

## PRELIMINARY OFFICIAL STATEMENT DATED MARCH 8, 2024

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

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

The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

**New Issue**

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

### INDEPENDENT SCHOOL DISTRICT NO. 561 (GOODRIDGE PUBLIC SCHOOL), MINNESOTA (Pennington and Marshall Counties)

(Minnesota School District Credit Enhancement Program)

## \$21,350,000\* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2024A

**PROPOSAL OPENING:** March 19, 2024, 9:30 A.M., C.T.

**CONSIDERATION:** March 19, 2024, 7:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$21,350,000\* General Obligation School Building Bonds, Series 2024A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held November 7, 2023, by Independent School District No. 561 (Goodridge Public School), Minnesota (the "District"), for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

**DATE OF BONDS:**

April 11, 2024

**MATURITY:**

February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2025	\$840,000	2032	\$915,000	2039	\$1,265,000
2026	685,000	2033	960,000	2040	1,315,000
2027	720,000	2034	1,010,000	2041	1,370,000
2028	755,000	2035	1,060,000	2042	1,425,000
2029	790,000	2036	1,115,000	2043	1,485,000
2030	830,000	2037	1,170,000	2044	1,550,000
2031	875,000	2038	1,215,000		

**\*MATURITY**

**ADJUSTMENTS:**

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

**TERM BONDS:**

See "Term Bond Option" herein.

**INTEREST:**

August 1, 2024 and semiannually thereafter.

**OPTIONAL REDEMPTION:**

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

**MINIMUM PROPOSAL:**

\$21,350,000.

**GOOD FAITH DEPOSIT:**

A good faith deposit in the amount of \$427,000 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:**

Bond Trust Services Corporation.

**BOND COUNSEL:**

Kennedy & Graven, Chartered.

**MUNICIPAL ADVISOR:**

Ehlers and Associates, Inc.

**BOOK-ENTRY-ONLY:**

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



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## REPRESENTATIONS

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

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

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

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

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

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

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

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

## CLOSING CERTIFICATES

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

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## **GOODRIDGE PUBLIC SCHOOL SCHOOL BOARD**

		<u>Term Expires</u>
John Lovly	Board Chair	January 2025
Neil Jensen	Vice Chair	January 2027
Leah Bothum	Clerk	January 2025
Tim Hruby	Treasurer	January 2025
Rozlynn Johnsrud	Member	January 2027
Joey Rubischko	Member	January 2027

## **ADMINISTRATION**

Tomas Loberg, Superintendent

## **PROFESSIONAL SERVICES**

Kennedy & Graven, Chartered, Bond Counsel and District Attorney, Minneapolis, Minnesota

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

# INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 561 (Goodridge Public School), Minnesota (the "District") and the issuance of its \$21,350,000\* General Obligation School Building Bonds, Series 2024A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the School Board on March 19, 2024.

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

## THE BONDS

### GENERAL

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

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

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

\*Preliminary, subject to change.

**OPTIONAL REDEMPTION**

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

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

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

**AUTHORITY; PURPOSE**

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held November 7, 2023, by the District, at which voters approved a building program by a vote of 230 - 179. Proceeds of the Bonds will be used to provide funds for the acquisition and betterment of school sites and facilities, including the construction and equipping of classroom additions to the school site and facility; the construction of improvements to repurpose and remodel existing classroom spaces; the construction and equipping of a new gymnasium facility including weight room and locker rooms; renovations and upgrades to the science lab, career and technical education (CTE) spaces and restrooms; the construction of improvements to relocate the main office to the ground level; and upgrades and improvements to the boiler and HVAC systems.

**ESTIMATED SOURCES AND USES\***

<b>Sources</b>		
Par Amount of Bonds	\$21,350,000	
Reoffering Premium	<u>950,158</u>	
<b>Total Sources</b>		<b>\$22,300,158</b>
<b>Uses</b>		
Total Underwriter's Discount (1.000%)	\$213,500	
Costs of Issuance	118,000	
Deposit to Construction Fund	<u>21,968,658</u>	
<b>Total Uses</b>		<b>\$22,300,158</b>

\*Preliminary, subject to change.

## **SECURITY**

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

## **RATING**

The District will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a credit enhanced rating from Moody's Investors Service, Inc. ("Moody's"). Moody's has a policy which assigns a minimum rating of "Aa1" to issuers participating in the MNCEP. The "Aa1" rating is based on the State of Minnesota's current "Aaa" rating from Moody's. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS" for further details.

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

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

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

By resolution adopted for this issue on December 19, 2023 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, as amended, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

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

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

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

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

"As of June 30, 2023, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2050, is approximately \$17,500,000,000. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of June 30, 2023, is currently estimated at \$2,700,000,000, with the maximum amount of principal and interest payable in any one month being \$1,060,000,000. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.

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

## **CONTINUING DISCLOSURE**

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

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

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



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

## **LEGAL OPINION**

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

## **TAX EXEMPTION**

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

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

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

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

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

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

### **Legislative proposals**

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

### **NON-QUALIFIED TAX-EXEMPT OBLIGATIONS**

The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code, relating to the ability of certain financial institutions (within the meaning of Section 265(6)(5) of the Code) to deduct from income for federal income tax purposes, 80% of the interest expense that is allocable to carrying and acquiring tax-exempt obligations.

### **MUNICIPAL ADVISOR**

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

### **MUNICIPAL ADVISOR AFFILIATED COMPANIES**

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

## INDEPENDENT AUDITORS

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

## RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# VALUATIONS

## OVERVIEW

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

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

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

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

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

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

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

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

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

## CURRENT PROPERTY VALUATIONS

**2022/23 Economic Market Value** \$422,318,575<sup>1</sup>

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

	<b>Pennington County</b>	<b>Marshall County</b>	<b>Total</b>
Real Estate	\$226,524,300	\$105,217,200	\$331,741,500
Personal Property	<u>410,800</u>	<u>120,400</u>	<u>531,200</u>
Total Valuation	<u><u>\$226,935,100</u></u>	<u><u>\$105,337,600</u></u>	<u><u>\$332,272,700</u></u>

### 2022/23 Net Tax Capacity

	<b>Pennington County</b>	<b>Marshall County</b>	<b>Total</b>
Real Estate	\$1,667,881	\$831,664	\$2,499,545
Personal Property	<u>7,868</u>	<u>2,408</u>	<u>10,276</u>
Net Tax Capacity	<u><u>\$1,675,749</u></u>	<u><u>\$834,072</u></u>	<u><u>\$2,509,821</u></u>

## 2022/23 NET TAX CAPACITY BY CLASSIFICATION

	<b>2022/23 Net Tax Capacity</b>	<b>Percent of Total Net Tax Capacity</b>
Residential homestead	\$156,180	6.22%
Agricultural	2,283,996	91.00%
Commercial/industrial	5,943	0.24%
Public utility	8,268	0.33%
Non-homestead residential	32,551	1.30%
Commercial & residential seasonal/rec.	12,607	0.50%
Personal property	<u>10,276</u>	<u>0.41%</u>
Total	<u><u>\$2,509,821</u></u>	<u><u>100.00%</u></u>

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<sup>1</sup> According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 78.68% 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 \$422,318,575.

## TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity <sup>1</sup>	Taxable Net Tax Capacity <sup>2</sup>	Percent Increase/Decrease in Estimated Market Value
2018/19	\$299,739,400	\$292,477,656	\$2,197,713	\$2,197,713	3.65%
2019/20	301,324,400	294,022,489	2,231,658	2,231,658	0.53%
2020/21	288,643,900	281,233,288	2,124,340	2,124,340	-4.21%
2021/22	294,194,600	286,649,834	2,173,683	2,173,683	1.92%
2022/23	332,272,700	324,946,455	2,509,821	2,509,821	12.94%

## LARGEST TAXPAYERS<sup>3</sup>

Taxpayer	Type of Property	2022/23 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Individual	Agricultural	\$47,367	1.89%
Individual	Agricultural	46,858	1.87%
FSMN Agri Partners GP	Agricultural	40,997	1.63%
Faculty Road MN GP	Agricultural	40,820	1.63%
Individual	Agricultural	36,713	1.46%
Individual	Agricultural	29,530	1.18%
Individual	Agricultural	26,642	1.06%
Individual	Agricultural	26,583	1.06%
Individual	Agricultural	26,438	1.05%
Individual	Agricultural	<u>26,058</u>	<u>1.04%</u>
Total		\$348,006	13.87%

District's Total 2022/23 Net Tax Capacity                      \$2,509,821

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

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

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

<sup>3</sup> In 2022, the estimated median commercial and industrial sales ratio used to equalize utility values in Pennington and Marshall Counties dropped below 90% to 75.40% and 83.30%, respectively, thereby resulting in lower valuations for this classification of property. Depreciation may also have affected the decrease in valuations.

## DEBT

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

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

Total G.O. debt secured by taxes and state aids <sup>2</sup> (includes the Bonds)*	<u>\$21,350,000</u>
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\*Preliminary, subject to change.

### DEBT PAYMENT HISTORY

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

### FUTURE FINANCING

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

### STATE AID FOR DEBT SERVICE

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

Under the Debt Service Equalization Formula (the Formula) adopted by the 2001 Minnesota State Legislature, each school district is responsible for the amount of its qualifying annual debt service which is equal to 15.74% of its Adjusted Net Tax Capacity (ANTC). The Formula is applied against the remaining qualifying annual debt service which, in the case of the District, is expected to result in a "local share" of about 100% of the amount in excess of 15.74% of ANTC, but less than 26.24% of ANTC, and a "local share" of about 84.49% of the amount in excess of 26.24% of ANTC. This results in estimated total State participation of about 7.97% of total annual debt service based on the equalization calculations. Although the District expects to receive some Debt Service Equalization Aid beginning with taxes payable in 2025, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aid.

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

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

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



Some school districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minnesota Statutes, Section 273.1387). For taxes payable in 2023, and thereafter, the reimbursement percentage for each qualifying property is 70% of the property's eligible net tax capacity multiplied by the school debt tax rate determined under Minnesota Statutes, Section 275.08, subdivision 1b. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, and to rural vacant land and managed forest land. The amount of agricultural credit received in the debt service fund for taxes payable 2023 is approximately 58.77% of total annual debt service levies, based on the District's 2022/23 qualifying agricultural land valuation.

**BONDED DEBT LIMIT**

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

2022/23 Economic Market Value	\$422,318,575
Multiply by 15%	0.15
Statutory Debt Limit	<u>\$63,347,786</u>
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	<u>(21,350,000)</u>
Unused Debt Limit*	<u><u>\$41,997,786</u></u>

\*Preliminary, subject to change.

**Independent School District No. 561 (Goodridge), Minnesota**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Secured by Taxes**  
**(As of 04/11/2024)**

School Building Bonds Series 2024A								
Dated	04/11/2024							
Amount	\$21,350,000*							
Maturity	02/01							
Fiscal Year Ending	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2025	840,000	788,065	840,000	788,065	1,628,065	20,510,000	3.93%	2025
2026	685,000	936,288	685,000	936,288	1,621,288	19,825,000	7.14%	2026
2027	720,000	902,038	720,000	902,038	1,622,038	19,105,000	10.52%	2027
2028	755,000	866,038	755,000	866,038	1,621,038	18,350,000	14.05%	2028
2029	790,000	828,288	790,000	828,288	1,618,288	17,560,000	17.75%	2029
2030	830,000	788,788	830,000	788,788	1,618,788	16,730,000	21.64%	2030
2031	875,000	747,288	875,000	747,288	1,622,288	15,855,000	25.74%	2031
2032	915,000	703,538	915,000	703,538	1,618,538	14,940,000	30.02%	2032
2033	960,000	657,788	960,000	657,788	1,617,788	13,980,000	34.52%	2033
2034	1,010,000	609,788	1,010,000	609,788	1,619,788	12,970,000	39.25%	2034
2035	1,060,000	559,288	1,060,000	559,288	1,619,288	11,910,000	44.22%	2035
2036	1,115,000	506,288	1,115,000	506,288	1,621,288	10,795,000	49.44%	2036
2037	1,170,000	450,538	1,170,000	450,538	1,620,538	9,625,000	54.92%	2037
2038	1,215,000	403,738	1,215,000	403,738	1,618,738	8,410,000	60.61%	2038
2039	1,265,000	355,138	1,265,000	355,138	1,620,138	7,145,000	66.53%	2039
2040	1,315,000	304,538	1,315,000	304,538	1,619,538	5,830,000	72.69%	2040
2041	1,370,000	251,938	1,370,000	251,938	1,621,938	4,460,000	79.11%	2041
2042	1,425,000	197,138	1,425,000	197,138	1,622,138	3,035,000	85.78%	2042
2043	1,485,000	136,575	1,485,000	136,575	1,621,575	1,550,000	92.74%	2043
2044	1,550,000	69,750	1,550,000	69,750	1,619,750	0	100.00%	2044
	21,350,000	11,062,827	21,350,000	11,062,827	32,412,827			

\* Preliminary, subject to change.

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

Taxing District	2022/23 Taxable Net Tax Capacity	% In District	Total G.O. Debt <sup>2</sup>	District's Proportionate Share
Counties of:				
Marshall	\$30,824,430	2.7059%	\$8,005,000	\$216,607
Pennington	19,465,195	8.6090%	12,445,000	<u>1,071,390</u>
District's Share of Total Overlapping Debt				<u><u>\$1,287,997</u></u>

## DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$422,318,575	Debt/ Per Capita 836 <sup>3</sup>
Direct G.O. Debt Paid From Taxes and State Aids*	\$21,350,000		
Less: Agricultural Credit <sup>4</sup>	<u>(12,547,395)</u>		
Tax Supported General Obligation Debt*	\$8,802,605	2.08%	\$10,529.43
District's Share of Total Overlapping Debt	<u>\$1,287,997</u>	<u>0.31%</u>	<u>\$1,540.67</u>
Total*	<u><u>\$10,090,602</u></u>	<u><u>2.39%</u></u>	<u><u>\$12,070.10</u></u>

\*Preliminary, subject to change.

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

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

<sup>3</sup> Estimated 2022 population.

<sup>4</sup> Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 58.77% 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 \$12,547,395. Although the District expects to receive some Debt Service Equalization Aid in the future, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by this aid.

## TAX LEVIES, COLLECTION AND RATES

### TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy <sup>1</sup>	Total Collected Following Year	Collected to Date	% Collected
2018/19	\$495,559	\$474,170	\$494,955	99.88%
2019/20	525,280	510,374	523,990	99.75%
2020/21	531,581	518,842	528,051	99.34%
2021/22	504,771	491,617	499,921	99.04%
2022/23	566,773	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>2</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.

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

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

	2018/19	2019/20	2020/21	2021/22	2022/23
I.S.D. No. 561 (Goodridge Public School)	5.366%	7.446%	9.789%	8.519%	7.741%
Marshall County	29.188%	29.913%	29.883%	30.443%	25.411%
Pennington County	68.234%	70.957%	72.871%	72.574%	59.914%
City of Goodridge	114.075%	117.572%	123.490%	130.628%	116.017%
Town of Hickory <sup>2</sup>	13.218%	12.800%	13.357%	12.484%	18.238%
Marshall County HRA	0.499%	0.486%	0.489%	0.496%	0.377%
Marshall County NWRDC	0.214%	0.216%	0.218%	0.221%	0.171%
NW MN Multi Co. HRA	0.456%	0.462%	0.467%	0.450%	0.365%
Special Taxing District	0.207%	0.217%	0.223%	0.213%	0.174%
Red Lake Watershed ( <i>portion applicable to Marshall County</i> )	5.033%	3.932%	4.214%	4.142%	3.769%
Red Lake Watershed ( <i>portion applicable to Pennington County</i> )	5.316%	4.138%	4.270%	4.089%	3.402%

### *Referendum Market Value Rates:*

I.S.D. No. 561 (Goodridge Public School)	1.10542%	1.03230%	0.92646%	0.83788%	0.85107%
Airport Authority	0.03257%	0.03925%	0.04516%	0.04958%	0.04473%

**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by Pennington and Marshall Counties.

## THE ISSUER

### EMPLOYEES

The District is governed by an elected school board and employs a staff of 45, including 22 non-licensed employees and 23 licensed employees (21 of whom are teachers). The District provides education for 244 students in grades kindergarten through twelve.

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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.

**PENSIONS; UNIONS**

**Teachers' Retirement Association (TRA)**

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

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

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

**Recognized and Certified Bargaining Unit**

<b>Bargaining Unit</b>	<b>Expiration Date of Current Contract</b>
Goodridge Education Association	June 30, 2025

**POST EMPLOYMENT BENEFITS**

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent Audited Financial Statements shows a total OPEB liability of \$560,515 as of June 30, 2023. The District has been funding these obligations on a pay-as-you-go basis.

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

## STUDENT BODY

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

<b>Year</b>	<b>Kindergarten</b>	<b>Grades 1-6</b>	<b>Grades 7-12</b>	<b>Total</b>
2019/20	15	123	89	227
2020/21	20	116	94	230
2021/22	19	119	107	245
2022/23	20	111	110	241
2023/24	17	118	109	244

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

<b>Year</b>	<b>Kindergarten</b>	<b>Grades 1-6</b>	<b>Grades 7-12</b>	<b>Total</b>
2024/25	22	114	114	250
2025/26	15	114	122	251
2026/27	15	114	118	247

## SCHOOL BUILDINGS

<b>School Building</b>	<b>Year Constructed</b>	<b>Years of Additions/ Remodelings</b>
Main School K-12	1910	1936, 1940, 1955, 1964, 1967, 1988, 1996

## LITIGATION

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

## MUNICIPAL BANKRUPTCY

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

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

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

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

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$1,499,705
Food Service	(75,997)
Community Service	56,529
Trust & Agency	(3,370)
Student Activity	<u>93,274</u>
Total Funds on Hand	<u><u>\$1,570,141</u></u>



## SUMMARY GENERAL FUND INFORMATION

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

COMBINED STATEMENT	FISCAL YEAR ENDED JUNE 30				2023-24 Adopted Budget <sup>1</sup>
	2020 Audited	2021 Audited	2022 Audited	2023 Audited	
Revenues					
Local property taxes	\$513,555	\$536,598	\$571,379	\$512,535	\$542,209
Other local and county revenues	268,710	228,057	278,414	363,863	344,412
Revenue from state sources	3,175,658	3,248,626	3,524,708	3,557,377	3,346,919
Revenue from federal sources	78,445	248,143	425,077	185,685	46,000
Sales and other conversion of assets	2,961	3,348	0	3,648	3,025
<b>Total Revenues</b>	<b>\$4,039,329</b>	<b>\$4,264,772</b>	<b>\$4,799,578</b>	<b>\$4,623,108</b>	<b>\$4,282,565</b>
Expenditures					
Current:					
Administration	\$293,132	\$347,389	\$362,456	\$382,725	\$389,884
District support services	144,294	147,548	162,330	170,205	154,300
Elementary and secondary regular instruction	1,676,816	1,819,212	2,176,896	2,041,733	1,907,328
Vocational education instruction	77,632	81,147	73,298	55,899	71,697
Special education instruction	407,239	429,402	460,394	497,346	441,700
Instructional support services	27,442	9,564	19,686	35,558	19,500
Pupil support services	305,141	329,963	463,517	656,518	637,530
Sites and buildings	352,487	405,298	541,476	428,560	466,500
Fiscal and other fixed cost programs	37,727	42,087	57,682	75,318	112,500
Debt service	0	0	5,767	7,413	0
Capital outlay	214,362	228,228	431,484	466,440	230,100
<b>Total Expenditures</b>	<b>\$3,536,272</b>	<b>\$3,839,838</b>	<b>\$4,754,986</b>	<b>\$4,817,715</b>	<b>\$4,431,039</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$503,057</b>	<b>\$424,934</b>	<b>\$44,592</b>	<b>(\$194,607)</b>	<b>(\$148,474)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$0	\$31,500	\$0	\$0	\$0
Transfers (out)	(17,005)	0	(83,756)	(60,370)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(17,005)</b>	<b>31,500</b>	<b>(83,756)</b>	<b>(60,370)</b>	<b>0</b>
<b>Net changes in Fund Balances</b>	<b>\$486,052</b>	<b>\$456,434</b>	<b>(\$39,164)</b>	<b>(\$254,977)</b>	<b>(\$148,474)</b>
General Fund Balance July 1	\$1,072,510	\$1,611,925	\$2,068,359	\$2,029,195	
GASB 84 Adjustment	53,363	0	0	0	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance June 30	\$1,611,925	\$2,068,359	\$2,029,195	\$1,774,218	
<b>DETAILS OF JUNE 30 FUND BALANCE</b>					
Nonspendable	\$0	\$0	\$20,518	\$25,149	
Restricted	186,428	191,376	242,450	323,217	
Committed	35,000	35,000	51,858	116,560	
Unassigned	1,390,497	1,841,983	1,714,369	1,309,292	
<b>Total</b>	<b>\$1,611,925</b>	<b>\$2,068,359</b>	<b>\$2,029,195</b>	<b>\$1,774,218</b>	

<sup>1</sup> The 2023-24 budget was adopted on June 27, 2023. The district has a history of adopting conservative budgets and producing actual financial results that are more favorable than the budget. As a result, district officials expect balanced operating results for Fiscal Year 2023-24.

## GENERAL INFORMATION

### LOCATION

The District, with a 2020 U.S. Census population of 841 and a 2022 population estimate of 836, and comprising an area of 284 square miles, is located approximately 315 miles north of St. Paul, Minnesota and 20 miles east of Thief River Falls, Minnesota.

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

Larger employers in the District include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
The District	Elementary and secondary education	45
City of Goodridge	Municipal government and services	14
United States Postal Service	Post office	6
Cenex Goodridge Station (Farmers Union Oil Co)	Convenience store	5
Drangstveit Farms	Cattle ranching and farming	5
Harzke Farms	Farm	4
Rain Care Company	HVAC contractors and systems	3
Reiner Lutheran Church	Church	3
St. Ann's Catholic Church	Church	2
Salo Signs & More	Sign manufacturing	2

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

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

## U.S. CENSUS DATA

### Population Trend: The District

2010 U.S. Census population	837
2020 U.S. Census population	841
Percent of Change 2010 - 2020	0.48%

2022 State Demographer Estimate	836
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### Income and Age Statistics

	<b>The District</b>	<b>Pennington County</b>	<b>State of Minnesota</b>	<b>United States</b>
2022 per capita income	\$30,034	\$34,021	\$44,947	\$41,261
2022 median household income	\$57,396	\$64,268	\$84,313	\$75,149
2022 median family income	\$69,306	\$84,311	\$107,072	\$92,646
2022 median gross rent	\$734	\$812	\$1,178	\$1,268
2022 median value owner occupied units	\$136,400	\$162,100	\$286,800	\$281,900
2022 median age	37.0 yrs.	39.5 yrs.	38.5 yrs.	38.5 yrs.

	<b>State of Minnesota</b>	<b>United States</b>
District % of 2022 per capita income	66.82%	72.79%
District % of 2022 median family income	64.73%	74.81%

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

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

<b>Year</b>	<b><u>Average Employment</u></b>	<b><u>Average Unemployment</u></b>	
	<b>Pennington County</b>	<b>Pennington County</b>	<b>State of Minnesota</b>
2019	8,343	4.6%	3.3%
2020	8,211	6.2%	6.3%
2021	8,346	4.0%	3.8%
2022	8,522	3.3%	2.7%
2023	8,486	3.3%	3.0%

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

### FINANCIAL STATEMENTS

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 561  
GOODRIDGE, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

**INDEPENDENT SCHOOL DISTRICT NO. 561**  
**GOODRIDGE, MINNESOTA**  
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GOODRIDGE, MINNESOTA  
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**INDEPENDENT SCHOOL DISTRICT NO. 561**  
**GOODRIDGE, MINNESOTA**  
**ROSTER OF SCHOOL OFFICIALS**  
**June 30, 2023**

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John Lovly	Chairman
Neil Jensen	Vice-Chairman
Tim Hruby	Treasurer
Leah Bothum	Clerk
Rozlynn Johnsrud	Director
Joe Rubischko	Director
Tomas Loberg	Superintendent





## Independent Auditor's Report

The School Board of  
Independent School District No. 561  
Goodridge Public School  
Goodridge, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities and each major fund of Independent School District No. 561 ("the District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

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

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

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

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

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

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

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

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; budgetary comparison schedule for the General Fund; budgetary comparison schedule for the Food Service Fund; budgetary comparison schedule for the Community Service Fund; schedule of district contributions; schedule of district share of net pension liability; and schedule of changes in the district's total OPEB liability and related ratios as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

#### **Report on Other Legal and Regulatory Requirements**

In accordance with Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated October 16, 2023, on our consideration of the District's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with Office of the State Auditor's Minnesota Legal Compliance Audit Guide for School Districts in considering the District's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota  
October 16, 2023

**INDEPENDENT SCHOOL DISTRICT NO. 561**  
**GOODRIDGE, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2023**

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This section of Independent School District No. 561's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

The general fund balance decreased \$254,977 during the 2022-2023 school year. The majority of the decrease was due to purchases of two busses during the year and transfers to cover the current year operating deficits in food service and community service.

### **Overview of the Financial Statements**

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

- The first set of 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. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's general fund budget for the year, and supplementary information that is presented for additional analysis.

### 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, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. 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 it has changed. Net position – the difference between the District's assets, liabilities, and deferred inflows/outflows 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 indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, 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.

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

- *Governmental activities*: All of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

**INDEPENDENT SCHOOL DISTRICT NO. 561  
GOODRIDGE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2023**

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Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. 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 (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The District has one type of fund:

- Governmental funds: The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, reconciliations have been provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to help explain the relationship (or differences) between the governmental funds and governmental activities.

**INDEPENDENT SCHOOL DISTRICT NO. 561  
GOODRIDGE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2023**

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**Financial Analysis of the District as a Whole**

Net Position

The District's combined net position was \$660,286 on June 30, 2023 (see details in Table A-1). This was an increase of 135.9 percent from the prior year.

**Table A-1  
Statement of Net Position**

	<u>2023</u>	<u>2022</u>	<u>Total Percentage Change</u>
Current and Other Assets	\$ 3,047,715	\$ 3,033,862	0.5 %
Capital Assets	1,655,143	1,501,984	10.2
Right to Use Assets	26,349	17,716	
Total Assets	<u>4,729,207</u>	<u>4,553,562</u>	3.9
Deferred Outflows of Resources	<u>1,032,129</u>	<u>1,183,418</u>	(12.8)
Long-term Liabilities	3,278,312	2,110,085	55.4
Other Liabilities	683,543	486,768	40.4
Total Liabilities	<u>3,961,855</u>	<u>2,596,853</u>	52.6
Deferred Inflows of Resources	<u>1,139,195</u>	<u>2,860,260</u>	(60.2)
Net Position			
Net Investment in Capital and Right to Use Assets	1,654,274	1,501,560	10.2
Restricted	363,958	264,240	37.7
Unrestricted	(1,357,946)	(1,485,933)	8.6
Total Net Position	<u>\$ 660,286</u>	<u>\$ 279,867</u>	(135.9) %

The increases and decreases in deferred outflows, deferred inflows, and long-term liabilities are due to the change in the District's share of PERA and TRA pension related items.

**INDEPENDENT SCHOOL DISTRICT NO. 561**  
**GOODRIDGE, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2023**

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Change in Net Position

Table A-2 presents the change in net position of the District.

**Table A-2**  
**Change in Net Position**

	<u>2023</u>	<u>2022</u>	<u>Total</u>
Revenues			
Program Revenues			
Charges for Services	\$ 149,152	\$ 91,474	63.1 %
Operating Grants and Contributions	999,836	1,212,036	(17.5)
Capital Grants and Contributions	172,385	250,534	(31.2)
General Revenues			
Property Taxes	527,661	568,244	(7.1)
Unrestricted State Aid	2,793,843	2,786,700	0.3
Other Sources	305,004	247,930	23.0
Total Revenues	<u>4,947,881</u>	<u>5,156,918</u>	(4.1)
Expenses			
Administration	382,725	362,456	5.6
District Support Services	214,905	181,687	18.3
Elementary & Secondary Regular Instruction	1,607,232	1,931,525	(16.8)
Vocational Education Instruction	55,899	73,298	(23.7)
Special Education Instruction	497,346	460,394	8.0
Community Education and Services	72,616	99,689	(27.2)
Instructional Support Services	41,055	23,842	72.2
Pupil Support Services	1,074,208	833,215	28.9
Sites and Buildings	544,761	573,955	(5.1)
Fixed Costs	75,318	57,682	30.6
Interest on Long-Term Debt	1,397	1,033	100.0
Total Expenses	<u>4,567,462</u>	<u>4,598,776</u>	(0.7)
Change in Net Position	380,419	558,142	(31.8)
Net Position (Deficit) - Beginning	<u>279,867</u>	<u>(278,275)</u>	200.6
Net Position - Ending	\$ <u>660,286</u>	\$ <u>279,867</u>	(135.9) %

The District's total revenues were \$4,947,881 for the year ended June 30, 2023. Property taxes and unrestricted state aid payments accounted for 68 percent of total revenue for the year.

The total cost of all programs and services was \$4,567,462. The District's expenses are predominantly related to educating and caring for students.



**INDEPENDENT SCHOOL DISTRICT NO. 561**  
**GOODRIDGE, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2023**

Total revenues surpassed expenses, increasing net position by \$380,419 over last year. For the year ended June 30, 2023, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA, PERA, and OPEB increased net position by \$460,899. For the year ended June 30, 2021, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA, PERA, and OPEB increased net position by \$249,830.

The net cost of governmental activities is their total costs less program revenues applicable to each category.

Table A-3 presents these net costs.

**Table A-3**  
**Net Cost of Governmental Activities**

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2023	2022		2023	2022	
Expenses						
Administration	\$ 382,725	\$ 362,456	5.6 %	\$ 373,784	\$ 340,786	9.7 %
District Support Services	214,905	181,687	18.3	210,909	178,739	18.0
Elementary & Secondary						
Regular Instruction	1,607,232	1,931,525	(16.8)	1,204,465	1,383,301	(12.9)
Vocational Education Instruction	55,899	73,298	(23.7)	55,899	65,448	(14.6)
Special Education Instruction	497,346	460,394	8.0	66,900	74,974	(10.8)
Community Education and Services	72,616	99,689	(27.2)	32,010	46,444	(31.1)
Instructional Support Services	41,055	23,842	72.2	39,815	23,182	71.7
Pupil Support Services	1,074,208	833,215	28.9	714,091	473,073	50.9
Sites and Buildings	544,761	573,955	(5.1)	471,501	400,070	17.9
Fixed Costs	75,318	57,682	30.6	75,318	57,682	30.6
Interest on Long-Term Debt	1,397	1,033	35.2	1,397	1,033	35.2
	<u>\$ 4,567,462</u>	<u>\$ 4,598,776</u>	(0.7) %	<u>\$ 3,246,089</u>	<u>\$ 3,044,732</u>	6.6 %

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

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

	Fund Balance		Increase (Decrease)	Percentage Increase (Decrease)
	06/30/23	06/30/22		
Governmental Funds				
General	\$ 1,774,218	\$ 2,029,195	\$ (254,977)	(12.6) %
Food Service	2,104	1,080	1,024	94.8
Community Service	38,637	20,710	17,927	86.6

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.

**INDEPENDENT SCHOOL DISTRICT NO. 561**  
**GOODRIDGE, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2023**

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Table A-5 presents a summary of general fund revenue.

**Table A-5**  
**General Fund Revenue**

	2023	2022	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	\$ 512,535	\$ 571,379	\$ (58,844)	(10.3) %
Interest Earnings	64,701	3,703	60,998	1,647.3
Other	299,163	274,711	24,452	8.9
State Sources	3,557,377	3,524,708	32,669	0.9
Federal Sources	185,685	425,077	(239,392)	(56.3)
Other	3,647		3,647	100.0
Total General Fund Revenue	<u>\$ 4,623,108</u>	<u>\$ 4,799,578</u>	<u>\$ (176,470)</u>	(3.7) %

Total general fund revenue decreased by \$176,470 or 3.7 percent from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum and the property tax shift, 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 in revenue. The District was awarded approximately \$118,000 in federal COVID-19 funding in the current year.

Table A-6 presents a summary of general fund expenditures.

**Table A-6**  
**General Fund Expenditures**

	2023	2022	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	\$ 2,382,152	\$ 2,219,292	\$ 162,860	7.3 %
Employee Benefits	757,750	690,364	67,386	9.8
Purchased Services	711,735	727,897	(16,162)	(2.2)
Supplies and Materials	444,207	595,733	(151,526)	(25.4)
Capital Expenditures	474,162	445,533	28,629	6.4
Other Expenditures	47,709	76,167	(28,458)	(37.4)
Total General Fund Expenditures	<u>\$ 4,817,715</u>	<u>\$ 4,754,986</u>	<u>\$ 62,729</u>	1.3 %

Total general fund expenditures increased \$62,729 or 1.3 percent from the previous year.

**INDEPENDENT SCHOOL DISTRICT NO. 561  
GOODRIDGE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2023**

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General Fund Budgetary Highlights

During the year the District revised its budget to account for purchase of additional capital outlay during the year.

The District's final budget anticipated a decrease of \$285,684 in the general fund. The actual results for the year show a \$254,977 deficit. The majority of the difference in budget was a purchase of a second bus at a cost of \$120,000. Federal and local income surpassed expectations and capital asset expenses were higher than anticipated.

**Capital Assets, Right to Use Assets and Debt Administration**

Capital Assets

Note 3 to the financial statements presents an analysis of capital assets transactions occurring during the year ended June 30, 2023. Additions totaling \$339,862 consists of door upgrades, fire alarm control panel, art equipment, roof repairs, scoreboard, basketball hoops, and two buses. The District traded a tractor capitalized at \$34,762.

Right to Use Assets

Note 7 to the financial statements presents an analysis of right to use assets and the corresponding lease payable occurring during the year ended June 30, 2023. Right to use assets are a postage machine and printers and have an asset value of \$26,349 at the end of the year.

Long-Term Liabilities

At year-end, the District had \$3,286,965 of long-term liabilities. This consisted of capital leases payable of \$27,218, compensated absences payable of \$18,340, other post-employment liability of \$560,515, and net pension liability of \$2,680,892. Notes 4 through 8 to the financial statements present details and payment provisions of these items.

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

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

- Uncertainty in state funding
- Stability of student enrollment
- Future building repairs
- Increased energy costs
- Results of the November 2023 referendum

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administration Offices, Independent School District No. 561, P.O. Box 195, Goodridge, MN 56725.

**INDEPENDENT SCHOOL DISTRICT NO. 561**  
**GOODRIDGE, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**June 30, 2023**

GOVERNMENTAL ACTIVITIES

ASSETS

Cash and Investments	\$ 2,142,825
Prepaid Items	25,149
Property Taxes Receivable	304,878
Due From MN School Districts	39,474
Due From Department of Education	451,458
Due From Federal Govt. - DOE	71,554
Due From Other Governmental Units	10,273
Inventory	2,104
Total Current Assets	<u>3,047,715</u>
Capital Assets	
Land	21,645
Land Improvements	74,302
Buildings	2,275,758
Equipment	1,437,848
Less Accumulated Depreciation	<u>(2,154,410)</u>
Total Capital Assets, Net of Depreciation	<u>1,655,143</u>
Right to Use Assets	
Leased Assets	37,868
Less Accumulated Amortization	<u>(11,519)</u>
Total Right to Use Assets, Net of Amortization	<u>26,349</u>

TOTAL ASSETS 4,729,207

DEFERRED OUTFLOWS OF RESOURCES

Cost Sharing Defined Benefit Pension Plan	933,690
Other Postemployment Benefit	<u>98,439</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES 1,032,129

LIABILITIES

Accounts Payable	128,091
Salary Payable	165,036
Due To MN School Districts	63,752
Payroll Deductions	218,011
Unearned Revenue	100,000
Long-Term Liabilities Due Within One Year	<u>8,653</u>
Total Current Liabilities	<u>683,543</u>
Long-Term Liabilities	
Lease Payable	27,218
Severance Payable	18,340
Total Other Postemployment Benefit Liability	560,515
Net Pension Liability	2,680,892
Less Amounts Due Within One Year	<u>(8,653)</u>
Total Long-Term Liabilities	<u>3,278,312</u>

TOTAL LIABILITIES 3,961,855

DEFERRED INFLOWS OF RESOURCES

Property Taxes Levied - Subs. Years	541,647
Cost Sharing Defined Benefit Pension Plan	414,453
Other Postemployment Benefit	<u>183,095</u>

TOTAL DEFERRED INFLOWS OF RESOURCES 1,139,195

NET POSITION

Net Investment in Capital and Right to Use Assets	1,654,274
Restricted for:	
Long Term Facilities Maint.	230,314
Student Activities	77,823
Scholarships	15,080
Food Service	2,104
ECFE	38,637
Unrestricted	<u>(1,357,946)</u>

TOTAL NET POSITION \$ 660,286

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 561**  
**GOODRIDGE, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Administration	\$ 382,725	\$	\$ 8,941	\$	\$ (373,784)
District Support Services	214,905			3,996	(210,909)
Elementary & Secondary					
Regular Instruction	1,607,232	61,839	334,673	6,255	(1,204,465)
Vocational Education Instruction	55,899				(55,899)
Special Education Instruction	497,346		430,446		(66,900)
Community Education and Services	72,616	9,932	30,674		(32,010)
Instructional Support Services	41,055	665		575	(39,815)
Pupil Support Services	1,074,208	76,716	192,579	90,822	(714,091)
Sites and Buildings	544,761		2,523	70,737	(471,501)
Fixed Costs	75,318				(75,318)
Interest on Long-Term Debt	1,397				(1,397)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 4,567,462	\$ 149,152	\$ 999,836	\$ 172,385	(3,246,089)
GENERAL REVENUES					
Taxes					
Property Taxes, Levied for General Purposes					515,276
Property Taxes, Levied for Community Education and Services					12,385
Unrestricted State Aid					2,793,843
Unrestricted Investment Earnings					64,701
Other General Revenue					240,303
TOTAL GENERAL REVENUES					3,626,508
Change in Net Position					380,419
Net Position - Beginning					279,867
Net Position - Ending					\$ 660,286

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 561**  
**GOODRIDGE, MINNESOTA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2023**

	General Fund	Food Service Fund	Community Service Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 2,090,166	\$	\$ 52,659	\$ 2,142,825
Prepaid Items	25,149			25,149
Current Property Taxes Receivable	281,902		6,757	288,659
Delinquent Property Taxes Receivable	13,855		2,364	16,219
Due From MN School Districts	39,474			39,474
Due From Department of Education	448,327		3,131	451,458
Due From Federal Govt. - DOE	58,352	13,202		71,554
Due From Other Governmental Units	10,273			10,273
Due From Other Funds	11,561			11,561
Inventory		2,104		2,104
<b>TOTAL ASSETS</b>	<b>\$ 2,979,059</b>	<b>\$ 15,306</b>	<b>\$ 64,911</b>	<b>\$ 3,059,276</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 127,996	\$ 68	\$ 27	\$ 128,091
Salary Payable	157,229	1,573	6,234	165,036
Due To MN School Districts	60,609		3,143	63,752
Due To Other Funds		11,561		11,561
Payroll Deductions	218,011			218,011
Unearned Revenue	100,000			100,000
<b>TOTAL LIABILITIES</b>	<b>663,845</b>	<b>13,202</b>	<b>9,404</b>	<b>686,451</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Delinquent Taxes	13,855		2,364	16,219
Property Taxes Levied - Subs. Years	527,141		14,506	541,647
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>540,996</b>		<b>16,870</b>	<b>557,866</b>
<b>FUND BALANCES</b>				
Nonspendable: Prepaid Items	25,149			25,149
Nonspendable: Inventory		2,104		2,104
Restricted for ECFE			38,637	38,637
Restricted for Long Term Facilities Maint	230,314			230,314
Restricted for Student Activities	77,823			77,823
Restricted for Scholarships	15,080			15,080
Committed for Severance	18,340			18,340
Committed for Playground	98,220			98,220
Unassigned	1,309,292			1,309,292
<b>TOTAL FUND BALANCES</b>	<b>1,774,218</b>	<b>2,104</b>	<b>38,637</b>	<b>1,814,959</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,979,059</b>	<b>\$ 15,306</b>	<b>\$ 64,911</b>	<b>\$ 3,059,276</b>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 561****GOODRIDGE, MINNESOTA****RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF  
NET POSITION****June 30, 2023**

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Total fund balances - governmental funds	\$	1,814,959
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets and right to use assets are used in the governmental activities are not financial resources and, therefore, and are not reported as assets in the governmental funds.

Cost of capital assets	3,809,553
Cost of right to use assets	37,868
Less accumulated depreciation	(2,154,410)
Less accumulated amortization	(11,519)

Deferred outflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

1,032,129

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Lease Payable	(27,218)
Severance payable	(18,340)
Total other postemployment benefit liability	(560,515)
Net pension liability	(2,680,892)

Deferred inflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

(597,548)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

16,219

Net position - governmental activities	\$	<u>660,286</u>
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See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 561****GOODRIDGE, MINNESOTA****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS****For the Year Ended June 30, 2023**

	General Fund	Food Service Fund	Community Service Fund	Total Governmental Funds
REVENUES				
Local Property Tax Levies	\$ 512,535	\$	\$ 12,458	\$ 524,993
Other Local & County Revenues	363,863		10,432	374,295
Revenue From State Sources	3,557,377	13,442	31,589	3,602,408
Revenue From Federal Sources	185,685	165,631		351,316
Sale/Other Conversion of Asset	3,648	76,716		80,364
TOTAL REVENUES	4,623,108	255,789	54,479	4,933,376
EXPENDITURES				
Current				
Administration	382,725			382,725
District Support Services	170,205			170,205
Elementary & Secondary				
Regular Instruction	2,041,733			2,041,733
Vocational Education Instruction	55,899			55,899
Special Education Instruction	497,346			497,346
Community Education and Services			71,573	71,573
Instructional Support Services	35,558			35,558
Pupil Support Services	656,518	274,860		931,378
Sites and Buildings	428,560			428,560
Fixed Costs	75,318			75,318
Debt Service				
Principal	6,016			6,016
Interest	1,397			1,397
Capital Outlay	466,440	4,210	1,044	471,694
TOTAL EXPENDITURES	4,817,715	279,070	72,617	5,169,402
Revenues Over (Under) Expenditures	(194,607)	(23,281)	(18,138)	(236,026)
OTHER FINANCING SOURCES (USES)				
Transfers In		24,305	36,065	60,370
Transfers Out	(60,370)			(60,370)
TOTAL OTHER FINANCING SOURCES (USES)	(60,370)	24,305	36,065	
Net Change in Fund Balances	(254,977)	1,024	17,927	(236,026)
Fund Balances - Beginning	2,029,195	1,080	20,710	2,050,985
Fund Balances - Ending	\$ 1,774,218	\$ 2,104	\$ 38,637	\$ 1,814,959

See Notes to the Financial Statements



**INDEPENDENT SCHOOL DISTRICT NO. 561**  
**GOODRIDGE, MINNESOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2023**

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Total net change in fund balances - governmental funds	\$ (236,026)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense.

Capital outlays	319,762
Depreciation expense	(161,210)
Amortization expense	(6,361)

The net effect of trade-in of capital assets decreases net position	(5,492)
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Change in net pension liability.	(1,235,228)
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Change in deferred outflows and inflows of resources related to net pension liability.	1,614,575
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Change in deferred outflows and inflows of resources related to other postemployment benefit liability.	6,910
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Payment of principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	6,016
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Revenue in the statement of activities that does not provide current financial resources is not reported as revenues in the governmental funds.	2,667
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In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).

Severance payable	164
Other postemployment benefit liability	<u>74,642</u>

Change in net position - governmental activities	<u>\$ 380,419</u>
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See Notes to the Financial Statements

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Independent School District No. 561 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**B. Reporting Entity**

The District's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable.

Component units are legally separated entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

**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.

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function.

Separate fund financial statements are provided for governmental funds. All individual governmental funds are reported in 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 district-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

**INDEPENDENT SCHOOL DISTRICT NO. 561**  
**GOODRIDGE, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2023**

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when a liability is incurred, regardless of the timing or related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for advance amounts recognized in accordance with a statutory "tax shift". Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

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 available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year.

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.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

### **Description of Funds**

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

#### **Governmental Funds**

General Fund – Accounts for all financial resources and transactions except those required to be accounted for in other funds including pupil transportation and capital outlay activities, which were previously (prior to July 1, 1996) accounted for in separate special revenue funds.

Special Revenue Funds – Accounts for proceeds of specific revenue sources (other than permanent fund and major capital projects) that are legally restricted to expenditures for specified purposes. The District's special revenue funds and their purposes are as follows:

Food Service – Accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities.

Community Service – Accounts for the resources designated for programs other than those for elementary and secondary students.

GASB No. 34 also requires that budget vs. actual information be presented for the general fund and all major special revenue funds.

**INDEPENDENT SCHOOL DISTRICT NO. 561**  
**GOODRIDGE, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2023**

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**E. Specific Account Information**

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

Investments are carried at fair value. The District considers certificates of deposit to be cash.

When fair value measurements are required, various data is used in determining those values. Assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable market inputs that are not corroborated by market data

Taxes Receivable – Taxes receivable represents taxes levied in 2022 which are not payable until 2023, net of the amount received prior to June 30.

Property Taxes – Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the District at periodic intervals as the taxes are collected.

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

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 unavailable revenue (property taxes levied for subsequent years).

The majority of the revenue in the general fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property 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.”

Taxes, which 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 deferred in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year.

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

Unearned Revenue – Unearned revenue consists of grant monies received in advance of future, reimbursable expenditures.

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Inventory – Inventory is recorded using the consumption method of accounting and consists of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standardized costs, as determined by the Department of Agriculture.

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 \$5,000 or more for capitalizing capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

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, if any.

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

Leases – The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the District has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the lease commencement date. The District accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District is reasonably certain to exercise.

Long-Term Obligations – In the district-wide financial statements, other long-term obligations are reported as liabilities.

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 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.

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/ expenditure) until then. The District has two items that qualify for reporting in this category named *Cost Sharing Defined Benefit Pension Plan* and *Other Postemployment Benefits* which represents actuarial differences within PERA and TRA pension plans and other postemployment benefit plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position will sometimes 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 four types of items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The item, *property taxes levied – subs. years*, is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the Statement of Net Position as these amounts represent property tax revenue levied for a subsequent period. The District also has two items reported on the Statement of Net Position as *Cost Sharing Defined Benefit Pension Plan* and *Other Postemployment Benefits* which represent actuarial differences within the PERA and TRA pension plans and other postemployment benefits.

Net Position – Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption – Sometimes the government will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance – The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – Consists of amounts that are not in spendable form (such as inventory and prepaid items) or are required to be maintained intact.

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Restricted – Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the Minnesota Department of Education.

Committed – Consists of amounts constrained to specific purposes by a government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned – Consists of amounts a government intends to use for a specific purpose. These constraints are established by the Board of Education.

Unassigned – Consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned and 3) unassigned.

**F. Use of Estimates**

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

**NOTE 2 DEPOSITS AND INVESTMENTS**

The District maintains a cash account at its depository bank. Investments are valued at amortized costs. The District considers certificates of deposit to be cash.

The District's interest income for the year ended June 30, 2023 was \$64,701.

The pooled cash and investment account is comprised of the following:

Cash	\$ 177,502
Investments	<u>1,965,323</u>
Total	<u>\$ 2,142,825</u>

As of June 30, 2023, the District's investments were in the Minnesota School District Liquid Asset Fund Plus external investment pool.

<u>Investment</u>	<u>Fair Value (Level 1)</u>
Minnesota School District Liquid Asset Fund	\$1,965,323

The Minnesota School District Liquid Asset Fund (MSDLAF) is a common law trust organized and existing under the laws of the State of Minnesota, in accordance with the provisions of the Minnesota Joint Powers Act.

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The general objective of the Fund is to provide a high yield for the participants while maintaining liquidity and preserving capital by investing only in instruments authorized by Minnesota Statutes, which govern the temporary investment of School District monies. In addition, the fixed rate/fixed term portion of the program is also structured with safety of principal as the major objective. The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under 2a7. The fair value of the position in the pool is the same as the value of the pool shares.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The District may invest idle funds as authorized in Minnesota Statutes, as follows:

- (a) Direct obligations or obligations guaranteed or insured issued by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
- (b) General obligations and revenue obligations of any state or local government with taxing powers rated "A" and "AA", respectively, and general obligations of the Minnesota housing finance agency which is a moral obligation of the State of Minnesota and rated "A" or better.
- (c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.
- (d) Time deposits that are fully insured by the FDIC or bankers acceptances of U.S. banks.
- (e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (f) Repurchase or reverse repurchase agreements with banks that are qualified as a "depository" of public funds of the government entity, any other financial institution which is a member 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.
- (g) Guaranteed investment contracts (GIC's) issued or 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, or in the top three rating categories for long-term GIC's issued by Minnesota banks.
- (h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualifications described in (f) above.

The Minnesota School District Liquid Asset Fund Plus is rated AAA by Standard & Poor's.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk - Deposits – The District does not have a policy for custodial credit risk. In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District's board, all of which are members of the Federal Reserve System. Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. As of June 30, 2023, the District was not exposed to custodial credit risk.

Custodial Credit Risk - Investments - The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.



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**NOTE 3 CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 21,645	\$	\$	\$ 21,645
Total Capital Assets, Not Being Depreciated	<u>21,645</u>			<u>21,645</u>
Capital Assets, Being Depreciated:				
Land Improvements	74,302			74,302
Buildings	2,245,271	30,487		2,275,758
Equipment	<u>1,163,235</u>	<u>309,375</u>	<u>34,762</u>	<u>1,437,848</u>
Total Capital Assets, Being Depreciated	<u>3,482,808</u>	<u>339,862</u>	<u>34,762</u>	<u>3,787,908</u>
Less Accumulated Depreciation For:				
Land Improvements	15,215	3,354		18,569
Buildings	1,317,354	51,122		1,368,476
Equipment	<u>669,900</u>	<u>106,734</u>	<u>9,269</u>	<u>767,365</u>
Total Accumulated Depreciation	<u>2,002,469</u>	<u>161,210</u>	<u>9,269</u>	<u>2,154,410</u>
Total Capital Assets, Being Depreciated, Net	<u>1,480,339</u>	<u>178,652</u>	<u>25,493</u>	<u>1,633,498</u>
Governmental Activities Capital Assets, Net	\$ <u>1,501,984</u>	\$ <u>178,652</u>	\$ <u>25,493</u>	\$ <u>1,655,143</u>

In the statement of activities, depreciation expense was charged to the following governmental functions:

Elementary & Secondary Regular Instruction	\$ 1,894
Pupil Support Services	91,707
Sites and Buildings	<u>67,609</u>
Total Depreciation Expense	\$ <u>161,210</u>

**NOTE 4 DEFINED BENEFIT PENSION PLANS - STATEWIDE**

Substantially, all employees of the District are required by state law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

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**A. Public Employees Retirement Association**

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

*General Employees Retirement Plan*

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

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

General Employees Plan benefits 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 a Coordinated Plan member is 1.2% for each of the first ten years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2023, were \$65,067. The District's contributions were equal to the required contributions as set by state statute.

Pension Costs – At June 30, 2023, the District reported a liability of \$871,204 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer

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contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$25,716.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0110% at the end of the measurement period and 0.0110% for the beginning of the period.

District's proportionate share of net pension liability	\$	871,204
State of Minnesota's proportionate share of the net pension liability associated with the District		25,716
Total	\$	<u>896,920</u>

For the year ended June 30, 2023, the District recognized pension expense of \$148,902 for its proportionate share of the General Employee Plan's pension expense. In addition, the District recognized \$3,843 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 7,278	\$ 9,170
Difference between projected and actual investment earnings	9,725	
Changes in actuarial assumptions	197,172	2,964
Changes in proportion	56,333	
Contributions paid to PERA subsequent to the measurement date	65,067	
Total	\$ <u>335,575</u>	\$ <u>12,134</u>

The \$65,067 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2024	\$ 103,045
2025	104,301
2026	(27,764)
2027	78,792

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Long-Term Expected Return on Investments

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

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

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

Inflation is assumed to be 2.25 percent. Benefit increases after retirement are assumed to be 1.25 percent.

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

Mortality rates are based on the Pub-2010 General Employee Mortality Table.

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

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

Changes in Actuarial Assumptions:

- The mortality improvement score was changes from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

- There were no changes in plan provisions since previous valuation

Discount Rate – The discount rate used to measure the total pension liability in 2022 was 6.50%. The projection of cash flows used to determine the discount rate assumed that 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 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.

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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:

Sensitivity Analysis - NPL at Different Discount Rates		
1% Decrease	Current	1% Increase
(5.5%)	(6.5%)	(7.5%)
\$ 1,376,112	\$ 871,204	\$ 457,101

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

**B. Teachers Retirement Association**

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

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

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

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

**Tier I Benefits:**

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

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With these provisions:

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

or

Tier II Benefits:

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

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

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

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

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

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

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

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

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

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

**Key Methods and Assumptions Used in Valuation of Total Pension Liability**

**Actuarial Information**

Valuation Date	July 1, 2022
Measurement Date	June 30, 2022
Experience Study	June 28, 2019 (demographic and economic assumptions)*
Actuarial Cost Method	Entry Age Normal

**Actuarial Assumptions:**

Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% after June 30, 2028
Cost of Living Adjustment	1.00% for January 2019 through January 2023, then increasing by 0.10% each year up to 1.50% annually

**Mortality Assumption**

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

\* The assumptions prescribed are based on the experience study dated June 28, 2019. For GASB67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary

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

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

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2023 is 6 years. The “Difference Between Expected and Actual Experience” and “Changes of Assumptions” and “Changes in Proportion” use the amortization period of 6 years in the schedule presented. The amortization period for “Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments” is over a period of 5 years as required by GASB 68.

Changes in actuarial assumptions since the 2021 valuation: none

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2022 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

Net Pension Liability - On June 30, 2023, the District reported a liability of \$1,809,688 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.0226% at the end of the measurement period and 0.0223% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	\$	1,809,688
State's proportionate share of the net pension liability associated with the district	\$	269,706

For the year ended June 30, 2023, the District recognized pension expense of (\$315,024). It also recognized \$18,472 as an increase to pension expense for the support provided by direct aid.

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



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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,583	\$ 15,380
Net difference between projected and actual earnings on plan inv.	56,461	
Changes in actuarial assumptions	286,028	364,329
Changes in proportion	101,709	22,610
Contributions paid to TRA subsequent to the measurement date	128,334	
Total	\$ 598,115	\$ 402,319

\$128,334 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2024	\$ (304,783)
2025	67,725
2026	44,686
2027	253,370
2028	6,464

Pension Liability Sensitivity - The following presents the net pension liability calculated using the discount rate of 7.00 percent as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage higher (8.00 percent) than the current rate.

Sensitivity Analysis - NPL at Different Discount Rates		
1% Decrease (6.0%)	Current (7.0%)	1% Increase (8.0%)
\$ 2,852,875	\$ 1,809,688	\$ 954,600

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

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

The District recognized total pension expense of \$(166,122) for all of the pension plans in which it participates.

**NOTE 5 OTHER POSTEMPLOYMENT BENEFITS**

Plan Description - The District's Plan is a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions, and employer contributions are

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governed by the District and can be amended by the District through the District’s collective bargaining agreements with employee groups.

Benefits Provided – The District provides healthcare benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

Funding Policy - Retirees and their spouses contribute to the healthcare plan at the same rate as District employees. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. The District provides postemployment healthcare benefits to qualifying retirees.

Employees Covered by Benefit Term – At June 30, 2023, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	5
Active plan members	46
Total Members	<u>51</u>

Total OPEB Liability – The District’s total OPEB liability of \$560,515 was measured as of July 1, 2021 and was determined by an actuarial valuation as of July 1, 2022.

Actuarial Assumptions – The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Salary increases	changed from a flat 3.0 percent per year to rates which vary by group
Medical Trend Rates	6.25 percent decreasing to 5.0 percent over 5 years and then to 4 percent over the next 48 years

The mortality tables were updated to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.

The discount rate is based on the estimated yield of 20-year municipal bonds. The overall single discount rate is 3.80%.

In the July 1, 2021 actuarial valuation, the entry age, level percentage of pay actuarial cost method was used.

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Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 6/30/2022	\$ 635,157
Changes for the year:	
Service Cost	23,866
Interest Cost	13,056
Assumption Changes	(36,595)
Benefit Payments	(74,969)
Net Changes	(74,642)
Balance at 6/30/2023	\$ 560,515

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.8 percent) or one percentage point higher (4.8 percent) than the current rate:

District Total OPEB Liability		
1% Decrease (2.8%)	Current (3.8%)	1% Increase (4.8%)
\$ 586,183	\$ 560,515	\$ 535,328

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.25 percent decreasing to 4.0 percent over 5 years) or one percentage point higher (7.25 percent decreasing to 6.0 percent over 5 years) than the current healthcare cost trend rates:

District Healthcare Cost Trend Rates		
(5.25% decreasing to 4.0% over 5 years)	(6.25% decreasing to 5.0% over 5 years)	(7.25% decreasing to 6.0% over 5 years)
\$ 515,019	\$ 560,515	\$ 613,380

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2023, the District recognized OPEB expense of \$75,866. At June 30, 2023, the District reported outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption changes	\$ 22,573	\$ 33,169
Differences between expected and actual experience		149,926
Employer contributions paid subsequent to the measurement date	75,866	
Total	\$ 98,439	\$ 183,095

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\$75,866 reported as deferred outflows of resources related to OPEB resulting from District contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the total other postemployment benefit liability in the year ending June 30, 2024. 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	Pension Expense Amount
2024	\$ (45,189)
2025	(45,189)
2026	(45,185)
2027	(8,633)
2028	(11,101)
thereafter	(5,225)

**NOTE 6 LONG-TERM LIABILITIES**

Changes in the District's long-term liabilities for the year ended June 30, 2023 are as follows:

	Beginning Balance, As Restated	Additions	Retired	Ending Balance	Due Within One Year
Severance Payable	\$ 18,504	\$ 144	\$ 308	\$ 18,340	\$ 2,250
Lease Payable	18,140	15,094	6,016	27,218	6,403
	<u>\$ 36,644</u>	<u>\$ 15,238</u>	<u>\$ 6,324</u>	<u>\$ 45,558</u>	<u>\$ 8,653</u>

Severance and capital lease payable are generally liquidated by the general fund. The District's interest expense for the year ended June 30, 2023 was \$1,397.

**NOTE 7 RIGHT TO USE ASSETS AND LEASE PAYABLE**

The District is a lessee for noncancellable leases of equipment. The terms of the postage meter lease is for a period of 60 months, commencing on July 1, 2020 and terminating June 30, 2025 with a quarterly payment of \$186 and interest rate of 5%. The terms of the lease for 10 printers is for a period of 60 months commencing on September 5, 2022 and terminating September 5, 2027 with a monthly payment of \$573 with an interest rate of 5%. The value of the lease liability was \$27,218 as of June 30, 2023. The value of the right-to-use lease asset was \$26,349 at the end of the fiscal year and had accumulated amortization of \$11,519.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, are as follows:

Year Ending June 30	Principal	Interest
2024	\$ 6,403	\$ 1,215
2025	6,730	888
2026	6,312	561
2027	6,635	238
2028	1,138	7
	<u>\$ 27,218</u>	<u>\$ 2,909</u>

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Following is the total lease expense for the year ended June 30, 2023:

	<u>Year Ending June 30, 2022</u>
Lease Expense	
Amortization expense by class of underlying asset	
Equipment	\$ 5,158
Total Amortization Expense	5,158
Interest on Lease Liabilities	1,644
Variable Lease Expense	
Total	<u>\$ 6,802</u>

Following is a schedule of activity in leased assets and the lease liability for the year ended June 30, 2023:

	<u>7/1/2022</u>	<u>Additions</u>	<u>Subtractions</u>	<u>6/30/2023</u>	<u>Amounts Due Within One Year</u>
Lease Assets					
Equipment	\$ 22,874	\$ 14,994	\$ -	\$ 37,868	
Less: Accumulated Amortization					
Equipment	(5,158)	(6,361)	-	(11,519)	
Total Lease Assets, net	<u>\$ 17,716</u>	<u>\$ 8,633</u>	<u>\$ -</u>	<u>\$ 26,349</u>	
Lease Liabilities	<u>\$ 18,140</u>	<u>\$ 15,094</u>	<u>\$ (6,016)</u>	<u>\$ 27,218</u>	<u>\$ 6,403</u>

**NOTE 8 SEVERANCE PAY**

The District has a severance pay plan. District employees who have completed 20 years of continuous service will receive a severance payment upon retirement. The cost of the benefit is recognized as an expenditure as payments are made. At June 30, 2023, the estimated liability under this plan was \$18,340.

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**NOTE 9 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2023 is as follows:

Due from/to other funds:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General	Food Service	\$11,561

The amount payable is to cover a cash deficit on June 30, 2023.

Interfund Transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Community Service	General	\$36,065
Food Service	General	<u>24,305</u>
		\$60,370

The purpose of the transfers are to cover operating costs in the community service and food service funds.

**NOTE 10 CONTINGENCIES**

The District receives significant financial assistance from numerous federal, state and local governmental agencies in the form of grants and aids. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2023.

**NOTE 11 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.

The District has joined together with other school districts in Minnesota in the Northwest Service Cooperative's Minimum Premium Funding Plan (Plan). The Plan is a public entity risk pool established as a health insurance purchasing pool for its members. The agreement for the formation of the Plan provides that the Plan will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$300,000. The pool and its members purchase reinsurance, currently with a \$300,000 specific stop loss attachment point and 110% aggregate stop loss attachment point. If the assets of the Plan were to be exhausted, members would not be responsible for the Plan's liabilities. The Northwest Service Cooperative retains the risk of the Plan's liabilities.

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.

## NOTE 12 NEW PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Account and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBIAT, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis-for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deterred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirement of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging government, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023. And all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (1) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity by reported by adjusting beginning balances of the current period, and (c) changes in account estimates be

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reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirement of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Management has not yet determined the effect these Statements will have on the District's financial statements.



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**GOODRIDGE, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**For the Year Ended June 30, 2023**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Over (Under) Final Budget
<b>REVENUES</b>				
Local Property Tax Levies	\$ 507,638	\$ 507,638	\$ 512,535	\$ 4,897
Other Local & County Revenues	128,600	129,150	363,863	234,713
Revenue From State Sources	3,471,977	3,472,977	3,557,377	84,400
Revenue From Federal Sources	46,000	46,000	185,685	139,685
Sale/Other Conversion of Asset	3,025	3,025	3,648	623
<b>TOTAL REVENUES</b>	<b>4,157,240</b>	<b>4,158,790</b>	<b>4,623,108</b>	<b>464,318</b>
<b>EXPENDITURES</b>				
Current				
Administration	364,039	374,289	382,725	8,436
District Support Services	148,300	159,800	170,205	10,405
Elementary & Secondary				
Regular Instruction	1,882,816	1,912,362	2,041,733	129,371
Vocational Education Instruction	66,968	76,143	55,899	(20,244)
Special Education Instruction	523,700	523,700	497,346	(26,354)
Instructional Support Services	19,800	19,800	35,558	15,758
Pupil Support Services	452,080	536,580	656,518	119,938
Sites and Buildings	552,500	489,700	428,560	(61,140)
Fixed Costs	76,000	109,000	75,318	(33,682)
Capital Outlay	149,900	242,900	466,440	223,540
Principal	100	100	6,016	5,916
Interest	100	100	1,397	1,297
<b>TOTAL EXPENDITURES</b>	<b>4,236,303</b>	<b>4,444,474</b>	<b>4,817,715</b>	<b>373,241</b>
Revenues Over (Under) Expenditures	(79,063)	(285,684)	(194,607)	91,077
<b>OTHER FINANCING USES</b>				
Transfers Out			(60,370)	(60,370)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			<b>(60,370)</b>	<b>(60,370)</b>
Net Change in Fund Balances	(79,063)	(285,684)	(254,977)	30,707
Fund Balances - Beginning	2,029,195	2,029,195	2,029,195	
Fund Balances - Ending	\$ 1,950,132	\$ 1,743,511	\$ 1,774,218	\$ 30,707

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 561**  
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**BUDGETARY COMPARISON SCHEDULE FOR THE FOOD SERVICE FUND**  
**For the Year Ended June 30, 2023**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Over (Under) Final Budget
REVENUES				
Other Local & County Revenues	\$ 250	\$ 250	\$	(250)
Revenue From State Sources	10,100	10,100	13,442	3,342
Revenue From Federal Sources	67,500	67,500	165,631	98,131
Sale/Other Conversion of Asset	60,000	60,000	76,716	16,716
TOTAL REVENUES	137,850	137,850	255,789	117,939
EXPENDITURES				
Current				
Pupil Support Services	178,350	252,602	274,860	22,258
Capital Outlay	10,000	10,000	4,210	(5,790)
TOTAL EXPENDITURES	188,350	262,602	279,070	16,468
Revenues Over (Under) Expenditures	(50,500)	(124,752)	(23,281)	101,471
OTHER FINANCING SOURCES (USES)				
Transfers In			24,305	24,305
TOTAL OTHER FINANCING SOURCES (USES)			24,305	24,305
Net Change in Fund Balances	(50,500)	(124,752)	1,024	125,776
Fund Balances - Beginning	1,080	1,080	1,080	
Fund Balances - Ending	\$ (49,420)	\$ (123,672)	\$ 2,104	\$ 125,776

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 561**  
**GOODRIDGE, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE FOR THE COMMUNITY SERVICE FUND**  
**For the Year Ended June 30, 2023**

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	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Over (Under) Final Budget
REVENUES				
Local Property Tax Levies	\$ 12,499	\$ 12,499	\$ 12,458	\$ (41)
Other Local & County Revenues	43,000	43,000	10,432	(32,568)
Revenue From State Sources	<u>31,655</u>	<u>31,655</u>	<u>31,589</u>	<u>(66)</u>
TOTAL REVENUES	<u>87,154</u>	<u>87,154</u>	<u>54,479</u>	<u>(32,675)</u>
EXPENDITURES				
Current				
Community Education and Services	107,530	107,530	71,573	(35,957)
Capital Outlay	<u>          </u>	<u>          </u>	<u>1,044</u>	<u>1,044</u>
TOTAL EXPENDITURES	<u>107,530</u>	<u>107,530</u>	<u>72,617</u>	<u>(34,913)</u>
Revenues Over (Under) Expenditures	(20,376)	(20,376)	(18,138)	2,238
OTHER FINANCING USES				
Transfers Out	<u>          </u>	<u>          </u>	<u>36,065</u>	<u>36,065</u>
TOTAL OTHER FINANCING USES	<u>          </u>	<u>          </u>	<u>36,065</u>	<u>36,065</u>
Net Change in Fund Balances	(20,376)	(20,376)	17,927	38,303
Fund Balances - Beginning	<u>20,710</u>	<u>20,710</u>	<u>20,710</u>	<u>          </u>
Fund Balances - Ending	\$ <u>334</u>	\$ <u>334</u>	\$ <u>38,637</u>	\$ <u>38,303</u>

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 561**  
**GOODRIDGE, MINNESOTA**  
**SCHEDULE OF DISTRICT SHARE OF NET PENSION LIABILITY**  
**Last 10 Years**

	<u>Fiscal Year Ended June 30</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
<b>PERA</b>						
	2015	\$ 34,370	\$ 34,370	\$	454,828	7.56 %
	2016	39,996	39,996		533,275	7.50
	2017	41,496	41,496		553,275	7.50
	2018	44,432	44,432		592,430	7.50
	2019	48,260	48,260		643,465	7.50
	2020	49,305	49,305		657,405	7.50
	2021	60,195	60,195		802,603	7.50
	2022	62,214	62,214		829,518	7.50
	2023	65,067	65,067		867,555	7.50
<b>TRA</b>						
	2015	\$ 83,915	\$ 83,915	\$	1,117,958	7.51 %
	2016	87,360	87,360		1,164,804	7.50
	2017	89,213	89,213		1,189,507	7.50
	2018	89,570	89,570		1,189,432	7.53
	2019	91,348	91,348		1,194,123	7.65
	2020	99,860	99,860		1,256,353	7.95
	2021	109,909	109,909		1,347,258	8.16
	2022	115,002	115,002		1,423,627	8.34
	2023	128,334	128,334		1,500,980	8.55

The amounts presented for each fiscal year were determined as of the District's year end which is June 30th.

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

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 561**  
**GOODRIDGE, MINNESOTA**  
**SCHEDULE OF DISTRICT SHARE OF NET PENSION LIABILITY**  
**Last 10 Years**

Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable)	Total	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b>PERA</b>							
2014	0.0092 %	\$ 432,170	\$	\$ 432,170	\$ 491,162	87.99 %	78.70 %
2015	0.0079	409,419		409,419	454,828	90.02	78.19
2016	0.0086	698,277	9,212	707,489	533,275	130.94	68.90
2017	0.0086	549,018	6,880	555,898	553,275	99.23	75.90
2018	0.0088	488,188	16,033	504,221	592,430	82.40	79.53
2019	0.0091	503,119	15,666	518,785	643,465	78.19	80.23
2020	0.0092	551,582	17,038	568,620	657,405	83.90	79.06
2021	0.0110	469,749	14,300	484,049	802,603	58.53	87.00
2022	0.0110	871,204	25,716	896,920	829,518	105.03	76.67
<b>TRA</b>							
2014	0.0233 %	\$ 1,073,647	\$ 75,411	\$ 1,149,058	\$ 1,064,786	100.83 %	81.50 %
2015	0.0220	1,360,918	166,940	1,527,858	1,117,958	121.73	76.80
2016	0.0192	4,579,658	459,087	5,038,745	1,164,804	393.17	44.88
2017	0.0220	4,391,599	424,053	4,815,652	1,189,507	369.19	51.57
2018	0.0215	1,352,312	127,306	1,479,618	1,189,432	113.69	78.07
2019	0.0211	1,344,918	119,191	1,464,109	1,194,123	112.63	78.21
2020	0.0216	1,595,837	133,678	1,729,515	1,256,353	127.02	75.48
2021	0.0223	975,915	82,373	1,058,288	1,347,258	72.44	86.63
2022	0.0226	1,809,688	269,706	2,079,394	1,423,627	127.12	76.17

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for the prior years is not available.  
See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 561****GOODRIDGE, MINNESOTA****SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS****Last 10 Years**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total OPEB Liability						
Service Cost	\$ 29,197	\$ 30,073	\$ 25,719	\$ 29,648	\$ 29,982	23,866
Interest	37,909	36,425	34,367	22,131	16,777	13,056
Assumption Changes			(4,210)	17,288	17,773	(36,595)
Differences Between Expected and Actual Experience			(251,695)		(58,883)	
Benefit Payments	<u>(98,274)</u>	<u>(125,217)</u>	<u>(120,033)</u>	<u>(89,674)</u>	<u>(78,637)</u>	<u>(74,969)</u>
Net Change in Total OPEB Liability	(31,168)	(58,719)	(315,852)	(20,607)	(72,988)	(74,642)
Total OPEB Liability - Beginning	1,134,491	1,103,323	1,044,604	728,752	708,145	635,157
Total OPEB Liability - Ending	<u>\$ 1,103,323</u>	<u>\$ 1,044,604</u>	<u>\$ 728,752</u>	<u>\$ 708,145</u>	<u>\$ 635,157</u>	<u>560,515</u>
Covered Payroll	\$ 1,564,781	\$ 1,611,724	\$ 1,797,934	\$ 1,851,872	2,067,401	2,129,423
District's Total OPEB Liability as a Percentage of a Covered Payroll	70.51%	64.81%	40.53%	38.24%	30.72%	26.32%

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

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 561**  
**GOODRIDGE, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2023**

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**NOTE 1      BUDGETARY DATA**

Budgets are prepared for District funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. All appropriations lapse at year end. Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is not utilized in the governmental funds of the District.

The budget is adopted through the passage of a resolution. Administration can authorize the transfer of budgeted amounts within any fund. Any revisions that alter the total expenditures of any fund must be approved by the governing board. The legal level of budgetary control is the fund level. The annual appropriated budget is not legally binding on the District unless the District has a deficit fund balance which exceeds 2.5% of expenditures.

**NOTE 2      EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2023, expenditures exceeded appropriations by \$373,271 and \$16,468 in the general and food service funds, respectively. The majority of the over-expenditures were funded by greater than anticipated revenues and available fund balance.

**NOTE 3      DEFINED BENEFIT PLANS**

**PERA**

*2022 Changes*

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

Changes in Plan Provisions: There were no changes in plan provisions since the previous valuation.

**TRA**

Changes in actuarial assumptions since the 2022 valuation: none

**NOTE 4      OTHER POSTEMPLOYMENT BENEFITS**

Changes since the prior valuation:

Plan Changes: None

Assumption Changes:

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

Method Changes: None

**INDEPENDENT SCHOOL DISTRICT NO. 561**  
**GOODRIDGE, MINNESOTA**  
**SCHEDULE OF CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2023**

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	UFARS Balance Beginning of Year	Revenues	Expenditures	Transfers	UFARS Balance End of Year	Reclassify	Balance End of Year
General Fund							
Nonspendable	\$ 20,518	\$	\$	\$ 4,631	\$ 25,149	\$	\$ 25,149
Restricted for:							
Staff Development		36,994	10,683	(26,311)			
Operating Capital	193	65,498	407,696	342,005			
Safe Schools	(12,433)	9,888	14,871		(17,416)	17,416	
LTFM	144,741	105,993	20,420		230,314		230,314
Student Activities	87,200	83,164	92,541		77,823		77,823
Scholarships	10,316	17,864	13,100		15,080		15,080
Committed for Severance	18,504			(164)	18,340		18,340
Committed for Playground	33,354	71,210	6,344		98,220		98,220
Unassigned	1,726,802	4,232,497	4,252,060	(380,531)	1,326,708	(17,416)	1,309,292
Food Service Fund							
Nonspendable	1,080			1,024	2,104		2,104
Restricted: Food Service		255,789	279,070	23,281			
Unassigned							
Community Service Fund							
Restricted for:							
Community Education		15,659	20,983	5,324			
ECFE	20,710	23,714	5,787		38,637		38,637
School Readiness		13,995	44,802	30,807			
Community Service		1,111	1,045	(66)			
Unassigned							





## Minnesota Legal Compliance

The School Board of  
Independent School District No. 561  
Goodridge Public Schools  
Goodridge, 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. 561 ("the District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 16, 2023.

In connection with our audit, we noted that the District failed to comply with provisions of the Uniform Financial Accounting and Reporting Standards of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings as item 2023-003. Also, in connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, 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.

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

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

A handwritten signature in black ink that reads "Eide Bailly LLP".

Fargo, North Dakota  
October 16, 2023



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

The School Board of  
Independent School District No. 561  
Goodridge Public School  
Goodridge, 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. 561 (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 16, 2023.

**Report on Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item 2023-002 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings as item 2023-001 to be a significant deficiency.

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

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

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

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

### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota  
October 16, 2023

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**Section I – Financial Statement Findings**

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**2023-001      Segregation of Duties  
Significant Deficiency**

*Criteria* – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping, and reconciliation functions.

*Condition* – During the course of our engagement, we noted the District has a lack of segregation of duties in certain areas due to a limited staff.

*Cause* – There is a limited amount of office employees.

*Effect* – Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

*Recommendation* – While we recognize that your staff may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

*Views of Responsible Officials* – There is no disagreement with the audit finding.

**2023-002      Material Adjustments**  
**Material Weakness**

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

*Condition* – During the course of our engagement, we proposed material audit adjustments that were not identified as a result of the District's existing internal controls, and therefore could have resulted in a material misstatement of the District's financial statements. The proposed adjustments were to record the \$119,835 of expenditure and accounts payable related to a bus purchased and delivered to the district prior to June 30, 2023. In addition, \$100,000 of grant funding received before June 30, 2023 but not spent was adjusted from revenue to deferred revenue.

*Cause* – The District does not have an internal control system designed to identify all necessary adjustments.

*Effect* – This deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

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

*Views of Responsible Officials* – There is no disagreement with the audit finding.

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**Section II – Minnesota Legal Compliance Findings**

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**2023-003      Inadequate Approval of Student Activity Fund Disbursements  
Uniform Financial Accounting and Reporting Standards**

*Criteria* – A good system of internal control contemplates an adequate system for compliance with the Manual for Activity Fund Accounting (MAFA) guidelines. Per the MAFA, any disbursement of student activity funds must be approved by a student representative, the activity advisor, and the building principal (or his/her designee).

*Condition* – During the course of our engagement, we noted four instances where the required signatures were not present.

*Cause* – The District does not have an internal control system designed to review disbursement requests for all required signatures.

*Effect* – The District is not in compliance with the MAFA. This finding could result in the misuse of student activity dollars.

*Recommendation* – Student activity disbursement requests should be reviewed to ensure that all required signatures are included in the request.

*View of Responsible Officials* – There are no disagreements with this finding.



# GOODRIDGE PUBLIC SCHOOL

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201 Osmund Ave ~ Goodridge, MN 56725 ~ Phone: 218.378.4134 ~ Fax: 218.378.4142 ~ [www.goodridge.k12.mn.us](http://www.goodridge.k12.mn.us)  
Superintendent: Mr. Tomas Loberg Principal: Ms. Becky Carlson

## CORRECTIVE ACTION PLAN

### 2023-001 FINDING

Contact Person – Superintendent

Corrective Action Plan – The following steps are being taken to mitigate the risk: the Superintendent will review and approve all journal entries, the board will approve checks, and the Superintendent will review all bank statements before turning the statements over to the business office for reconciliation.

Completion Date – Ongoing

### 2023-002 FINDING

Contact Person – Superintendent

Corrective Action Plan – The Business Manager will have the reconciliation and review of the balance sheet accounts completed before the audit.

Completion Date – Immediately

### 2023-003 FINDING

Contact Person – Superintendent

Corrective Action Plan – The Business Manager will communicate the approval requirements with advisors and the Business Manager will review disbursements for approval.

Completion Date – Immediately

**INDEPENDENT SCHOOL DISTRICT NO. 561**  
**GOODRIDGE, MINNESOTA**  
**UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE**  
**June 30, 2023**

<b>District Name:</b>	INDEPENDENT SCHOOL DISTRICT NO. 561			<b>District Number:</b>	561		
	<u>Audit</u>	<u>UFARS</u>	<u>Variance</u>		<u>Audit</u>	<u>UFARS</u>	<u>Variance</u>
<b><u>01 GENERAL FUND</u></b>				<b><u>06 BUILDING CONSTRUCTION</u></b>			
Total Revenue	4,623,108	4,623,106	2	Total Revenue			
Total Expenditures	4,817,715	4,817,713	2	Total Expenditures			
<i>Non Spendable</i>				<i>Non Spendable</i>			
460 Non Spendable Fund Balance	25,149	25,149		460 Non Spendable Fund Balance			
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
401 Student Activities	77,823	77,822	1	407 Capital Projects Levy			
402 Scholarships	15,080	15,080		413 Projects Funded By COP			
403 Staff Development				467 LTFM			
407 Capital Projects Levy				<i>Restricted</i>			
408 Cooperative Revenue				464 Restricted Fund Balance			
413 Project Funded by COP				<i>Unassigned:</i>			
414 Operating Debt				463 Unassigned Fund Balance			
416 Levy Reduction				Reconciliation of Building Construction			
417 Taconite Building Maintenance							
423 Certain Teacher Programs							
424 Operating Capital				<b><u>07 DEBT SERVICE</u></b>			
426 \$25 Taconite				Total Revenue			
427 Disabled Accessibility				Total Expenditures			
428 Learning & Development				<i>Non Spendable</i>			
434 Area Learning Center				460 Non Spendable Fund Balance			
435 Contracted Alt Programs				<i>Restricted/Reserved:</i>			
436 State Approved Alt Program				425 Bond Refundings			
438 Gifted & Talented				467 LTFM			
441 Basic Skills Programs				<i>Restricted</i>			
448 Achievement and Integration				464 Restricted Fund Balance			
449 Safe Schools Levy	(17,416)	(17,416)		<i>Unassigned:</i>			
450 Prekindergarten				463 Unassigned Fund Balance			
451 QZAB Payments				Reconciliation of Debt Service			
452 OPEB Liab Not In Trust							
453 Unfunded Sev & Retirement Levy							
467 LTFM	230,314	230,313	1	<b><u>08 TRUST</u></b>			
472 Medical Assistance				Total Revenue			
<i>Restricted</i>				Total Expenditures			
464 Restricted Fund Balance				<i>Unassigned:</i>			
<i>Committed</i>				422 Unassigned Fund Balance			
418 Committed for Separation	18,340	18,340		Reconciliation of Trust			
461 Committed	98,220	98,220					
<i>Assigned</i>				<b><u>20 INTERNAL SERVICE</u></b>			
462 Assigned Fund Balance				Total Revenue			
<i>Unassigned:</i>				Total Expenditures			
422 Unassigned Fund Balance	1,326,708	1,326,708		<i>Unassigned:</i>			
Reconciliation of General	11,215,041	11,215,035	6	422 Unassigned Fund Balance			
				Reconciliation of Internal Service			
<b><u>02 FOOD SERVICE</u></b>							
Total Revenue	255,789	255,789		<b><u>25 OPEB REVOCABLE TRUST FUND</u></b>			
Total Expenditures	279,070	279,070		Total Revenue			
<i>Non Spendable</i>				Total Expenditures			
460 Non Spendable Fund Balance	2,104	2,104		<i>Unassigned:</i>			
<i>Restricted/Reserved:</i>				422 Unassigned Fund Balance			
452 OPEB Liab Not In Trust				Reconciliation of OPEB Revocable Trust			
<i>Restricted</i>							
464 Restricted Fund Balance			1	<b><u>45 OPEB IRREVOCABLE TRUST FUND</u></b>			
<i>Unassigned</i>			(1)	Total Revenue			
463 Unassigned Fund Balance				Total Expenditures			
Reconciliation of Food Service	536,963	536,964	(1)	<i>Unassigned:</i>			
				422 Unassigned Fund Balance			
<b><u>04 COMMUNITY SERVICE</u></b>				Reconciliation of OPEB Irrevocable Trust			
Total Revenue	54,479	54,478	1				
Total Expenditures	72,617	72,616	1	<b><u>47 OPEB DEBT SERVICE FUND</u></b>			
<i>Non Spendable</i>				Total Revenue			
460 Non Spendable Fund Balance				Total Expenditures			
<i>Restricted/Reserved:</i>				<i>Non Spendable</i>			
426 \$25 Taconite				460 Non Spendable Fund Balance			
431 Community Education			1	<i>Restricted</i>			
432 E.C.F.E.	38,637	38,637	(1)	425 Bond Refunding			
440 Teacher Development and Eval				464 Restricted Fund Balance			
444 School Readiness			1	<i>Unassigned</i>			
447 Adult Basic Education			(1)	463 Unassigned Fund Balance			
452 OPEB Liab Not In Trust				Reconciliation of OPEB Debt Service			
<i>Restricted</i>							
464 Restricted Fund Balance							
<i>Unassigned</i>							
463 Unassigned Fund Balance							
Reconciliation of Community Service	165,733	165,733					



**FORM OF LEGAL OPINION**

(See following pages)



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Affirmative Action, Equal Opportunity Employer

§ \_\_\_\_\_  
INDEPENDENT SCHOOL DISTRICT NO. 561  
(GOODRIDGE PUBLIC SCHOOL)  
PENNINGTON AND MARSHALL COUNTIES, MINNESOTA  
GENERAL OBLIGATION SCHOOL BUILDING BONDS  
SERIES 2024A

We have acted as bond counsel to Independent School District No. 561 (Goodridge Public School), Pennington and Marshall Counties, Minnesota (the “Issuer”), in connection with the issuance by the Issuer of its General Obligation School Building Bonds, Series 2024A (the “Bonds”), originally dated April \_\_, 2024, and issued in the original aggregate principal amount of \$ \_\_\_\_\_. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings, and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

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

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

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

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

5. The resolution adopted by the School Board of the Issuer on December 19, 2023, obligates the Issuer to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of that law against the State of Minnesota (the "State") in the absence of appropriated and available funds to pay the obligations of the State thereunder.

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

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

Dated \_\_\_\_\_, 2024, at Minneapolis, Minnesota.

## **BOOK-ENTRY-ONLY SYSTEM**

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

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

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

(See following pages)

§ \_\_\_\_\_  
INDEPENDENT SCHOOL DISTRICT NO. 561  
(GOODRIDGE PUBLIC SCHOOL)  
PENNINGTON AND MARSHALL COUNTIES, MINNESOTA  
GENERAL OBLIGATION SCHOOL BUILDING BONDS  
SERIES 2024A

**CONTINUING DISCLOSURE CERTIFICATE**

\_\_\_\_\_, 2024

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Independent School District No. 561 (Goodridge Public School), Pennington and Marshall Counties, Minnesota (the “District”), in connection with the issuance of its General Obligation School Building Bonds, Series 2024A (the “Bonds”), in the original aggregate principal amount of \$ \_\_\_\_\_. The Bonds are being issued pursuant to a resolution adopted by the School Board of the District (the “Resolution”). The Bonds are being delivered to \_\_\_\_\_[, as syndicate manager] (the “Purchaser”), on the date hereof. Pursuant to the Resolution, the District has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The District hereby covenants and agrees as follows:

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

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

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

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

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

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“District” means Independent School District No. 561 (Goodridge Public School), Pennington and Marshall Counties, Minnesota, which is the obligated person with respect to the Bonds.

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

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

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

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

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

“GASB” means the Governmental Accounting Standards Board.

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

Section 5. Reporting of Material Events.

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

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

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

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

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

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

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

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

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

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

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 561  
(GOODRIDGE PUBLIC SCHOOL), PENNINGTON  
AND MARSHALL COUNTIES, MINNESOTA**

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Board Chair

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Clerk

## TERMS OF PROPOSAL

### **\$21,350,000\* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2024A INDEPENDENT SCHOOL DISTRICT NO. 561 (GOODRIDGE PUBLIC SCHOOL), MINNESOTA**

Proposals for the purchase of \$21,350,000\* General Obligation School Building Bonds, Series 2024A (the "Bonds") of Independent School District No. 561 (Goodridge Public School), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 9:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com) or **PARITY**, in the manner described below, until 9:30 A.M. Central Time, on March 19, 2024, at which time they will be opened, read and tabulated. The proposals will be presented to the School Board for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

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

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held November 7, 2023, by the District, for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged.

### **DATES AND MATURITIES**

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

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2025	\$840,000	2032	\$915,000	2039	\$1,265,000
2026	685,000	2033	960,000	2040	1,315,000
2027	720,000	2034	1,010,000	2041	1,370,000
2028	755,000	2035	1,060,000	2042	1,425,000
2029	790,000	2036	1,115,000	2043	1,485,000
2030	830,000	2037	1,170,000	2044	1,550,000
2031	875,000	2038	1,215,000		

### **ADJUSTMENT OPTION**

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

### **TERM BOND OPTION**

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

### **INTEREST PAYMENT DATES AND RATES**

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2024, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2025 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

### **BOOK-ENTRY-ONLY FORMAT**

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

### **PAYING AGENT**

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

### **OPTIONAL REDEMPTION**

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

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

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

### **DELIVERY**

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

## LEGAL OPINION

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

## SUBMISSION OF PROPOSALS

Proposals must not be for less than \$21,350,000 plus accrued interest on the principal sum of \$21,350,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

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

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

**A good faith deposit ("Deposit") in the amount of \$427,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals.** The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

## **AWARD**

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

## **BOND INSURANCE**

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

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

## **CUSIP NUMBERS**

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

## **NON-QUALIFIED TAX-EXEMPT OBLIGATIONS**

The Bonds shall not be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

## **CONTINUING DISCLOSURE**

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

## **NEW ISSUE PRICING**

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

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

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

- (1) The District shall disseminate this Terms of Proposal to potential underwriters in a manner that is



reasonably designed to reach potential investors;

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

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

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

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

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

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

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

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

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

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement

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

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

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

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

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

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

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

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

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

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

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the District (or

with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the District to the winning bidder.

### **PRELIMINARY OFFICIAL STATEMENT**

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

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

By Order of the School Board

Independent School District No. 561  
(Goodridge Public School), Minnesota

# PROPOSAL FORM

The School Board

March 19, 2024

Independent School District No. 561 (Goodridge Public School), Minnesota (the "District")

RE: \$21,350,000\* General Obligation School Building Bonds, Series 2024A (the "Bonds")

DATED: April 11, 2024

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$\_\_\_\_\_ (not less than \$21,350,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2025	_____ % due	2032	_____ % due	2039
_____ % due	2026	_____ % due	2033	_____ % due	2040
_____ % due	2027	_____ % due	2034	_____ % due	2041
_____ % due	2028	_____ % due	2035	_____ % due	2042
_____ % due	2029	_____ % due	2036	_____ % due	2043
_____ % due	2030	_____ % due	2037	_____ % due	2044
_____ % due	2031	_____ % due	2038		

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

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

**A good faith deposit ("Deposit") in the amount of \$427,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals.** The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about April 11, 2024.

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

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

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

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

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

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

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

The foregoing offer is hereby accepted by and on behalf of the School Board of Independent School District No. 561 (Goodridge Public School), Minnesota, on March 19, 2024.

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