost of Services**

	Total Cost of Services		Net Cost of Services		Percentage Change
	2020	2019	2020	2019	
Administration	\$ 711,493	\$ 429,436	\$ 711,493	\$ 429,436	65.68 %
District Support Services	460,226	536,511	392,707	411,808	(4.64)
Regular Instruction	7,142,357	4,486,985	5,920,078	3,942,069	50.18
Vocational Education Instruction	186,242	61,038	171,832	53,280	222.07
Special Education Instruction	1,349,802	974,450	576,711	252,104	128.76
Instructional Support Services	421,117	229,470	374,461	217,911	71.65
Pupil Support Services	785,400	639,369	785,400	639,369	24.40
Site and Buildings	1,443,265	1,039,231	1,208,332	808,973	48.37
Fiscal and Other Fixed Cost Programs	78,330	60,008	78,330	60,008	30.53
Food Service	641,724	643,670	(61,393)	60,495	(184.95)
Community Service	577,031	468,885	183,419	121,252	51.27
Interest and Fiscal Charges on Long-Term Liabilities	514,196	141,775	514,196	141,775	262.88
Total	\$ 14,321,263	\$ 9,710,828	\$ 10,875,386	\$ 7,138,490	52.35

**Note:** Table A-3 reflects net program cost. General revenues are not included, only program revenues are reflected.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$18,729,845, resulting in a \$16,885,777 increase from last year's ending restated fund balance of \$1,844,068.

**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**GENERAL FUND**

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

Approximately 96% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 68% of personnel expenditures. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

**Enrollment**

Enrollment is a critical factor in determining revenue with approximately 90% of General Fund revenue being determined by enrollment.

**Table A-4  
Five-Year Enrollment Trend  
Average Daily Membership (ADM)**

Grade	15-16	16-17	17-18	18-19	19-20
Kdgt.	78	82	74	77	77
1-3	239	222	208	225	212
4-6	218	232	234	246	239
7-12	455	434	437	443	455
Total K-12 ADM	990	970	953	991	983
ADM Change	N/A	(20)	(17)	38	(8)
Percent Change	N/A	(2.1)%	(1.8)%	3.8 %	(0.8)%

Over the last five years the District has experienced a slight decrease in average daily membership. It is anticipated from the fall 2020 census that total enrollment will increase slightly in year 2021. Current enrollment projections forecast a gradual increase in enrollment for the next five years.

**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**GENERAL FUND (CONTINUED)**

The following schedule presents a summary of General Fund revenues.

**Table A-5  
General Fund Revenues**

	Year Ended		Change	
	June 30, 2020	June 30, 2019	Increase (Decrease)	Percent Change
Local Sources:				
Property Taxes	\$ 1,266,120	\$ 1,077,577	\$ 188,543	17.5 %
Earnings on Investments	11,347	5,992	5,355	89.4
Other	427,863	266,469	161,394	60.6
State Sources	9,127,589	8,765,634	361,955	4.1
Federal Sources	238,769	226,112	12,657	5.6
Total General Fund Revenue	\$ 11,071,688	\$ 10,341,784	\$ 729,904	7.1

Total General Fund revenue increased by \$729,904 or 7.1% from the previous year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue including operating levy referendum and the property tax shift also involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change on total revenue.

The following schedule presents a summary of General Fund expenditures.

**Table A-6  
General Fund Expenditures**

	Year Ended		Amount of		Percent Increase (Decrease)
	June 30, 2020	June 30, 2019	Increase (Decrease)		
Salaries	\$ 6,525,152	\$ 6,380,789	\$ 144,363		2.3 %
Employee Benefits	1,787,999	1,667,625	120,374		7.2
Purchased Services	1,881,709	1,795,219	86,490		4.8
Supplies and Materials	636,395	554,658	81,737		15.1
Capital Expenditures	317,934	437,483	(119,559)		(27.3)
Other Expenditures	114,512	87,942	26,570		30.2
Total Expenditures	\$ 11,265,701	\$ 10,923,726	\$ 341,975		3.1

Total General Fund expenditures increased \$341,975 or 3.1% from the previous year. This increase can be attributed to the addition of business education programs and technology purchases.

In 2019-2020, General Fund expenditures exceeded revenues by \$194,013.

**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**GENERAL FUND (CONTINUED)**

**General Fund Budgetary Highlights**

Following approval of the budget prior to the beginning of the fiscal year, the District revises the annual operating budget in mid-year. These budget amendments fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over, and budgeting for clearing.
- Legislation passed subsequent to budget adoption, changes necessitated by collective bargaining agreements, and increases in appropriations for significant unbudgeted costs.

Actual revenues were \$358,147 less than expected.

The actual expenditures were \$333,252 less than expected.

**CAPITAL PROJECTS FUND**

Two bonds totaling \$19,640,000 were issued during the 2019-2020 year to fund remodeling and improvement projects to the District's existing facilities. Construction on these projects began late in the 2019-2020 year and will continue through 2021-2022.

**DEBT SERVICE FUND**

The Debt Service Fund expenditures exceeded revenues by \$21,979. The remaining fund balance of \$135,542 at June 30, 2020 is available for meeting future debt service obligations.

**OTHER MAJOR FUNDS**

Revenues exceeded Expenditures in the Food Service Fund by \$51,527. This can be attributed to a series of capital investments made in the program during 2018-2019 as well as increases in employee wages and benefits. The District's approved Summer Food Service application also resulted in a higher student lunch reimbursement rate, and the District's program benefited from strong participation in the program.

Expenditures exceeded revenues in the Community Service Fund by \$70,505. The District invested resources in expanding its preschool and school aged child care offerings in the year ended June 30, 2020. Community Education programming was also significantly impacted when programming was shut down due to the COVID-19 pandemic. From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, the Community Service Fund continues to operate on a sound financial basis.



**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2020, the District had invested slightly more than \$23.8 million in a broad range of capital assets, including land, construction in progress, school buildings, athletic facilities improvements, and equipment (see Table A-7).

**Table A-7  
Capital Assets**

	2020	2019	Percentage Change
Land	\$ 259,664	\$ 259,664	- %
Construction in Progress	1,573,491	16,338	9530.9
Land Improvements	2,050,838	782,060	162.2
Buildings and Improvements	18,206,122	18,165,692	0.2
Equipment	1,742,144	1,653,345	5.4
Less: Accumulated Depreciation	(7,538,703)	(7,033,329)	7.2
Total District Capital Assets	\$ 16,293,556	\$ 13,843,770	17.7

**Long-Term Liabilities**

At year-end, the District had \$27,204,333 in general obligation bonds and capital leases – a increase over 2018-2019 due to two new construction bonds being issued and a new capital lease for copy machines in the current year.

**Table A-8  
The District's Long-Term Liabilities**

	2020	2019	Percentage Change
General Obligation Bonds	\$ 26,430,000	\$ 7,420,000	256.2 %
Net Bond Premium and Discount	747,107	279,601	167.2
Capital Lease Payable	27,226	-	-
Total Long-Term Liabilities	\$ 27,204,333	\$ 7,699,601	253.3
Long-Term Liabilities: Due Within One Year	\$ 985,000	\$ 630,000	
Due in More Than One Year	26,209,333	7,069,601	
Total	\$ 27,204,333	\$ 7,699,601	

**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

In November, 2019, the District's communities passed an \$18.5 million referendum to remodel parts of both the Elementary and High School and to also add on to both. The referendum will help to make necessary updates to our facilities to better cater to current and future program offerings.

Along with the referendum, the District has also made the commitment to borrow against existing levy authorities which will increase the District's debt service, but will also reduce the amount of revenue available to address deferred maintenance and capital items. The District feels the investment being made to make significant updates and upgrades to facilities will reduce its annual dependence on the full LTFM and Operating Capital levy and aid dollars in the short term.

Other factors influencing the financial position of the District are the unknown requirements and costs due to the COVID-19 pandemic, and the always increasing costs of maintenance, supplies and personnel.

The District will strive to maintain its current level of educational programming while trying to maintain ever increasing costs.

The District will also carry on its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 858, 600 East 6th Street, St. Charles, Minnesota 55972.

**BASIC FINANCIAL STATEMENTS**

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**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
STATEMENT OF NET POSITION  
JUNE 30, 2020**

	<u>Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 22,282,450
Receivables:	
Property Taxes	1,755,466
Other Governments	541,114
Other	27,915
Prepaid Items	45,403
Inventories	3,778
Capital Assets:	
Land and Construction in Progress	1,833,155
Other Capital Assets, Net of Depreciation	14,460,401
Total Assets	<u>40,949,682</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Related	5,796,239
Other Postemployment Benefits Related	56,473
Total Deferred Outflows	<u>5,852,712</u>
 <b>LIABILITIES</b>	
Short-Term Borrowing	733,501
Salaries Payable	1,176,665
Accounts and Contracts Payable	1,192,216
Accrued Interest	270,126
Due to Other Governmental Units	-
Unearned Revenue	34,424
Long-Term Liabilities:	
Portion Due Within One Year	995,000
Portion Due in More Than One Year	26,209,333
Net Pension Liability	6,980,067
Other Postemployment Benefits Liability	334,161
Total Liabilities	<u>37,925,493</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes Levied for Subsequent Year	2,776,741
Gains on Debt Refunding	8,164
Pension Related	8,614,705
Other Postemployment Benefits Related	8,107
Total Deferred Inflows of Resources	<u>11,407,717</u>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	6,025,519
Restricted for:	
Operating Capital Purposes	39,804
State-Mandated Reserves	845,830
Food Service	46,336
Community Service	184,727
Capital Projects - Building Construction	91,521
Unrestricted	(9,764,553)
Total Net Position	<u>\$ (2,530,816)</u>

See accompanying Notes to Financial Statements.

**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

2020			
Functions	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
Administration	\$ 711,493	\$ -	\$ -
District Support Services	460,226	-	-
Regular Instruction	7,142,357	320,925	839,423
Vocational Education Instruction	186,242	2,164	12,446
Special Education Instruction	1,349,902	13,447	759,744
Instructional Support Services	421,117	-	-
Pupil Support Services	795,400	-	-
Sites and Buildings	1,443,265	4,468	219,964
Fiscal and Other Fixed Cost Programs	78,330	-	-
Food Service	641,724	240,402	452,715
Community Service	577,031	280,080	113,532
Interest and Fiscal Charges on Long-Term Liabilities	514,196	-	-
Total School District	<u>\$ 14,321,283</u>	<u>\$ 861,486</u>	<u>\$ 2,397,824</u>

**General Revenues**

Property Taxes Levied for:

General Purposes

Community Service

Debt Service

State Aid Not Restricted to Specific Purposes

Earnings on Investments

Miscellaneous

Gain on Sale of Capital Assets

Total General Revenues

Change in Net Position

Net Position - as Previously Stated

Restatement

Net Position - Beginning of Year

Net Position - End of Year

*See accompanying Notes to Financial Statements.*

**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JUNE 30, 2020**

2020	
	Net (Expense) Revenue and Change in Net Position
Capital Grants and Contributions	Total Governmental Activities
\$ -	\$ (711,493)
67,519	(392,707)
61,931	(5,920,078)
-	(171,632)
-	(576,711)
46,636	(374,481)
-	(795,400)
10,501	(1,208,332)
-	(78,330)
-	51,393
-	(183,419)
-	(514,196)
<u>\$ 186,587</u>	<u>(10,875,386)</u>

1,266,032
72,464
587,320
7,573,868
123,105
96,040
9,069
<u>9,727,898</u>
(1,147,488)
(1,503,771)
120,443
<u>(1,383,328)</u>
<u>\$ (2,530,816)</u>

*See accompanying Notes to Financial Statements.*

**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	Major Funds		
	General	Food Service	Community Service
<b>ASSETS</b>			
Cash and Investments	\$ 3,349,012	\$ 73,878	\$ 133,670
Receivables:			
Current Property Taxes	628,933	-	45,994
Delinquent Property Taxes	7,564	-	529
Accounts and Interest Receivable	-	11,182	16,733
Due from Minnesota Department of Education	485,817	-	8,468
Due from Federal through Minnesota Department of Education	7,528	19,549	-
Inventory	-	3,778	-
Prepays	43,083	-	2,320
<b>Total Assets</b>	<b>\$ 4,521,937</b>	<b>\$ 108,387</b>	<b>\$ 207,714</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
Liabilities:			
Short-Term Borrowing	\$ 733,501	\$ -	\$ -
Salaries and Compensated Absences Payable	546,096	27,627	50,068
Payroll Deductions and Employer Contributions Payable	552,874	-	-
Accounts and Contracts Payable	164,222	-	1,468
Unearned Revenue	-	34,424	-
<b>Total Liabilities</b>	<b>1,996,693</b>	<b>62,051</b>	<b>51,536</b>
Deferred Inflows of Resources:			
Property Taxes Levied for Subsequent Year	1,081,622	-	79,722
Unavailable Revenue - Delinquent Property Taxes	7,564	-	529
<b>Total Deferred Inflows of Resources</b>	<b>1,089,186</b>	<b>-</b>	<b>80,251</b>
Fund Balance:			
Nonspendable:			
Inventory	-	3,778	-
Prepays	43,083	-	2,320
Restricted for:			
Student Activities	215,766	-	-
Scholarships	13,916	-	-
Staff Development	72,536	-	-
Operating Capital	39,804	-	-
Learning and Development	36,391	-	-
Community Education	-	-	110,501
Early Childhood and Family Education	-	-	71,377
Gifted and Talented	2,042	-	-
Basic Skills Programs	221	-	-
Basic Skills Extended Time	4,775	-	-
Safe Schools Levy	42,455	-	-
Long-Term Facilities Maintenance	460,443	-	-
Medical Assistance	11,201	-	-
Restricted for Other Purposes	10,000	42,558	-
Assigned for:			
Special Purposes	84,288	-	-
Unassigned	399,137	-	(108,271)
<b>Total Fund Balance</b>	<b>1,436,058</b>	<b>46,336</b>	<b>75,927</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 4,521,937</b>	<b>\$ 108,387</b>	<b>\$ 207,714</b>

See accompanying Notes to Financial Statements.

**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)  
JUNE 30, 2020**

Major Funds		Total Governmental Funds 2020
Capital Projects	Debt Service	
\$ 18,062,507	\$ 663,383	\$ 22,282,450
-	1,067,805	1,742,732
-	4,641	12,734
-	-	27,915
-	19,752	514,037
-	-	27,077
-	-	3,778
-	-	45,403
<u>\$ 18,062,507</u>	<u>\$ 1,755,581</u>	<u>\$ 24,656,126</u>
\$ -	\$ -	\$ 733,501
-	-	623,791
-	-	552,874
1,026,526	-	1,192,216
-	-	34,424
<u>1,026,526</u>	<u>-</u>	<u>3,136,806</u>
-	1,615,397	2,776,741
-	4,641	12,734
-	<u>1,620,038</u>	<u>2,789,475</u>
-	-	3,778
-	-	45,403
-	-	215,766
-	-	13,916
-	-	72,536
-	-	39,804
-	-	36,391
-	-	110,501
-	-	71,377
-	-	2,042
-	-	221
-	-	4,775
-	-	42,455
12,251	-	472,694
-	-	11,201
17,023,730	135,543	17,211,831
-	-	84,288
-	-	290,866
<u>17,035,981</u>	<u>135,543</u>	<u>18,729,845</u>
<u>\$ 18,062,507</u>	<u>\$ 1,755,581</u>	<u>\$ 24,656,126</u>

See accompanying Notes to Financial Statements.

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**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020**

	<u>2020</u>
<b>Total Fund Balance for Governmental Funds</b>	<b>\$ 18,729,845</b>
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land	259,664
Construction in Progress	1,573,491
Land Improvements, Net of Accumulated Depreciation	1,462,446
Buildings and Improvements, Net of Accumulated Depreciation	12,323,876
Equipment, Net of Accumulated Depreciation	674,079
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.	12,734
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(270,126)
The District's Net Pension Liability and related deferred inflows and outflows are recorded only on the Statement of Net Position. Balances at year-end are:	
Net Pension Liability	(6,980,067)
Deferred Inflows of Resources - Pensions	(8,614,705)
Deferred Outflows of Resources - Pensions	5,796,239
The District's Other Postemployment Benefits Liability and related deferred inflows and outflows are recorded only on the Statement of Net Position. Balances at year-end are:	
Other Postemployment Benefits Liability	(334,161)
Deferred Inflows of Resources - Other Postemployment Benefits	(8,107)
Deferred Outflows of Resources - Other Postemployment Benefits	56,473
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:	
Bonds Payable	(26,430,000)
Unamortized Premiums	(747,107)
Deferred Inflows of Resources - Unamortized Gain on Bond Refunding	(8,164)
Capital Lease Payable	<u>(27,226)</u>
<b>Total Net Position of Governmental Activities</b>	<b><u>\$ (2,530,816)</u></b>

*See accompanying Notes to Financial Statements.*

**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2020**

	Major Funds		
	General	Food Service	Community Service
<b>REVENUES</b>			
Local Sources:			
Property Taxes	\$ 1,266,120	\$ -	\$ 72,487
Earnings and Investments	11,347	132	661
Other	427,863	240,930	313,695
State Sources	9,127,589	29,333	84,003
Federal Sources	238,769	422,856	-
Total Revenues	11,071,688	693,251	470,846
<b>EXPENDITURES</b>			
Current:			
Administration	655,474	-	-
District Support Services	464,672	-	-
Elementary and Secondary Regular Instruction	6,115,765	-	-
Vocational Education Instruction	166,477	-	-
Special Education Instruction	1,261,542	-	-
Instructional Support Services	395,768	-	-
Pupil Support Services	735,292	-	-
Sites and Buildings	1,066,234	-	-
Fiscal and Other Fixed Cost Programs	78,330	-	-
Food Service	-	641,724	-
Community Service	-	-	536,223
Capital Outlay	317,934	-	5,128
Debt Service:			
Principal	7,165	-	-
Interest and Fiscal Charges	1,048	-	-
Total Expenditures	11,265,701	641,724	541,351
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(194,013)	51,527	(70,505)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Equipment	9,069	-	-
Insurance Recovery	23,903	-	-
Sale of Bonds	-	-	-
Bond Premium	-	-	-
Capital Loans	34,391	-	-
Total Other Financing Sources (Uses)	67,363	-	-
<b>NET CHANGE IN FUND BALANCE</b>	(126,650)	51,527	(70,505)
<b>FUND BALANCES</b>			
Beginning of Year - Before Restatement	1,442,265	(5,191)	146,432
Restatement	120,443	-	-
Beginning of Year - After Restatement	1,562,708	(5,191)	146,432
End of Year	\$ 1,436,058	\$ 46,336	\$ 75,927

See accompanying Notes to Financial Statements.



**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS (CONTINUED)  
YEAR ENDED JUNE 30, 2020**

Major Funds		Total
Capital Projects	Debt Service	Governmental Funds
\$ -	\$ 588,202	\$ 1,926,809
108,924	2,043	123,107
-	-	982,488
-	197,538	9,438,463
-	-	661,625
108,924	787,783	13,132,492
-	-	655,474
-	-	464,672
-	-	6,115,765
-	-	166,477
-	-	1,261,542
-	-	395,768
-	-	735,292
1,708,768	-	2,775,002
-	-	78,330
-	-	641,724
-	-	536,223
1,310,582	-	1,633,644
-	630,000	637,165
195,815	179,762	376,625
3,215,165	809,762	16,473,703
(3,106,241)	(21,979)	(3,341,211)
-	-	9,069
-	-	23,903
19,640,000	-	19,640,000
519,625	-	519,625
-	-	34,391
20,159,625	-	20,226,988
17,053,384	(21,979)	16,885,777
(17,403)	157,522	1,723,625
-	-	120,443
(17,403)	157,522	1,844,068
\$ 17,035,981	\$ 135,543	\$ 18,729,845

See accompanying Notes to Financial Statements.

**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

	2020
<b>Net Change in Fund Balance - Total Governmental Funds</b>	<b>\$ 16,885,777</b>

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is:

Capital Outlays	3,023,943
Gain (Loss) on Disposal of Capital Assets	(39,895)
Proceeds from the Sales of Capital Assets	(9,069)
Depreciation Expense	(525,193)

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are unearned in the governmental funds.	(993)
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Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.

Other Financing Sources - Capital Lease	(34,391)
Principal Payments - Capital Leases	7,165

Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.	(772,253)
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Other postemployment benefit expenditures in the governmental funds are measured by current year employer contributions. Other postemployment benefit expenses on the statement of activities are measured by the change in the total other postemployment benefit liability and the related deferred inflows and outflows of resources.	(15,383)
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The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

General Obligation and Certificates of Participation Bond Proceeds	(19,640,000)
Bond Premium or Discount	(519,625)
Repayment of Bond Principal	630,000
Change in Accrued Interest - General Obligation Bonds	(194,793)
Amortization of Bond Premium	52,119
Amortization of Gain on Debt Refunding	5,103
<b>Total</b>	<b>\$ (1,147,488)</b>

See accompanying Notes to Financial Statements.

**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 1,437,624	\$ 1,137,618	\$ 1,266,120	\$ 128,502
Earnings and Investments	6,000	28,350	11,347	(17,003)
Other	249,112	528,142	427,863	(100,279)
State Sources	8,942,648	9,456,523	9,127,589	(328,934)
Federal Sources	227,189	279,202	238,769	(40,433)
Total Revenues	10,862,573	11,429,835	11,071,688	(358,147)
<b>EXPENDITURES</b>				
Current:				
Administration	641,538	652,319	655,474	3,155
District Support Services	474,189	481,620	464,672	(16,948)
Elementary and Secondary				
Regular Instruction	6,079,551	6,270,981	6,115,765	(155,216)
Vocational Education Instruction	180,117	183,061	166,477	(16,584)
Special Education Instruction	1,217,528	1,340,880	1,261,542	(79,338)
Instructional Support Services	468,075	427,492	395,768	(31,724)
Pupil Support Services	662,468	698,956	735,292	36,336
Sites and Buildings	952,894	1,117,554	1,066,234	(51,320)
Fiscal and Other Fixed				
Cost Programs	70,000	106,403	78,330	(28,073)
Capital Outlay	220,522	312,061	317,934	5,873
Debt Service:				
Principal	-	7,436	7,165	(271)
Interest and Fiscal Charges	-	190	1,048	858
Total Expenditures	10,966,882	11,598,953	11,265,701	(333,252)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(104,309)	(169,118)	(194,013)	(24,895)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Equipment	200	9,200	9,069	(131)
Insurance Recovery	-	23,903	23,903	-
Issuance of Capital Loans	-	-	34,391	34,391
Total Other Financing Sources (Uses)	200	33,103	67,363	34,260
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (104,109)</u>	<u>\$ (136,015)</u>	(126,650)	<u>\$ 9,365</u>
<b>FUND BALANCE</b>				
Beginning of Year - Before Restatement			1,442,265	
Restatement			120,443	
Beginning of Year - After Restatement			1,562,708	
End of Year			<u>\$ 1,436,058</u>	

See accompanying Notes to Financial Statements.

**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
FOOD SERVICE FUND  
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Local Sources:				
Earnings and Investments	\$ 50	\$ 50	\$ 132	\$ 82
Other - Primarily Meal Sales	298,000	318,117	240,930	(77,187)
State Sources	26,750	30,000	29,333	(667)
Federal Sources	237,500	240,200	422,856	182,656
Total Revenues	<u>562,300</u>	<u>588,367</u>	<u>693,251</u>	<u>104,884</u>
<b>EXPENDITURES</b>				
Current:				
Food Service	565,150	586,191	641,724	55,533
Capital Outlay	10,000	-	-	-
Total Expenditures	<u>575,150</u>	<u>586,191</u>	<u>641,724</u>	<u>55,533</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (12,850)</u>	<u>\$ 2,176</u>	51,527	<u>\$ 49,351</u>
<b>FUND BALANCE</b>				
Beginning of Year			(5,191)	
End of Year			<u>\$ 46,336</u>	

*See accompanying Notes to Financial Statements.*

**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
COMMUNITY SERVICE FUND  
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 91,355	\$ 79,420	\$ 72,487	\$ (6,933)
Earnings and Investments	500	500	661	161
Other - Primarily Tuition and Fees	231,200	296,186	313,695	17,509
State Sources	<u>77,461</u>	<u>84,855</u>	<u>84,003</u>	<u>(852)</u>
Total Revenues	400,516	460,961	470,846	9,885
<b>EXPENDITURES</b>				
Current:				
Community Service	600,946	539,766	536,223	(3,543)
Capital Outlay	<u>8,500</u>	<u>5,130</u>	<u>5,128</u>	<u>(2)</u>
Total Expenditures	<u>609,446</u>	<u>544,896</u>	<u>541,351</u>	<u>(3,545)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (208,930)</u>	<u>\$ (83,935)</u>	(70,505)	<u>\$ 13,430</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>146,432</u>	
End of Year			<u>\$ 75,927</u>	

*See accompanying Notes to Financial Statements.*

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ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**A. Basis of Presentation**

The financial statements of Independent School District No. 858 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America. (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as U.S. GAAP for state and local governments.

**B. Financial Reporting Entity**

The District is an instrumentality of the state of Minnesota established to function as an education institution. The elected School Board (the Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

U.S. GAAP requires that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burdens on, the organization. These financial statements include all fund and account groups of the District. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. The Board establishes broad policies and ensures that appropriate financial records are maintained for student activities, as well as controls and is financially accountable for these activities. Accordingly, the accounts and transactions for the activity funds are included in the financial statements within the General Fund.

**C. Basic Financial Statement Presentation**

The District-wide financial statements (i.e. the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Basic Financial Statement Presentation (Continued)**

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

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

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

**D. 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 the related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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 U.S. GAAP. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenue when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Description of Funds

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

Major Governmental Funds

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

**Food Service Special Revenue Fund** – The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Special Revenue Fund are composed of user fees and reimbursements from the federal and state governments. These revenues are restricted for the Food Service Special Revenue Fund.

ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

**Community Service Special Revenue Fund** – The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenues for the Community Service Special Revenue Fund are composed of user fees, local levy dollars, state tax credits, state aids, and user fees restricted for the Community Service Special Revenue program.

**Debt Service Fund** – The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term obligation bond principal, interest, and related costs.

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

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. GAAP. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 or within one week of the acceptance of the final audit by the School Board 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.



ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**F. Cash and Investments**

Cash and investments consist of interest bearing accounts, certificates of deposit, and deposits in the Minnesota School District Liquid Asset Fund (MSDLAF). Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

**G. Receivables**

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances; therefore, no allowance for uncollectible accounts is deemed necessary. The only receivable not expected to be fully collected within one year are current property taxes receivable.

**H. Inventory**

Inventory is recorded using the consumption method of accounting and consists of food, surplus commodities received from the federal government and fuel on hand. Food purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture. Fuel inventory is recorded at the latest invoiced price.

**I. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are expensed during the periods benefited.

**J. Property Taxes**

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

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

ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**J. Property Taxes (Continued)**

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy, which is frozen at zero for the District.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is unavailable because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2020, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**K. Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of \$2,500 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 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 of Resources**

In addition to assets, the financial statements report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting as this element - pension related and other postemployment benefits related.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**N. Accrued Employee Benefits**

**Compensated Absences**

Accrued vacation and sick leave has not been accrued in any funds as these benefits do not vest to employees.

**Other Postemployment Benefits**

Under the terms of certain collectively bargained employment contracts, including the teachers' and administrators' contracts, the District makes no contributions toward the health insurance premiums of retired employees. However, the District has an implicit rate subsidy for OPEB. This amount was actuarially determined, in accordance with GASB Statement No. 75.

**O. Unearned Revenues**

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 school lunch deposits and SACC fees.

**P. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Q. Deferred Inflows of Resources**

In addition to liabilities, the financial statements report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has five types of items which occur related to revenue recognition. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. The third type of deferred inflows of resources is because of a gain on bond refunding, which is being amortized over the life of the bonds, the fourth type of deferred inflows of resources is pension related and the fifth type of deferred inflows of resources is OPEB related.

**R. Fund Balance**

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance relate to prepaid items 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 Superintendent and the Business Manager to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts.

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 between 8% and 10% of the current year budgeted expenditures.

**S. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; 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.

ST. CHARLES PUBLIC SCHOOLS  
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. 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 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 statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds:

	Budget	Expenditures	Excess
Special Revenue Funds:			
Food Service Fund	\$ 586,191	\$ 641,724	\$ 55,533

These excess expenditures were funded with higher than anticipated revenues and existing fund balances.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's funds may not be returned in full. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments." In accordance with Minnesota Statutes the District maintains deposits at financial institutions which are authorized by the School District's Board.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

The District's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

ST. CHARLES PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- BANKER'S acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

At June 30, 2020, the District had the following investments:

Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	Amortized Cost
	\$ 73

Credit Risk – Credit Risk is the risk that an insurer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a national statistical rating organization. The MSDLAF+ pool is rated AAAAm by Standard & Poor's.

The deposits and investments are presented in the basic financial statements as follows:

Deposits	\$ 22,282,377
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	73
Total Cash and Investments	<u>\$ 22,282,450</u>
Cash and Investments - Statement of Net Position	\$ 22,282,450
Total Cash and Investments	<u>\$ 22,282,450</u>

**ST. CHARLES PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 858**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

The MSDLAF+ is an external investment pool (Pool) that measures its investments at amortized cost in accordance with accounting statements issued by the Government Accounting Standards Board. At June 30, 2020 the District's investments were within the MSDLAF Max Class.

**NOTE 4 CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 259,664	\$ -	\$ -	\$ 259,664
Construction in Progress	16,338	1,557,153	-	1,573,491
Total Capital Assets, Not Being Depreciated	276,002	1,557,153	-	1,833,155
Capital Assets, Being Depreciated:				
Land Improvements	782,060	1,268,778	-	2,050,838
Buildings and Improvements	18,165,692	40,430	-	18,206,122
Equipment	1,853,345	157,582	(68,783)	1,742,144
Total Capital Assets, Being Depreciated	20,601,097	1,466,790	(68,783)	21,999,104
Accumulated Depreciation for:				
Land Improvements	(522,183)	(66,209)	-	(588,392)
Buildings and Improvements	(5,528,650)	(353,696)	-	(5,882,346)
Equipment	(982,696)	(105,288)	19,819	(1,068,065)
Total Accumulated Depreciation	(7,033,329)	(525,193)	19,819	(7,538,703)
Total Capital Assets, Being Depreciated, Net	13,567,768	941,597	(48,964)	14,460,401
Governmental Activities Capital Assets, Net	\$ 13,843,770	\$ 2,488,750	\$ (48,964)	\$ 16,283,556

**ST. CHARLES PUBLIC SCHOOLS**  
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**NOTE 4 CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions of the District as follows:

<b>Governmental Activities</b>	
District Support Services	\$ 17,035
Regular Instruction	380,014
Vocational Education Instruction	2,105
Special Education Instruction	2,665
Instructional Support Services	8,113
Pupil Support Services	47,293
Sites and Buildings	3,144
Food Service	64,824
Total Depreciation Expense, Governmental Activities	\$ 525,193

**NOTE 5 LONG-TERM LIABILITIES**

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

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

Issue Date	Interest Rate	Series Number	Original Issue	Maturities	Principal Outstanding Due Within One Year	Total
11/3/2015	1.5% - 2.5%	2015A	\$ 3,700,000	2/1/2022	\$ 635,000	\$ 1,290,000
3/8/2016	2.05% - 3%	2016A	5,500,000	2/1/2031	-	5,500,000
12/30/2019	2 - 4%	2019A	9,985,000	2/1/2042	-	9,985,000
3/5/2020	2 - 4%	2020A	9,675,000	2/1/2042	380,000	9,675,000
Total General Obligation Bonds					995,000	26,430,000
Bond Premium - Net					-	747,107
Capital Lease Payable					-	27,226
					\$ 995,000	\$ 27,204,333



ST. CHARLES PUBLIC SCHOOLS  
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JUNE 30, 2020

**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

**B. Minimum Debt Payments**

Minimum annual principal and interest payments required to retire long-term debt are as follows:

Year Ending June 30,	General Obligation	
	Principal	Interest
2021	\$ 995,000	\$ 650,874
2022	960,000	624,754
2023	1,000,000	596,179
2024	1,080,000	561,729
2025	1,100,000	524,979
2026-2030	6,020,000	2,098,974
2031-2035	5,905,000	1,405,331
2036-2040	6,560,000	768,151
2041-2042	2,830,000	99,783
Total	\$ 26,430,000	\$ 7,330,754

**C. Description of Long-Term Liabilities**

**General Obligation Refunding Bonds of 2015**

On November 3, 2015, the District issued \$3,700,000 of General Obligation Refunding Bonds, Series 2015A. The proceeds of the bonds were used to refund, in advance of their stated maturities, the remaining maturities of the District's G.O. Crossover Refunding Bonds of 2005 on February 1, 2016. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

**General Obligation Facility Maintenance Bonds of 2016**

On March 8, 2016, the District issued \$5,500,000 of General Obligation Facilities Maintenance Bonds, Series 2016A. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

**General Obligation School Building Bonds of 2019**

On December 30, 2019, the District issued \$9,965,000 of General Obligation School Building Bonds, Series 2019A. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

**General Obligation School Building and Facility Maintenance Bonds of 2020**

On March 5, 2020, the District issued \$9,675,000 of General Obligation School Building and Facilities Maintenance Bonds, Series 2020A. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

**Capital Leases**

The District has entered into capital leases for the purchase of copiers. The capital assets relating to the leases have a cost of \$34,391 and accumulated depreciation of \$3,439.

ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
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**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

**C. Description of Long-Term Liabilities (Continued)**

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2020:

Year Ending June 30,	Amount
2021	\$ 9,863
2022	9,863
2023	9,863
2021	741
2022	-
Total Minimum Lease Payments	30,330
Less Amounts Representing Interest	3,104
Present Value of Net Minimum Lease Payments	\$ 27,226

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

	June 30, 2019	Additions	Retirements	June 30, 2020
Bonds Payable	\$ 7,420,000	\$ 19,640,000	\$ 630,000	\$ 26,430,000
Bond Premiums	279,601	519,625	52,119	747,107
Capital Lease Payable	-	34,391	7,165	27,226
Total	\$ 7,699,601	\$ 20,194,016	\$ 689,284	\$ 27,204,333

**NOTE 6 RESTRICTED FUND BALANCES**

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

**A. Restricted for Student Activities**

In accordance with state statute, the fund balance restriction represents available resources dedicated exclusively for student activities.

**B. Restricted for Scholarships**

In accordance with state statute, the fund balance restriction represents available resources dedicated exclusively for scholarships.

**C. Restricted for Staff Development**

In accordance with state statute, the fund balance restriction represents available resources dedicated exclusively for staff development.

ST. CHARLES PUBLIC SCHOOLS  
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JUNE 30, 2020

**NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)**

- D. Restricted for Operating Capital**  
The District levies taxes and receives state aid to be used for the purchase of equipment, books, and vehicles and to purchase, rent, improve, and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.
- E. Restricted for Learning and Development**  
The fund balance restriction represents amounts reserved primarily for reducing the pupil-to-staff ratio.
- F. Restricted for Community Education Programs**  
The fund balance restriction represents accumulated resources available to provide general community education programming.
- G. Restricted for Early Childhood and Family Education Programs**  
The fund balance restriction represents accumulated resources available to provide services for early childhood and family education programming.
- H. Restricted for Gifted and Talented Programs**  
The fund balance restriction represents general education aid resources to be expended for gifted and talented programs.
- I. Restricted for Basic Skills Programs**  
The fund balance restriction represents accumulated resources available through a portion of the District's general education aid for basic skills programs.
- J. Restricted for School Readiness**  
The fund balance restriction represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.
- K. Restricted for Basic Skills Extended Time Programs**  
The fund balance restriction represents accumulated resources available through a portion of the District's general education aid for basic skills extended time programs.
- L. Restricted for Safe Schools Levy**  
The District levies taxes to be used for the costs as allowed by state statute for crime prevention, drug abuse, student, and staff safety, and violence prevention measures taken by the District. The cumulative excess of such revenues over expenditures is reported as a restriction of fund balance in the General Fund.
- M. Restricted for Long-Term Facilities Maintenance**  
The fund balance restriction represents accumulated resources available for purposes of deferred maintenance projects identified in the District's ten-year facilities plan.

ST. CHARLES PUBLIC SCHOOLS  
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**NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)**

- N. Restricted for Medical Assistance**  
In accordance with state statute, the fund balance restriction represents available resources dedicated exclusively for medical assistance.
- O. Restricted for Other Purposes**  
Represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation, as follows:
- |  |               |
|--|---------------|
| School Purposes - Restricted by Donor            | \$ 10,000     |
| Food Service                                     | 42,558        |
| Construction Projects                            | 17,023,730    |
| Debt Service                                     | 135,543       |
| Total Fund Balance Restricted for Other Purposes | \$ 17,211,831 |

**NOTE 7 ASSIGNED FUND BALANCES**

At June 30, 2020, the District has assigned fund balances for the following purposes:

School Purposes:	
Pop Machine Collection	\$ 5,041
Building Improvements	77,254
Local Scholarships	471
Winona County Collaborative	1,522
Total Assigned Fund Balance	\$ 84,288

**NOTE 8 DEFINED BENEFIT PENSION PLANS**

**A. Plan Description**

- The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Fund (TRA). PERA and TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA and TRA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the Internal Revenue Code.
1. General Employees Retirement Plan (GERP)  
All full-time and certain part-time employees of the District, other than teachers, are covered by the General Employees Retirement Plan. General Employees Retirement Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

2. Teachers Retirement Fund (TRA)

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 employed by St. Paul schools or University of Minnesota System).

B. Benefits Provided

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

1. GERS Benefits

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% 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. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits

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

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

Tier I	Step Rate Formula		Percentage
	First Ten Years of Service	All Years After	
Basic	All Years After		2.2% per Year
Coordinated	First Ten Years if Service Years are up to July 1, 2006		2.7% per Year
	First Ten Years if Service Years are July 1, 2006 or After		1.2% per Year
	All Other Years of Service if Service Years are up to July 1, 2006		1.4% per Year
	All Other Years of Service if Service Years are July 1, 2006 or After		1.7% per Year

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members. 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.

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NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

*Tier II Benefits (Continued)*

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

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

C. Contributions

1. GERS Contributions

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Retirement Fund for the year ended June 30, 2020 were \$114,330. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

Per *Minnesota Statutes*, Chapter 354 rates for the fiscal year for coordinated were 7.5% for the employee and 7.92% for the employer. Basic rates were 11.00% for the employee and 11.92% for the employer. The District's contributions to TRA for the Plan's fiscal year ended June 30, 2020 were \$432,422. The District's contributions were equal to the required contributions for each year as set by state statute.

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NOTES TO FINANCIAL STATEMENTS  
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NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. GERF Pension Costs

At June 30, 2020, the District reported a liability of \$1,122,342 for its proportionate share of the GERF's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in fiscal year 2019. The state of Minnesota is considered a nonemployer 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 was \$34,998. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the District's proportion was 0.0203%. At June 30, 2018, the District's proportion was 0.0208%.

For the year ended June 30, 2020, the District recognized pension expense of \$161,642 for its proportionate share of GERF's pension expense. It also recognized \$2,621 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Retirement Fund.

At June 30, 2020, the District reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 31,104	\$ 88,217
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	113,763
Changes in Proportion	49,828	14,001
District Contributions Subsequent to the Measurement Date	114,330	-
Total	\$ 195,262	\$ 215,981



ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERS Pension Costs (Continued)

Of the resources related to pensions resulting from District contributions to GERS subsequent to the measurement date, \$114,330 is reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to GERS pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2021	\$ (38,864)
2022	(70,857)
2023	(27,136)
2024	1,808

2. TRA Pension Costs

At June 30, 2020, the District reported a liability of \$5,857,725 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.0919% at the end of the measurement period and 0.0917% at the beginning of the period, respectively.

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:

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 5,857,725
State's Proportionate Share of the Net Pension Liability Associated with the District	518,221

A change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date was an increase of the contribution rates for both the member and employer.

For the year ended June 30, 2020, the District recognized pension expense of \$1,149,993. It also recognized \$39,404 as an increase to pension expense for the support provided by direct aid.

ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

At June 30, 2020, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 833	\$ 142,236
Changes in Actuarial Assumptions	4,929,522	7,771,040
Net Difference Between Projected and Actual Earnings on Plan Investments	-	485,448
Changes in Proportion	238,200	-
District Contributions Subsequent to the Measurement Date	432,422	-
Total	\$ 5,600,977	\$ 8,398,724

Of the resources related to pensions resulting from District contributions to TRA subsequent to the measurement date, \$432,422 is reported as deferred outflows and will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2021	\$ 401,769
2022	35,695
2023	(2,155,521)
2024	(1,504,785)
2025	(7,327)

3. Aggregate Pension Costs

At June 30, 2020, the District reported the following aggregate amounts related to pensions for all plans to which it contributes:

	TRA	PERA	Total
Net Pension Liability	\$ 5,857,725	\$ 1,122,342	\$ 6,980,067
Deferred Outflows of Resources	5,600,977	195,262	5,796,239
Deferred Inflows of Resources	8,398,724	215,981	8,614,705
Pension Expense	1,189,397	164,263	1,353,660

ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

GERF and TRA Assumptions	
Inflation	GERF 2.50% per Year TRA 2.50%
Salary Growth	11.25% after 1 Year of Service
Investment Rate of Return	Decreasing to 3.25% per Year after 26 Years 7.50% per Year
	2.85% for 10 Years and 3.25% Thereafter 7.50%

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

TRA pre-retirement mortality rates were based on 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. Post-retirement mortality rates were based on 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. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

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

The following changes in actuarial assumptions for PERA occurred in 2019:

- The mortality projection scale was changed from MP-2017 to MP-2018.
- The following changes in Plan provisions for PERA occurred in 2019:
  - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

There were no changes in plan provisions or in actuarial assumptions for the TRA plan for 2019.

The State Board of Investment, which manages the investments of PERA and TRA, 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	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5 %	5.10 %
International Equity	17.5	5.30
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
Cash	2.0	-
Totals	100.0 %	

F. Discount Rate

The discount rate used to measure the total General Employees Retirement Plan pension liability was 7.5%. 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 of the General Employees Retirement Fund 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.

The discount rate used to measure the total TRA pension liability was 7.50%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutory 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).

ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**G. Pension Liability Sensitivity**

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

Description	Current		
	1% Decrease	Discount Rate	1% Increase
GERF Discount Rate	6.50 %	7.50 %	8.50 %
District's Proportionate Share of the GERF Net Pension Liability	\$ 1,845,069	\$ 1,122,342	\$ 525,586
TRA Discount Rate	6.50 %	7.50 %	8.50 %
District's Proportionate Share of the TRA Net Pension Liability	\$ 9,338,646	\$ 5,857,725	\$ 2,987,757

**H. Pension Plan Fiduciary Net Position**

Detailed information about GERF's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at [www.mmpira.org](http://www.mmpira.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org); by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-652-9026.

**NOTE 9 OTHER POSTEMPLOYMENT 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 through the District's health insurance plan. There are 124 active participants and 3 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing the District's employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

**B. Benefits Provided**

Employees who are at least 55 years of age upon retirement and have been employed by the District for a minimum of 5 years (3 years for superintendents, principals and teachers) are eligible to remain on the District's medical insurance until eligible for Medicare. The District makes no contributions toward the cost of premiums.

ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**C. Total OPEB Liability**

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

Actuarial Assumptions

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

Inflation	2.50 %
Salary Increases	3.00 %
Healthcare Cost Trend Rates	6.50% Decreasing to 5.00% over 6 Years

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

Discount Rate

The discount rate used to measure the total OPEB liability was 3.10%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

**D. Changes in the Total OPEB Liability**

	Increase (Decrease) Total OPEB Liability
Balances at 6/30/2019	\$ 288,254
Changes for the Year:	
Service Cost	23,851
Interest	10,311
Differences Between Expected and Actual Experience	39,045
Changes of Assumptions	(9,458)
Benefit Payments	(17,842)
Net Changes	45,907
Balances at 6/30/2020	\$ 334,161

ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**E. Total OPEB Liability Sensitivity**

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

	1% Decrease (2.10%)	Discount Rate (3.10%)	1% Increase (4.10%)
Total OPEB Liability	\$ 354,614	\$ 334,161	\$ 314,102

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

	Healthcare Cost Trend 1% Decrease (5.50%) Decreasing to 4.00%	Healthcare Cost Trend Rates (6.50%) Decreasing to 5.00%	1% Increase (7.50%) Decreasing to 6.00%
Total OPEB Liability	\$ 300,193	\$ 334,161	\$ 374,121

**F. OPEB Expense**

For the year ended June 30, 2020, the District recognized OPEB expense of \$38,389. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 33,467	\$ -
Changes of Assumptions	-	8,107
District Payment of Benefits Subsequent to the Measurement Date	23,006	-
Total	\$ 56,473	\$ 8,107

ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**F. OPEB Expense (Continued)**

District payment of benefits subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2021	\$ 4,227
2022	4,227
2023	4,227
2024	4,227
2025	4,227
Thereafter	4,225

**NOTE 10 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 if and 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 amounts withheld for medical reimbursement and dependent care are made to participating employees upon submitting a request for reimbursement of eligible expenses.

All Plan property and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of the general creditors of the District in an amount equal to eligible health care and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11 SHORT-TERM BORROWINGS**

On January 14, 2019, the District was approved for an unsecured line of credit of \$1,600,000 to provide short-term liquidity for the General Fund for capital improvements on the long-term facilities plan. The interest rate applied on any borrowings is 3.75%. The line of credit expires on January 14, 2021. Borrowings and repayments on the Line of Credit were \$733,501 and \$-0-, respectively, for the year ended June 30, 2020. The balance outstanding on the Line of Credit was \$-0- at July 01, 2019, and \$733,501 at June 30, 2020.

**NOTE 12 DEFINED CONTRIBUTION PENSION PLAN**

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. 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 amounts 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, 2020 are \$21,100. The related employee contributions were \$105,896 for the year ended June 30, 2020.

**NOTE 13 JOINTLY GOVERNED ORGANIZATION**

The Hiawatha Valley Education District No. 61-6013 was established by an act of the 1987 Legislature of the state of Minnesota. The primary objective of the District is to provide, by a cooperative effort, comprehensive educational programs and other related services as can be effectively operated by its 13 member districts and one member charter school. Each member district shares in the cost of the programming, which is paid to the education district in the form of membership fees, reimbursements and other charges for services. The education district is able to recover the cost of its programs through the previously mentioned revenue sources. The jointly governed organization's financial statements are audited and available for inspection.

**NOTE 14 COMMITMENTS AND CONTINGENCIES**

**Federal and State Receivables**

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial. The financial assistance received is subject to audits by the grantor agency.

**NOTE 15 RESTATEMENT**

During fiscal year ended June 30, 2020, the District adopted GASB Statement No. 84 Fiduciary Activities. Prior to the restatement, the Private Purpose Trust Fund was previously reported as a fiduciary activity and the Student Activities Fund was audited as its own separate entity. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle of \$120,443.

	Governmental Activities	General Fund
Net Position - Beginning of Year, as Previously Reported	\$ (1,503,771)	\$ 1,442,265
Change in Accounting Principle	120,443	120,443
Net Position - Beginning of Year, as Restated	<u>\$ (1,383,328)</u>	<u>\$ 1,562,708</u>

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#### REQUIRED SUPPLEMENTARY INFORMATION



**ST. CHARLES PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 858**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**JUNE 30, 2020**

Measurement Date	2020 July 1, 2019	2019 July 1, 2018	2018 July 1, 2017
<b>Total OPEB Liability:</b>			
Service Cost	\$ 23,851	\$ 21,160	\$ 20,544
Interest	10,311	9,871	9,678
Differences Between Expected and Actual Experience	39,045	-	-
Changes of Assumptions	(9,458)	-	-
Benefit Payments	(17,842)	(23,711)	(26,553)
Net Change in Total OPEB Liability	45,907	7,320	3,669
Total OPEB Liability - Beginning	288,254	280,934	277,265
Total OPEB Liability - Ending	<u>\$ 334,161</u>	<u>\$ 288,254</u>	<u>\$ 280,934</u>
Covered Employee Payroll	\$ 6,247,005	\$ 6,050,221	\$ 5,874,001
District's Total OPEB Liability as a Percentage of the Covered Employee Payroll	5.35 %	4.76 %	4.78 %

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

No assets are accumulated in a trust.

See accompanying Notes to Required Supplementary Information.

**ST. CHARLES PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 858**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**LAST SIX FISCAL YEARS**

Measurement Date	2020 June 30, 2019	2019 June 30, 2018	2018 June 30, 2017	2017 June 30, 2016	2016 June 30, 2015	2015 June 30, 2014
<b>PERA</b>						
District's Proportion of the Net Pension Liability	0.0203 %	0.0208 %	0.0191 %	0.0180 %	0.0188 %	0.0205 %
District's Proportionate Share of the Net Pension Liability	\$ 1,122,342	\$ 1,142,804	\$ 1,219,331	\$ 1,542,708	\$ 974,315	\$ 962,987
State's Proportionate Share of the Net Pension Liability Associated with District	34,989	37,353	15,303	20,098	-	-
Total	<u>\$ 1,157,340</u>	<u>\$ 1,180,157</u>	<u>\$ 1,234,634</u>	<u>\$ 1,562,804</u>	<u>\$ 974,315</u>	<u>\$ 962,987</u>
District's Covered Payroll	\$ 1,519,892	\$ 1,386,107	\$ 1,232,173	\$ 1,161,427	\$ 1,076,877	\$ 1,076,877
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	76.15 %	85.14 %	100.20 %	134.55 %	90.48 %	89.42 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.50 %	79.50 %	75.90 %	68.90 %	79.20 %	79.20 %
<b>TRA</b>						
District's Proportion of the Net Pension Liability	0.0919 %	0.0917 %	0.0891 %	0.0891 %	0.0864 %	0.0891 %
District's Proportionate Share of the Net Pension Liability	\$ 5,857,725	\$ 5,757,924	\$ 17,765,976	\$ 21,252,476	\$ 5,488,414	\$ 4,105,693
State's Proportionate Share of the Net Pension Liability Associated with District	518,221	541,049	1,719,084	2,132,252	670,462	288,925
Total	<u>\$ 6,375,946</u>	<u>\$ 6,298,973</u>	<u>\$ 19,505,060</u>	<u>\$ 23,384,728</u>	<u>\$ 6,158,876</u>	<u>\$ 4,394,618</u>
District's Covered Payroll	\$ 5,228,780	\$ 5,159,120	\$ 4,766,800	\$ 4,656,281	\$ 4,512,750	\$ 4,088,860
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	112.03 %	111.61 %	370.79 %	455.45 %	121.18 %	100.90 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.07 %	78.07 %	51.57 %	44.89 %	76.77 %	81.50 %

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See accompanying Notes to Required Supplementary Information.

**ST. CHARLES PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 858**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**LAST SIX FISCAL YEARS**

	2020	2019	2018	2017	2016	2015
<b>PERA</b>						
Statutorily Required Contribution	\$ 114,330	\$ 113,867	\$ 103,958	\$ 92,413	\$ 87,107	\$ 81,283
Contributions in Relation to the						
Statutorily Required Contribution	(114,330)	(113,867)	(103,958)	(92,413)	(87,107)	(81,283)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 1,524,520	\$ 1,519,892	\$ 1,386,107	\$ 1,232,173	\$ 1,161,427	\$ 1,099,892
Contributions as a Percentage of Covered Payroll	7.50 %	7.49 %	7.50 %	7.50 %	7.50 %	7.39 %
<b>TRA</b>						
Statutorily Required Contribution	\$ 432,422	\$ 404,723	\$ 386,934	\$ 359,760	\$ 349,972	\$ 338,457
Contributions in Relation to the						
Statutorily Required Contribution	(432,422)	(404,723)	(386,934)	(359,760)	(349,972)	(338,457)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 5,438,996	\$ 5,228,790	\$ 5,158,120	\$ 4,796,800	\$ 4,866,281	\$ 4,512,750
Contributions as a Percentage of Covered Payroll	7.95 %	7.74 %	7.50 %	7.50 %	7.50 %	7.50 %

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See accompanying Notes to Required Supplementary Information.

**INDEPENDENT SCHOOL DISTRICT NO. 858**  
**600 EAST 6TH STREET**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**

**NOTE 1**

**COMPLIANCE — BUDGETS**

The budget and the actual amounts are both prepared on the modified accrual basis of accounting in accordance with GAAP.

In the following funds, expenditures exceeded the appropriations during the year ended June 30, 2020:

	Budget	Expenditures	Excess
Special Revenue Funds:			
Food Service Fund	\$ 586,191	\$ 641,724	\$ 55,533

The overages above were considered by District management to be the result of necessary expenditures critical to operations.

**NOTE 2**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS**

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

**2019**

**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, decreased from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

**2018**

**Changes in Actuarial Assumption**

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.50% 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 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.



**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

**2018(Continued)**

- Changes in Plan Provisions (Continued)
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% 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 in Actuarial Assumption

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for nonvested 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.

**2016**

Changes in Actuarial Assumptions

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

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

**2015**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

**2019**

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2018**

Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

Changes in Plan Provisions

- The COLA was reduced from 2.0% each January 1 to 1.0% effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66 depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.

**INDEPENDENT SCHOOL DISTRICT NO. 858**  
**600 EAST 6TH STREET**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**

**NOTE 2** **CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

- 2018 (Continued)
- Changes in Plan Provisions (Continued)
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
  - Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
  - Augmentation on deferred benefits will be reduced to 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 is reduced from 8.5% to 7.5%, effective July 1, 2018.
  - The employer contribution rate is increased each July 1 over the next 4 years, (7.92% in 2019, 8.13% 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.
- 2017
- Changes in Actuarial Assumptions
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
  - Adjustment 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 nonvested inactive load increased from 4.0% to 9.0%.
  - The investment return assumption was changed from 8.0% to 7.5%.
  - The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
  - The price inflation assumption was lowered from 2.75% to 2.5%.
  - The payroll growth assumption was lowered from 3.5% 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.
- Changes in Plan Provisions
- There have been no changes since the prior valuation.

- 2016
- Changes in Actuarial Assumptions
- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
  - The price inflation assumption was lowered from 3.0% to 2.75%.
  - The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.

**ST. CHARLES PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 858**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**

**NOTE 2** **CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

- 2016 (Continued)
- Changes in Actuarial Assumptions (Continued)
- Minor changes at some durations for the merit scale of the salary increase assumption.
  - The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.
  - The post-retirement mortality assumption was changed to the RP-2014 while collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
  - The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
  - Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
  - Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
  - A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.
- Changes in Plan Provisions
- There have been no changes since the prior valuation.
- 2015
- Changes in Actuarial Assumptions
- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
  - The investment return assumption was changed from 8.25% to 8.0%.
- Changes in Plan Provisions
- The Duluth Teachers Retirement Fund Association was merged into TRA on June 30, 2015. This also resulted in a state-provided contribution stream of \$14.377 million until the System becomes fully funded.
- 2014
- Changes in Actuarial Assumptions
- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.
- Changes in Plan Provisions
- The increase in the post-retirement benefit adjustment (COLA) will be made once the System is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

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:

2019

Changes in Plan Provisions

- There were no changes in plan provisions.

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 RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.40% to 3.10%.

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#### OTHER REQUIRED REPORTS

Board of Education  
Independent School District No. 858

#### Compliance and Other Matters

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

#### St. Charles Public Schools' Response to Finding

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

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



CliftonLarsonAllen LLP

Rochester, Minnesota  
September 24, 2020

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

Board of Education  
Independent School District No. 858  
St. Charles, 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 and each major fund of Independent School District No. 858 (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 24, 2020.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. 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 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 have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a material weakness.





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## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education  
Independent School District No. 858  
St. Charles, 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 financial statements of the governmental activities and each major fund of Independent School District No. 858 (the District) as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 24, 2020.

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 sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP

Rochester, Minnesota  
September 24, 2020



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ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2020

Finding: 2020-001

Annual Financial Reporting Under Accounting Principles Generally Accepted in the United States of America (U.S. GAAP)

**Condition:** The District has a control in place for the review of the auditor-drafted financial statements. However, District personnel do not have the expertise to ensure all disclosures required by U.S. GAAP are included in the annual financial statements.

**Criteria:** The District should have controls in place to prevent or detect and correct an omission of a material disclosure in the annual financial statements.

**Context:** The District has informed us that they will continue to engage the audit firm to prepare the financial statements and related footnote disclosures, and will review and approve these prior to the issuance of the financial statements.

**Effect:** The potential exists that a material disclosure could be omitted from the financial statements and not be prevented, or detected and corrected, by the District's internal controls.

**Cause:** District personnel do not have the expertise to draft the notes to the financial statements; however, they have reviewed and approved the annual financial statements as prepared by the audit firm.

**Recommendation:** We recommend the District continue to evaluate its internal staff and expertise to determine if further controls over annual financial reporting are beneficial.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings**  
There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The Superintendent receives a draft of the financial statements as prepared by the auditing firm. He reviews all pages and compares all data to reports pulled from the SmartFinance system to verify accuracy of any financial information reported. This involves comparison of revenue, expenditures, and all balance sheet data. Accordingly, the District will rely upon the auditors for completeness of the disclosures. However, the Superintendent will review the notes for accuracy, compare the balances to UFARS and other District reports, and discuss any discrepancies with the audit firm with satisfactory resolution for both parties prior to authorizing final drafting of the financial statements.

**Official Responsible for Ensuring CAP:**

Jeff Apse, Superintendent, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The planned completion date is September 30, 2020.

**Plan to Monitor Completion of CAP:**

The School Board will ensure that the above reviews have been completed through discussions with the Superintendent and review of the financial statements.

ST. CHARLES PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 858  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
YEAR ENDED JUNE 30, 2020

01 GENERAL FUND	AUDIT	UFARS	DIFFERENCE
Total Revenue	\$ 11,085,901	\$ 11,085,886	\$ 15
Nonspendable	11,085,901	11,085,886	15
Restricted	43,892	43,892	-
401 Student Activities	215,786	215,787	(1)
402 Scholarships	13,736	13,617	119
403 Staff Development	72,330	72,330	-
404 Health and Safety	-	-	-
407 Capital Project Levy	-	-	-
408 Capital Project Levy	-	-	-
409 Capital Project Levy	-	-	-
410 Capital Project Levy	-	-	-
411 Restricted Fund Balance	-	-	-
412 Restricted Fund Balance	-	-	-
413 Restricted Fund Balance	-	-	-
414 Operating Debt	-	-	-
415 Levy Reduction	-	-	-
416 Levy Reduction	-	-	-
417 Levy Reduction	-	-	-
418 Levy Reduction	-	-	-
419 Levy Reduction	-	-	-
420 Operating Capital	39,804	39,804	-
421 Operating Capital	-	-	-
422 Teaching	-	-	-
423 Learning and Development	38,391	38,391	-
424 Arts Learning Center	-	-	-
425 Consider Alternative Programs	-	-	-
426 Consider Alternative Programs	-	-	-
427 Gifted and Talented	2,042	2,042	-
428 Teacher Development and Evaluations	-	-	-
429 Teacher Development and Evaluations	231	231	-
430 Career and Technical Programs	-	-	-
431 Career and Technical Programs	-	-	-
432 Career and Technical Programs	-	-	-
433 Career and Technical Programs	-	-	-
434 Career and Technical Programs	-	-	-
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## **APPENDIX B**

### **FORM OF LEGAL OPINION**

(See following pages)





**KNUTSON, FLYNN & DEANS, P.A.**

1155 Centre Pointe Drive, Suite 10  
Mendota Heights, MN 55120

651.222.2811 fax 651.225.0600  
www.kfdmn.com

Independent School District No. 858 (St. Charles Public Schools)  
600 E. 6th Street  
St. Charles, MN 55972

[NAME AND ADDRESS OF  
PURCHASER OF THE CERTIFICATES]

Re: \$965,000 Certificates of Participation, Series 2021B Pursuant to a Lease-Purchase Agreement dated as of February 4, 2021 by and between Zions Bancorporation, National Association as trustee (the "Trustee"), and Independent School District No. 858 (St. Charles Public Schools) (the "District").

Ladies and Gentlemen:

We have acted as Bond Counsel with respect to the issuance and delivery of the Certificates described above (the "Certificates"). In that capacity we have reviewed copies of the Lease-Purchase Agreement described above (the "Lease") and the Exhibits attached thereto; the Trust Agreement dated as of February 4, 2021 (the "Trust Agreement"), by and between the District and the Trustee, including the form of Certificate of Participation attached thereto; the Continuing Disclosure Certificate dated as of February 4, 2021, executed by the District, and certain proceedings taken and certain affidavits and certificates furnished by the District, the Trustee and others in connection with the authorization, execution and delivery of the Lease, the Trust Agreement, the Continuing Disclosure Certificate and the Certificates.

The Lease provides that it will be in effect for a term commencing as provided therein and ending on April 1, 2041. Under the Lease, the Trustee is providing financing for the acquisition of the Site located in St. Charles, Minnesota and is leasing and selling its interest in the Site (the "Premises") to the District, and the District has undertaken to pay to the Trustee Lease Payments with respect thereto. Under the Trust Agreement, the Trustee has executed and delivered the Certificates evidencing the right of the registered owners thereof to the portion of the Lease Payments as described therein.

As to questions of fact material to our opinion, we have relied upon the representations of the District and the Trustee contained in the Trust Agreement and the Lease and the certified proceedings and other certifications of public officials and other parties involved in the issuance of the Certificates furnished to us, without undertaking to verify the same by independent investigation.

From our examination of such documents and other instruments, assuming the genuineness of the signatures thereon and the accuracy of the facts and conclusions stated therein, without undertaking to verify the same by independent investigation, it is our opinion that:

1. The District is a Minnesota independent school district, duly organized, existing and operating under the Constitution and laws of the State of Minnesota (the “State”).

2. The Lease, the Trust Agreement, the Certificate Purchase Agreement, the Continuing Disclosure Certificate and the Certificates have been duly authorized, approved, executed and delivered by and on behalf of the District, and are valid and binding contracts of the District, enforceable against the District in accordance with their terms, except to the extent limited by state and federal law affecting remedies and by bankruptcy, reorganization or other laws of general application relating to or affecting the enforcement of creditor's rights.

3. The authorization, approval and execution of the Lease, the Trust Agreement, the Certificate Purchase Agreement, the Continuing Disclosure Certificate, the Certificates and all other proceedings of the District relating to the transactions contemplated thereby have been performed in accordance with all open meeting and other laws, rules and regulations of the State of Minnesota.

4. There is no litigation, action, suit or proceeding pending or before any court, administrative agency, arbitrator or governmental body, that challenges the organization or existence of the District; the authority of the District or its officers or its employees to enter into the Lease, the Trust Agreement, the Certificate Purchase Agreement, the Certificates or the Continuing Disclosure Certificate; the proper authorization, approval and/or execution of the Lease, the Trust Agreement, the Certificate Purchase Agreement, the Continuing Disclosure Certificate, the Certificates and the other documents contemplated thereby; or the ability of the District otherwise to perform its obligations under the Lease, the Trust Agreement, the Certificate Purchase Agreement, the Certificates, the Continuing Disclosure Certificate and the documents contemplated thereby; or that would have a material adverse impact on the financial condition of the District, the security for the Certificates, the operation of the Premises or the transactions contemplated by the Official Statement.

5. The amount of each Lease Payment designated as and comprising interest as set forth on Lease EXHIBIT B and received by the registered owners of the Certificates (a) is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates and trusts for Minnesota income tax purposes; (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax; (c) is not an item of tax preference required to be included in the computation of alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to individuals and other taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; and (d) interest on the Certificates is not taken into account in determining adjusted current earnings for purposes of calculating federal alternating minimum

taxes applicable to corporations. We express no opinion as to other federal or state tax consequences arising with respect to the Certificates and the Lease Payments.

6. The Lease and the Certificates have been designated as "qualified tax-exempt obligations" for the purposes of Section 265 of the Code relating to the deduction of interest expenses allocable to the Certificates by financial institutions.

7. The Lease is a "triple net" agreement requiring the District to pay all expenses, taxes, fees, insurance premiums, rebate payments, and costs associated with the Premises and the Lease without right of offset.

8. The opinions set forth above are subject to the following qualifications and exceptions:

(a) Our opinions are limited to and assume the application of the existing laws of the State of Minnesota and the federal laws of the United States of America.

(b) Our opinions are subject to the condition of the District's compliance with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Lease and the Certificates in order that the interest portion of each Lease Payment received by the registered owners of the Certificates be, or continue to be, excluded from gross income for federal income tax purposes. Noncompliance by the District with such requirements could result in the inclusion of such interest portion in federal gross income and Minnesota taxable net income retroactive to the date of the Lease and the Certificates.

(a) We express no opinion as to the treatment for federal and State of Minnesota income tax purposes of any moneys received by an Owner of the Certificates subsequent to a termination of the Lease by the Trustee or Owners of the Certificates by reason of an Event of Default.

(d) We have not been asked, and have not undertaken, to review the accuracy, completeness or sufficiency of the Official Statement or any offering materials relating to the District, the Lease and the Certificates, and, accordingly, we express no opinion with respect thereto.

DATED at Mendota Heights, Minnesota, this 4<sup>th</sup> day of February, 2021.

KNUTSON, FLYNN & DEANS  
Professional Association

By:  
Peter A. Martin

**BOOK-ENTRY-ONLY SYSTEM**

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

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

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

(See following pages)

## **CONTINUING DISCLOSURE CERTIFICATE**

(Full Disclosure)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 858 (St. Charles Public Schools), State of Minnesota (the "District"), in connection with the issuance of its Certificates of Participation, Series 2021B (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the School Board on January 11, 2021 (the "Resolution"). The District covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the District for the benefit of the Bondholders or beneficial owners, if different, and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5). This Disclosure Certificate constitutes the written Undertaking required by the Rule.

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

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

"Audited Financial Statements" shall mean the District's financial statements which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) or as otherwise required by Minnesota law for the preceding Fiscal Year, including a balance sheet and statement of revenues, expenditures and changes in fund balances, which the District intends to continue to prepare in substantially the same form.

"Dissemination Agent" shall mean the District, or any successor Dissemination Agent which has been designated in writing by the District and which has filed with the District a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system: [www.emma.msrb.org](http://www.emma.msrb.org), established by the MSRB and which contains a component that includes a continuing disclosure service for the receipt and public availability of continuing disclosure documents and related information to be submitted by issuers, obligated persons, and their agents pursuant to continuing disclosure undertakings entered into consistent with the Rule.

"Financial Obligation" shall mean a: (i) debt obligation; (ii) derivative entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) 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 Municipal Securities Rulemaking Board consistent with this Rule.

"Fiscal Year" shall mean the fiscal year of the District.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

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

### **SECTION 3. Provision of Annual Reports.**

(a) The District shall provide, or shall cause the Dissemination Agent to provide not later than June 30, 2022, and twelve (12) months after the end of each Fiscal Year during which the Bonds are outstanding, to the MSRB, in an electronic format through the use of EMMA, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. If audited financial statements are not available by the date specified above, the District shall submit unaudited financial statements by that date to the MSRB and will submit the audited financial statements as soon as they are available.

(b) If the District is unable or fails to provide to the MSRB an Annual Report by the date required in subsection (a) above, the District shall send a timely notice to the MSRB in the format prescribed by the MSRB.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the required method of submission to the MSRB and (if the Dissemination Agent is other than the District)

(ii) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate and stating the date it was provided.



**SECTION 4. Content of Annual Reports.** The District's Annual Report shall contain or incorporate by reference the following:

1. An annual Audited Financial Statement.
2. Updates of the operating and financial data included in the Official Statement under headings substantially similar to the following or containing financial information directly relating to the following: "Current Property Valuation", "Tax Levies & Collections", "Student Body", "Direct Debt", and "Employment/Unemployment."

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

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

**SECTION 5. Reporting of Significant Events.**

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events, with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

(b) Whenever a Listed Event occurs, the District shall in a timely manner not in excess of ten business days after the occurrence of the Listed Event file a notice of such occurrence with the MSRB.

**SECTION 6. Termination of Reporting Obligation.** The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Bonds.

**SECTION 7. Dissemination Agent.** The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, including but not limited to its duties under Sections 3 and 5 hereof, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

If this Disclosure Certificate is amended, the District will disclose such amendment,

together with a narrative explanation of that amendment, to the MSRB with its annual financial information disclosure.

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

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

**SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**SECTION 12. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders from time to time of the Bonds or the beneficial owners, if different, and shall create no rights in any other person or entity.

**SECTION 13. Reserved Rights.** The District reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or to modify the Undertaking under this Disclosure Certificate if the District determines that such modification is required by the Rule, or by a court of competent jurisdiction.

**SECTION 14. District Contact Information.**

Title: Superintendent  
Name of District: Independent School District No. 858 (St. Charles Public Schools)  
Address: 600 E. 6th Street  
St. Charles, MN 55972  
Telephone No. (507) 932-4420

Dated as of this 4th day of February, 2021.

INDEPENDENT SCHOOL DISTRICT NO. 858  
(ST. CHARLES PUBLIC SCHOOLS)  
ST. CHARLES, MINNESOTA

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

And: \_\_\_\_\_  
Clerk

## **TERMS OF PROPOSAL**

### **\$965,000\* CERTIFICATES OF PARTICIPATION, SERIES 2021B INDEPENDENT SCHOOL DISTRICT NO. 858 (ST. CHARLES PUBLIC SCHOOLS), MINNESOTA**

Proposals for the purchase of \$965,000\* Certificates of Participation, Series 2021B (the "Certificates") of Independent School District No. 858 (St. Charles 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 11:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 11:30 A.M. Central Time, on January 11, 2021, at which time they will be opened, read and tabulated. The proposals will be presented to the Board of Education 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 Certificates upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

### **PURPOSE**

The Certificates are being issued pursuant to Minnesota Statutes, Section 465.71, by the District for the purpose of financing the acquisition of vacant land for future school district purposes. The Certificates will be special obligations of the District payable from and secured by a pledge of lease payments required to be made by the District to Zions Bancorporation, National Association (the "Trustee") pursuant to a Lease-Purchase Agreement (the "Lease") to be entered into between the District and Trustee. **THE CERTIFICATES DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE DISTRICT AND ARE NOT A CHARGE AGAINST THE GENERAL CREDIT OF THE DISTRICT.**

### **DATES AND MATURITIES**

The Certificates will be dated February 4, 2021, will be issued as fully registered Certificates in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on April 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2022	\$35,000	2029	\$45,000	2036	\$55,000
2023	40,000	2030	45,000	2037	55,000
2024	40,000	2031	50,000	2038	55,000
2025	40,000	2032	50,000	2039	55,000
2026	40,000	2033	50,000	2040	60,000
2027	45,000	2034	50,000	2041	60,000
2028	45,000	2035	50,000		

### **ADJUSTMENT OPTION**

\* The District reserves the right to increase or decrease the principal amount of the Certificates 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 Certificates 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 April 1 and October 1 of each year, commencing October 1, 2021, to the registered owners of the Certificates 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 2022 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Certificates 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 Certificates 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 Certificates, 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 Certificates. So long as Cede & Co. is the registered owner of the Certificates, 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 Certificates.

## PAYING AGENT / TRUSTEE

The District has selected Zions Bancorporation, National Association, Chicago, Illinois, to act as paying agent (the "Paying Agent") and trustee (the "Trustee"). The District will pay the charges for Paying Agent and Trustee services. The District reserves the right to remove the Paying Agent and/or Trustee and to appoint a successor.

## OPTIONAL REDEMPTION

At the option of the District, the Certificates maturing on or after April 1, 2030 shall be subject to optional redemption prior to maturity on April 1, 2029 or any date thereafter, at a price of par plus accrued interest.

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

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

## DELIVERY

On or about February 4, 2021, the Certificates 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 Certificates is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Certificates must be received by the District at its designated depository on the date of closing in immediately available funds.

## LEGAL OPINION

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

## SUBMISSION OF PROPOSALS

Proposals must not be for less than \$947,148 plus accrued interest on the principal sum of \$965,000 from date of original issue of the Certificates to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com); or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 11:30 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 Ehlers or i-Deal LLC at 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Telephone (212) 849-5021.

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 \$19,300 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 Certificates 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 Certificates 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 Certificates is adjourned, recessed, or continued to another date without award of the Certificates having been made.

### **AWARD**

The Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Certificates.

### **CUSIP NUMBERS**

The District will assume no obligation for the assignment or printing of CUSIP numbers on the Certificates 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 Certificates 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 Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the District will enter into an undertaking for the benefit of the holders of the Certificates. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.



## NEW ISSUE PRICING

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

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

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

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

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

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

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

(1) the close of the fifth (5<sup>th</sup>) business day after the sale date; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **PRELIMINARY OFFICIAL STATEMENT**

Bidders may obtain a copy of the Preliminary Official Statement relating to the Certificates prior to the proposal opening by request from Ehlers at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the Bond Sales link. The 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 Board of Education

Independent School District No. 858  
(St. Charles Public Schools), Minnesota

# PROPOSAL FORM

The Board of Education  
Independent School District No. 858 (St. Charles Public Schools), Minnesota

January 11, 2021

RE: \$965,000\* Certificates of Participation, Series 2021B (the "Certificates")  
DATED: February 4, 2021

For all or none of the above Certificates, 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 \$947,148) plus accrued interest to date of delivery for fully registered Certificates bearing interest rates and maturing in the stated years as follows:

_____ % due	2022	_____ % due	2029	_____ % due	2036
_____ % due	2023	_____ % due	2030	_____ % due	2037
_____ % due	2024	_____ % due	2031	_____ % due	2038
_____ % due	2025	_____ % due	2032	_____ % due	2039
_____ % due	2026	_____ % due	2033	_____ % due	2040
_____ % due	2027	_____ % due	2034	_____ % due	2041
_____ % due	2028	_____ % due	2035		

\* The District reserves the right to increase or decrease the principal amount of the Certificates 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 2022 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Certificates 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 \$19,300 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 Certificates 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 Certificates 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 Certificates to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about February 4, 2021.

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 Certificates.

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 Syndicate Manager, we agree to provide the District with the reoffering price of the Certificates within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Certificates 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 Certificates.

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

**Award will be on a true interest cost basis.** According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from February 4, 2021 of the above proposal is \$\_\_\_\_\_ and the true interest cost (TIC) is \_\_\_\_\_%.

The foregoing offer is hereby accepted by and on behalf of the Board of Education of Independent School District No. 858 (St. Charles Public Schools), Minnesota, on January 11, 2021.

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