

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 1, 2024

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

The District will 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. 542 (BATTLE LAKE PUBLIC SCHOOLS), MINNESOTA (Otter Tail County)

(Minnesota School District Credit Enhancement Program)

\$30,520,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2024A

PROPOSAL OPENING: February 12, 2024, 10:30 A.M., C.T.

CONSIDERATION: February 12, 2024, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$30,520,000* 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. 542 (Battle Lake Public Schools), Minnesota (the "District"), for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: March 7, 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	\$1,205,000	2032	\$1,585,000	2039	\$1,675,000
2026	1,095,000	2033	1,305,000	2040	1,745,000
2027	1,150,000	2034	1,355,000	2041	1,815,000
2028	1,305,000	2035	1,420,000	2042	1,885,000
2029	1,370,000	2036	1,495,000	2043	1,960,000
2030	1,435,000	2037	1,550,000	2044	2,045,000
2031	1,510,000	2038	1,615,000		

***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: \$30,520,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$610,400 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).

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



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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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BATTLE LAKE PUBLIC SCHOOLS SCHOOL BOARD

		<u>Term Expires</u>
Paul Ness	Board Chair	January 2027
Jonathan Hartman	Vice Chairman	January 2025
Sheila Newark	Clerk	January 2027
Ashley Altstadt	Treasurer	January 2027
Aimie Hallberg	Member	January 2025
Rachel Logan	Member	January 2025

ADMINISTRATION

Rob Nudell, Superintendent of Schools
Elizabeth Klintworth, Business Manager

PROFESSIONAL SERVICES

Pemberton Law, District Attorney, Fergus Fall, Minnesota
Kennedy & Graven, Chartered, Bond Counsel, Minneapolis, Minnesota
Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(Other office located in Waukesha, Wisconsin)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 542 (Battle Lake Public Schools), Minnesota (the "District") and the issuance of its \$30,520,000* 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 February 12, 2024.

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

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of March 7, 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 720-567. Proceeds of the Bonds will be used to provide funds for the acquisition and betterment of school sites and facilities, including replacement of windows, exterior doors and portions of the roof, and sealing the building envelope; the construction of a secure entrance and vestibule; the construction and installation of new mechanical heating, ventilation and cooling equipment, and electrical infrastructure; the replacement of failed sanitary lines; the replacement of the boiler plant; the completion of ADA accessibility improvements at school sites and facilities; renovations and upgrades to the dining commons and cafeteria; renovations and updates to the career and technical education shops, classrooms and digital labs; remodeling to repurpose existing school spaces, including converting space into an events concessions area with a warming kitchen and converting the computer lab into a technical maker space; the construction and equipping of an addition to the existing school site to provide music rooms, a weight room, new ADA restrooms, changing rooms, an a receiving area; the construction and installation of a fire alarm system; and external improvements and repairs to parking surfaces.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	\$30,520,000	
Reoffering Premium	<u>1,334,092</u>	
Total Sources		\$31,854,092
Uses		
Total Underwriter's Discount (1.000%)	\$305,200	
Costs of Issuance	142,725	
Deposit to Construction Fund	<u>31,406,167</u>	
Total Uses		\$31,854,092

*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 11, 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 be subject to any continuing disclosure undertakings, 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

Bond Trust Services Corporation ("BTSC") can just be abbreviated to BTSC if BTSC is engaged 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 CliftonLarsonAllen, LLP, Alexandria, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

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

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

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

³ Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2022/23 Economic Market Value \$2,226,389,321¹

2022/23 Assessor's Estimated Market Value

Real Estate	\$2,137,190,100
Personal Property	<u>1,042,800</u>
Total Valuation	<u><u>\$2,138,232,900</u></u>

2022/23 Net Tax Capacity

Real Estate	\$21,077,272
Personal Property	<u>19,509</u>
Net Tax Capacity	\$21,096,781
Less: Captured Tax Increment Tax Capacity ²	<u>(83,499)</u>
Taxable Net Tax Capacity	<u><u>\$21,013,282</u></u>

2022/23 NET TAX CAPACITY BY CLASSIFICATION

	2022/23 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$6,252,681	29.64%
Agricultural	2,366,882	11.22%
Commercial/industrial	330,211	1.57%
Public utility	17,398	0.08%
Non-homestead residential	756,111	3.58%
Commercial & residential seasonal/rec.	11,353,989	53.82%
Personal property	<u>19,509</u>	<u>0.09%</u>
 Total	 <u><u>\$21,096,781</u></u>	 <u><u>100.00%</u></u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 96.04% 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 \$2,226,389,321.

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

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity ¹	Taxable Net Tax Capacity ²	Percent Increase/Decrease in Estimated Market Value
2018/19	\$1,456,701,000	\$1,402,432,200	\$13,751,164	\$13,690,189	3.39%
2019/20	1,525,830,900	1,469,584,100	14,487,992	14,417,970	4.75%
2020/21	1,591,856,700	1,540,073,700	15,244,985	15,165,431	4.33%
2021/22	1,659,974,800	1,605,292,400	15,960,102	15,880,666	4.28%
2022/23	2,138,232,900	2,082,666,900	21,096,781	21,013,282	28.81%

LARGEST TAXPAYERS³

Taxpayer	Type of Property	2022/23 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Individual	Agriculture	\$62,428	0.30%
Individual	Agriculture	48,407	0.23%
Hax Properties LLC	Resort/Residential	46,093	0.22%
Moli Minnesota LLC	Agriculture	42,036	0.20%
Evangelical Lutheran Good Samaritan Society of Battle Lake	Commercial	38,617	0.18%
RD Offutt Farms, Co.	Agriculture	38,250	0.18%
Individual	Agriculture	35,644	0.17%
Individual	Resort/Residential	34,217	0.16%
Kingdom Resort LLC	Seasonal	33,393	0.16%
Individual	Agriculture	<u>33,309</u>	<u>0.16%</u>
Total		\$412,394	1.95%

District's Total 2022/23 Net Tax Capacity \$21,096,781

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by Otter Tail County.

¹ Net Tax Capacity includes tax increment values.

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

³ In 2022, the estimated median commercial and industrial sales ratio used to equalize utility values in Otter Tail County dropped below 90% to 87.10%, thereby resulting in lower valuations for this classification of property. Depreciation may also have affected the decrease in valuations.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids ² (includes the Bonds)*	<u>\$30,520,000</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 District does not currently qualify for debt service equalization aid.

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

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

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

Some school districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minnesota Statutes, Section 273.1387). For taxes payable in 2023, and thereafter, the reimbursement percentage is 70% of the property's eligible net tax capacity multiplied by the school debt tax rate determined under the 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 6.48% of total annual debt service levies, based on the District's 2022/23 qualifying agricultural land valuation.

BONDED DEBT LIMIT

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

2022/23 Economic Market Value	\$2,226,389,321
Multiply by 15%	<u>0.15</u>
Statutory Debt Limit	\$333,958,398
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	<u>(30,520,000)</u>
Unused Debt Limit*	<u><u>\$303,438,398</u></u>

*Preliminary, subject to change.

Independent School District No. 542 (Battle Lake Public Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 03/07/2024)

School Building Bonds Series 2024A								
Dated	03/07/2024							
Amount	\$30,520,000*							
Maturity	02/01							
Fiscal Year Ending	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2025	1,205,000	1,240,346	1,205,000	1,240,346	2,445,346	29,315,000	3.95%	2025
2026	1,095,000	1,317,913	1,095,000	1,317,913	2,412,913	28,220,000	7.54%	2026
2027	1,150,000	1,263,163	1,150,000	1,263,163	2,413,163	27,070,000	11.30%	2027
2028	1,305,000	1,205,663	1,305,000	1,205,663	2,510,663	25,765,000	15.58%	2028
2029	1,370,000	1,140,413	1,370,000	1,140,413	2,510,413	24,395,000	20.07%	2029
2030	1,435,000	1,071,913	1,435,000	1,071,913	2,506,913	22,960,000	24.77%	2030
2031	1,510,000	1,000,163	1,510,000	1,000,163	2,510,163	21,450,000	29.72%	2031
2032	1,585,000	924,663	1,585,000	924,663	2,509,663	19,865,000	34.91%	2032
2033	1,305,000	845,413	1,305,000	845,413	2,150,413	18,560,000	39.19%	2033
2034	1,355,000	780,163	1,355,000	780,163	2,135,163	17,205,000	43.63%	2034
2035	1,420,000	712,413	1,420,000	712,413	2,132,413	15,785,000	48.28%	2035
2036	1,495,000	641,413	1,495,000	641,413	2,136,413	14,290,000	53.18%	2036
2037	1,550,000	581,613	1,550,000	581,613	2,131,613	12,740,000	58.26%	2037
2038	1,615,000	519,613	1,615,000	519,613	2,134,613	11,125,000	63.55%	2038
2039	1,675,000	455,013	1,675,000	455,013	2,130,013	9,450,000	69.04%	2039
2040	1,745,000	388,013	1,745,000	388,013	2,133,013	7,705,000	74.75%	2040
2041	1,815,000	318,213	1,815,000	318,213	2,133,213	5,890,000	80.70%	2041
2042	1,885,000	245,613	1,885,000	245,613	2,130,613	4,005,000	86.88%	2042
2043	1,960,000	170,213	1,960,000	170,213	2,130,213	2,045,000	93.30%	2043
2044	2,045,000	86,913	2,045,000	86,913	2,131,913	0	100.00%	2044
	30,520,000	14,908,834	30,520,000	14,908,834	45,428,834			

* Preliminary, subject to change.

OVERLAPPING DEBT¹

Taxing District	2022/23 Taxable Net Tax Capacity	% In District	Total G.O. Debt ²	District's Proportionate Share
Otter Tail County	\$141,110,920	14.8913%	\$22,350,000	<u>\$3,328,206</u>
District's Share of Total Overlapping Debt				<u><u>\$3,328,206</u></u>

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$2,226,389,321	Debt/ Per Capita 4,121 ³
Direct G.O. Debt Secured By Taxes and State Aids*:	\$30,520,000		
Less: Agricultural Credit ⁴	<u>(1,977,696)</u>		
Tax Supported General Obligation Debt*	\$28,542,304	1.28%	\$6,926.06
District's Share of Total Overlapping Debt	<u>\$3,328,206</u>	<u>0.15%</u>	<u>\$807.62</u>
Total*	<u><u>\$31,870,510</u></u>	<u><u>1.43%</u></u>	<u><u>\$7,733.68</u></u>

*Preliminary, subject to change.

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

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

³ Estimated 2022 population.

⁴ Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 6.48% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is \$1,977,696.

TAX LEVIES, COLLECTION AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date	% Collected
2018/19	\$1,248,233	\$1,234,757	\$1,248,000	99.98%
2019/20	1,310,402	1,286,210	1,310,041	99.97%
2020/21	1,177,497	1,157,416	1,176,471	99.91%
2021/22	1,339,940	1,313,921	1,338,075	99.86%
2022/23	1,367,815	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.² 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.

TAX CAPACITY RATES³

	2018/19	2019/20	2020/21	2021/22	2022/23
I.S.D. No. 542 (Battle Lake)	4.982%	4.975%	3.821%	4.896%	3.828%
Otter Tail County	41.561%	41.882%	40.773%	41.065%	34.541%
City of Battle Lake	80.390%	78.816%	72.799%	73.008%	62.382%
City of Clitherall	34.561%	33.854%	33.677%	32.028%	27.901%
Town of Amor ⁴	17.242%	13.461%	8.498%	8.146%	4.351%
Otter Tail County HRA	1.307%	1.373%	1.541%	1.931%	1.507%
Perham Hospital District	5.043%	4.806%	4.505%	3.883%	2.679%
South Turtle Lake Improvement District	11.266%	0.000%	6.031%	0.000%	0.000%

Referendum Market Value Rates:

I.S.D. No. 542 (Battle Lake)	0.11100%	0.11120%	0.10460%	0.09470%	0.07430%
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Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Otter Tail County.

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

² Second half tax payments on agricultural property are due on November 15th of each year.

³ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

⁴ Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 87, including 51 non-licensed employees and 36 licensed employees (32 of whom are teachers). The District provides education for 408 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

Public Employees' Retirement Association (PERA)

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

Recognized and Certified Bargaining Unit

Bargaining Unit	Expiration Date of Current Contract
BLEA	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 (Audit) shows a total OPEB liability of \$184,068 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:

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2019/20	34	193	190	417
2020/21	36	187	191	414
2021/22	33	181	194	408
2022/23	41	179	185	405
2023/24	30	190	188	408

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2024/25	30	199	173	402
2025/26	28	202	175	405
2026/27	25	202	167	394

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Battle Lake	1964	1968, 1999, 2000, 2001, 2005

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 November 30, 2023)

Fund	Total Cash and Investments
General	\$2,746,095
Food Service	159,490
Community Service	9,413
General Ledger	4,248
Student Activity	<u>100,314</u>
Total Funds on Hand	<u><u>\$3,019,559</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 ENDING JUNE 30				2023-24 Revised Budget ¹
	2020 Audited	2021 Audited	2022 Audited	2023 Audited	
Revenues					
Local property taxes	\$1,243,956	\$1,299,173	\$1,288,557	\$1,380,737	
Other local and county revenues	248,182	118,831	230,051	250,337	
Revenue from state sources	3,777,437	3,721,088	3,721,136	3,863,960	
Revenue from federal sources	117,024	308,509	344,087	454,103	
Earnings and investments	43,589	3,248	7,823	110,966	
Total Revenues	\$5,430,188	\$5,450,849	\$5,591,654	\$6,060,103	\$5,918,303
Expenditures					
Current:					
Administration	\$309,484	\$294,621	\$277,943	\$293,236	
District support services	165,056	163,607	150,737	168,758	
Elementary and secondary regular instruction	2,588,434	2,590,505	2,746,320	2,823,781	
Vocational education instruction	173,827	189,840	219,210	234,335	
Special education instruction	461,979	487,777	519,418	548,396	
Instructional support services	110,762	97,183	130,786	167,660	
Pupil support services	426,139	582,981	763,643	624,687	
Sites and buildings	557,858	595,300	620,165	1,147,446	
Fiscal and other fixed cost programs	24,106	30,464	27,626	27,399	
Debt service	29,012	8,663	21,875	21,875	
Capital outlay	279,247	332,709	309,888	871,851	
Total Expenditures	\$5,125,904	\$5,373,650	\$5,787,611	\$6,929,424	\$5,983,828
Excess of revenues over (under) expenditures	\$304,284	\$77,199	(\$195,957)	(\$869,321)	(\$65,525)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	\$21,434	\$0	\$0	\$0	
Proceeds from capital leases	69,180	38,546	0	0	
Insurance proceeds	0	0	4,986	355,839	
Operating transfers in	0	228,184	0	0	
Operating transfers out	0	0	0	0	
Total Other Financing Sources (Uses)	90,614	266,730	4,986	355,839	0
Net changes in Fund Balances	\$394,898	\$343,929	(\$190,971)	(\$513,482)	(\$65,525)
General Fund Balance July 1	\$2,676,581	\$3,154,463	\$3,498,392	\$3,307,421	
Prior Period Adjustment	82,984	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance June 30	\$3,154,463	\$3,498,392	\$3,307,421	\$2,793,939	
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	\$9,351	\$8,985	\$8,377	\$7,277	
Restricted	775,101	756,033	612,717	476,689	
Assigned	0	700,000	700,000	526,291	
Unassigned	2,370,011	2,033,374	1,986,327	1,783,682	
Total	\$3,154,463	\$3,498,392	\$3,307,421	\$2,793,939	

¹ The 2023-24 budget was revised on September 11, 2023.

GENERAL INFORMATION

LOCATION

The District, with a 2020 U.S. Census population of 4,091 and a 2022 population estimate of 4,121, and comprising an area of 149.3 square miles, is located approximately 190 miles northwest of St. Paul, Minnesota.

LARGER EMPLOYERS¹

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 542 (Battle Lake)	Elementary and secondary education	87
Good Samaritan Society- Battle Lake	Nursing & convalescent home	80
Zorbaz	Restaurant	50
City of Battle Lake	Municipal government and services	32
Shoreline Restaurant Bar-Bowl	Full-service restaurant and bowling center	28
Stubs Dining & Saloon	Full-service restaurant	26
Stella's Bistro & Wine Bar	Full-service restaurant	25
Dairy Queen Grill & Chill	Fast food restaurant	21
Rusty Nail	Bar and grill	20
Larry's Supermarket	Grocers- retail	16

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

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

U.S. CENSUS DATA

Population Trend: The District

2010 U.S. Census population	3,687
2020 U.S. Census population	4,091
Percent of Change 2010 - 2020	10.96%

2022 State Demographer Estimate	4,121
---------------------------------	-------

Income and Age Statistics

	The District	Otter Tail County	State of Minnesota	United States
2022 per capita income	\$45,651	\$37,202	\$44,947	\$41,261
2022 median household income	\$72,168	\$67,990	\$84,313	\$75,149
2022 median family income	\$91,078	\$87,557	\$107,072	\$92,646
2022 median gross rent	\$924	\$769	\$1,178	\$1,268
2022 median value owner occupied units	\$355,300	\$234,200	\$286,800	\$281,900
2022 median age	59.5 yrs.	46.1 yrs.	38.5 yrs.	38.5 yrs.

	State of Minnesota	United States
District % of 2022 per capita income	101.57%	110.64%
District % of 2022 median family income	85.06%	98.31%

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.

Year	<u>Average Employment</u>	<u>Average Unemployment</u>
	Otter Tail County	Otter Tail County State of Minnesota
2019	30,216	4.2% 3.3%
2020	30,093	5.5% 6.3%
2021	30,178	3.7% 3.8%
2022	30,411	3.0% 2.7%
2023, December	30,840	3.5% 2.6%

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.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023



CPAs | CONSULTANTS | WEALTH ADVISORS

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**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
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INDEPENDENT SCHOOL DISTRICT NO. 542
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INTRODUCTORY SECTION

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2023**

Officer	Title	Term Expires
Paul Ness	Chairperson	December 31, 2026
Aimie Hallberg	Board Member	December 31, 2024
Shelia Newark	Clerk	December 31, 2026
Jonathan Hartman	Vice-Chairperson	December 31, 2024
Rachel Logan	Board Member	December 31, 2024
Ashley Altstadt	Treasurer	December 31, 2026

ADMINISTRATION

Robert Nudell	Superintendent
Elizabeth Klintworth	Business Manager

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Education
Battle Lake Public Schools
Independent School District No. 542
Battle Lake, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Independent School District No. 542 (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 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. Our responsibilities under those standards are further described in the Auditors' 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 these 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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 – General Fund, budgetary comparison schedule – Food Service Fund, budgetary comparison schedule – Community Service Fund, schedule of changes in the District's OPEB liability and related ratios, schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The uniform financial accounting and reporting standards compliance table is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 uniform financial accounting and reporting standards compliance table is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Report on Summarized Comparative Information

We have previously audited the District's 2022 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities and each major fund in our report dated September 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 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.



CliftonLarsonAllen LLP

Alexandria, Minnesota
September 5, 2023

REQUIRED SUPPLEMENTARY INFORMATION

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

This section of Independent School District No. 542's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023.

FINANCIAL HIGHLIGHTS

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

- Overall revenues in the statement of activities were \$6,552,745 and expenses were \$5,882,020.
- The General Fund decreased \$513,482 from the prior year mainly due to additional costs relating to capital expenditures.
- The Food Service Fund decreased \$9,359 from the prior year due to the change in funding.
- The Community Service Fund decreased by \$14,031 from the prior year due to a reduction in overall participation.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

District-Wide Statements

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

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

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

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has one kind of fund:

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

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was \$5,688,293 on June 30, 2023. There was an increase of \$670,725 to the net position of \$5,017,568 at June 30, 2022.

**Table A-1
Net Position**

	Governmental Activities		Percentage
	2023	2022	Change
Current and Other Assets	\$ 4,759,176	\$ 5,276,132	(9.80)%
Capital and Noncurrent Assets	6,606,731	6,198,542	6.59
Total Assets	11,365,907	11,474,674	(0.95)
Deferred Outflows of Resources	1,530,561	1,708,834	(10.43)
Current Liabilities	544,663	550,265	(1.02)
Long-Term Liabilities	4,520,546	2,561,895	76.45
Total Liabilities	5,065,209	3,112,160	62.76
Deferred Inflows of Resources	2,142,966	5,053,780	(57.60)
Net Position			
Net Investment in Capital Assets	6,548,093	6,120,090	6.99
Restricted	684,064	814,178	(15.98)
Unrestricted	(1,543,864)	(1,916,700)	(19.45)
Total Net Position	\$ 5,688,293	\$ 5,017,568	13.37

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The decrease relates mostly due to an increase of instructional support service and pupil support service salaries. A summary of the revenues and expenses is presented below and described in more detail following the table.

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

	Governmental Activities for the Fiscal Year Ended June 30,		Total Percentage Change
	2023	2022	
REVENUES			
Program Revenues:			
Charges for Services	\$ 750,016	\$ 682,476	9.90 %
Operating Grants and Contributions	811,547	914,099	(11.22)
Capital Grants and Contributions	66,307	37,568	76.50
General Revenues:			
Property Taxes	1,440,215	1,345,775	7.02
Unrestricted State Aid	3,300,062	3,183,257	3.67
Investment Earnings	115,026	8,296	1286.52
Other	69,572	27,410	153.82
Total Revenues	6,552,745	6,198,881	5.71
EXPENSES			
Administration	245,630	263,787	(6.88)
District Support Services	186,276	155,616	19.70
Regular Instruction	2,487,008	2,937,080	(15.32)
Vocational Education Instruction	152,577	212,597	(28.23)
Special Education Instruction	497,004	494,807	0.44
Instructional Support Services	170,182	142,399	19.51
Pupil Support Services	637,499	844,682	(24.53)
Sites and Buildings	923,374	660,052	39.89
Fiscal and Other Fixed Cost Programs	27,399	27,626	(0.82)
Food Service	351,813	341,645	2.98
Community Service	201,197	234,974	(14.37)
Interest and Fiscal Charges on Long-Term Liabilities	2,061	2,612	100.00
Total Expenses	5,882,020	6,317,877	(6.90)
CHANGE IN NET POSITION	670,725	(118,996)	
Net Position - Beginning of Year	5,017,568	5,136,564	
NET POSITION - END OF YEAR	<u>\$ 5,688,293</u>	<u>\$ 5,017,568</u>	

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The cost of all governmental activities this year was \$5,882,020.

- Some of the cost was paid by the users of the District's programs (\$750,016).
- The federal and state governments subsidized certain programs with grants and contributions (\$877,854).
- Most of the District's net expenses, however, were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with \$1,440,215 in property taxes, and \$3,484,660 of state and federal aid and investment earnings and other general revenues.

Figure A-1 Sources of District's Revenues for Fiscal 2023

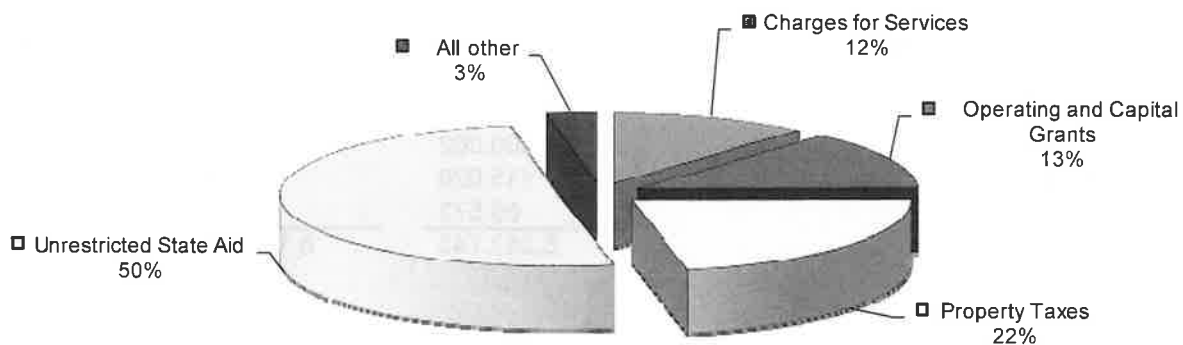
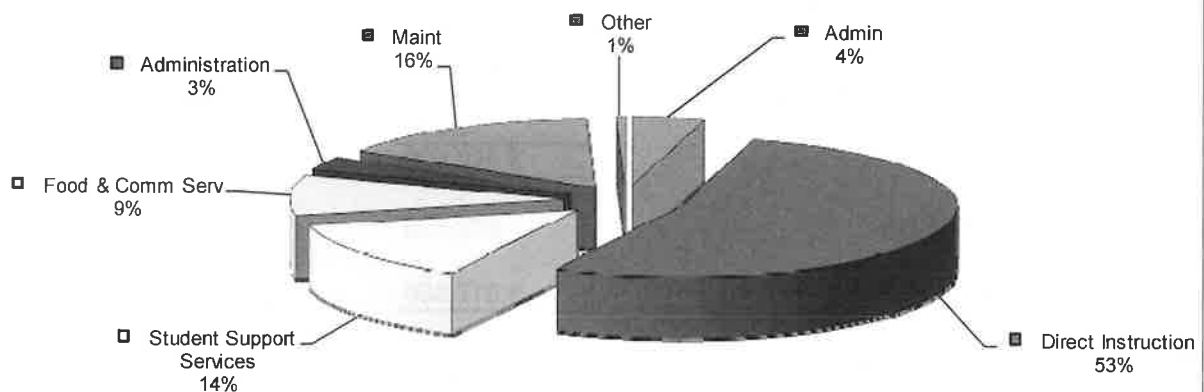


Figure A-2 District Expenses for Fiscal 2023



**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Typically the District does not include in an analysis of all governmental funds a breakout of expenses as depicted in Figure A-2. To do so distorts the latitude available to the District to allocate resources to instruction. All governmental funds include not only funds received for the general operation of the district, which are used for classroom instruction, but also include resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The above graph, by pooling all expenses, implies that the District does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option. Therefore, a more accurate analysis of resources allocated to instruction should be limited to an analysis of resources received for the general operation of the District and that analysis would show that 56% of those resources are spent on instruction.

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

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2023	2022		2023	2022	
Administration	\$ 245,630	\$ 263,787	(6.88)%	\$ 132,908	\$ 186,585	(28.77)%
District Support Services	186,276	155,616	19.70	186,276	155,616	19.70
Regular Instruction	2,487,008	2,937,080	(15.32)	2,104,218	2,535,148	(17.00)
Vocational Education Instruction	152,577	212,597	(28.23)	146,666	195,393	(24.94)
Special Education Instruction	497,004	494,807	0.44	186,289	171,290	8.76
Instructional Support Services	170,182	142,399	19.51	171,139	142,573	20.04
Pupil Support Services	637,499	844,682	(24.53)	312,118	598,378	(47.84)
Sites and Buildings	923,374	660,052	39.89	923,437	660,071	39.90
Fiscal and Other Fixed						
Cost Programs	27,399	27,626	(0.82)	27,399	27,626	(0.82)
Food Service	351,813	341,645	2.98	12,903	(64,945)	(119.87)
Community Service	201,197	234,974	(14.37)	48,736	73,387	(33.59)
Interest and Fiscal Charges on						
Long-Term Liabilities	2,061	2,612	100.00	2,061	2,612	100.00
Total	<u>\$ 5,882,020</u>	<u>\$ 6,317,877</u>	(6.90)	<u>\$ 4,254,150</u>	<u>\$ 4,683,734</u>	(9.17)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,927,474. This is a decrease of \$536,872 or approximately 15.50% of last year's ending fund balance of \$3,464,346.

Revenues for the District's governmental funds were \$6,621,960 while total expenditures were \$7,514,671.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

GENERAL FUND

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

Approximately 90% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 68% of personnel expenditures. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

Enrollment is a critical factor in determining revenue with approximately 80% of General Fund revenue being determined by enrollment. The following chart shows that the number of students has decreased over the last five years, with just a slight increase from the prior year to the current year.

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

Grade	2019	2020	2021	2022	2023
Kdgt.	31	38	40	35	43
1-3	88	86	80	96	104
4-6	100	108	108	84	75
7-12	212	191	193	193	189
Total K-12 ADM	431	423	421	408	411
ADM Change	4	(8)	(2)	(13)	3
Percent Change	0.9%	-1.9%	-0.5%	-3.1%	0.7%

Over the last five years, the District has averaged a decrease in average daily membership of three students per year.

The following schedule presents a summary of General Fund revenues.

**Table A-5
General Fund Revenues**

	Year Ended		Change	
	June 30, 2023	June 30, 2022	Increase (Decrease)	Percent
Local Sources:				
Property Taxes	\$ 1,380,737	\$ 1,288,557	\$ 92,180	7.2 %
Earnings on Investments	110,966	7,823	103,143	1318.5
Other	250,337	230,051	20,286	8.8
State Sources	3,863,960	3,721,136	142,824	3.8
Federal Sources	454,103	344,087	110,016	32.0
Total General Fund Revenue	<u>\$ 6,060,103</u>	<u>\$ 5,591,654</u>	<u>\$ 468,449</u>	8.4

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

GENERAL FUND (CONTINUED)

Total General Fund revenues increased by 8.4% or \$468,449 over the previous year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue including operating levy referendum and the property tax shift also involve an equalized mix of property tax and state aid revenue. The increase relates to the increase in student activity revenue from fundraising.

The following schedule presents a summary of General Fund expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2023	June 30, 2022	Increase (Decrease)	Percent
Salaries	\$ 3,350,993	\$ 3,296,093	\$ 54,900	1.7 %
Employee Benefits	924,725	926,316	(1,591)	(0.2)
Purchased Services	1,289,696	777,549	512,147	65.9
Supplies and Materials	429,120	410,717	18,403	4.5
Capital Expenditures	871,851	309,888	561,963	181.3
Other Expenditures	63,039	67,048	(4,009)	(6.0)
Total Expenditures	<u>\$ 6,929,424</u>	<u>\$ 5,787,611</u>	<u>\$ 1,141,813</u>	19.7

Total General Fund expenditures increased by \$1,141,813 or 19.7% from the previous year. The biggest increase was due to the roof repair paid with insurance proceeds, the purchase of a bus and the HVAC construction.

General Fund Budgetary Highlights

The General Fund revenues were more than budget by \$524,065 due to federal and state sources, student activity revenue, and interest income coming in higher than expected. General Fund expenditures were more than budget by \$1,172,451 due to the roof repair paid for with insurance proceeds, the purchase of a bus, and the HVAC construction.

OTHER MAJOR FUNDS

The Food Service Fund had a fund balance of \$163,175, an decrease of \$9,359, which is due to a change in funding.

The Community Service Fund had a deficit fund balance of \$29,640, a decrease of \$14,031, which was due to a reduction in participation.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Through 2023, the District has invested \$14,054,500 in a broad range of capital assets, including, a bus, a van, major building repairs, sound system, and upgrades to the phone system. (More detailed information about capital assets can be found in Note 3 to the financial statements.) Total depreciation/amortization expense for the year was \$402,473.

**Table A-7
The District's Capital Assets**

	2023	2022	Percentage Change
Land	\$ 326,253	\$ 326,253	-
Construction in Progress	690,900	-	N/A
Right-to-Use Assets	65,204	65,204	-
Land Improvements	731,687	731,687	-
Buildings and Improvements	10,256,826	10,256,826	-
Equipment	2,048,834	1,929,072	6.2
Less: Accumulated Depreciation/Amortization	(7,512,973)	(7,110,500)	5.7
Total	<u>\$ 6,606,731</u>	<u>\$ 6,198,542</u>	6.6

Long-Term Liabilities

At year-end, the District had long-term debt and compensated absences payable as shown in Note 4 to the financial statements.

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

	2023	2022	Percentage Change
Finance Purchase Agreements	\$ 16,672	\$ 24,693	(32.48)%
Lease Liability	41,966	53,759	100.00
Compensated Absences Payable	12,975	12,331	5.22
Total	<u>\$ 71,613</u>	<u>\$ 90,783</u>	(21.12)
Long-Term Liabilities:			
Due Within One Year	\$ 20,382	\$ 19,815	
Due in More Than One Year	51,231	70,968	
Total Long-Term Liabilities	<u>\$ 71,613</u>	<u>\$ 90,783</u>	

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

FACTORS BEARING ON THE DISTRICT'S FUTURE

Positives

The district continues to be focused on excellence and making sure all we do reaches that threshold. The district just completed a new strategic plan that will guide the school over the next 3-5 years and will transform the district in a positive way for our students and our community. The plan is an aggressive plan, but will certainly benefit the district.

COVID-19 changed the landscape of education and certainly has presented challenges to Battle Lake School. Our students and faculty remain committed to excellence in education and continue to perform in a high manner. We are committed to in-person learning and are taking the steps necessary to keep kids in school as best we can.

The Battle Lake School District has received recognition as a National Blue Ribbon School K-12 in 2014. In 2011, the elementary school also received this prestigious award. This is the highest honor awarded to public schools. The elementary school was named a Minnesota School of Excellence in 2019-2020, continuing the ongoing recognition received by the District.

Battle Lake High School was also recognized as a Reward School, placing it among the top 15% of schools that receive federal funding. This award was received six years consecutively. In addition, U.S. News and World Report has named Battle Lake High School as one of its top high schools in the nation. This award has been given multiple times to the high school.

We actively market the District through the newspaper and local radio spots. Our school website is changing to be more user friendly, become ADA compliant and to allow the district to more effectively communicate to its stakeholders. Our bus routes go into other school districts to transport students; all in an effort to possibly attract more students and increase enrollment.

The district's heating needs are accomplished through a combination of geo-thermal, off-peak electric boiler and natural gas. This is the most cost effective combination possible and should result in significant long-term savings over fuel oil.

In November of 2020, the voters passed a renewal of the existing Capital projects Levy. This will help us remain current on our technology needs while also addressing some maintenance issues in the building.

In the fall of 2016, voters approved a 10-year operating levy that generates approximately \$185,000 in additional revenue. The Long-Term Facilities maintenance dollars are a welcome source of monies to address future facility needs.

The district continues to carry a solid fund balance from year to year. Battle Lake School has no bonded debt.

The community support of the district is very positive. Recent initiatives to grow the community have proven successful as recent housing starts and an apartment complex have helped the lack of affordable housing in the district. The new childcare center has also provided an opportunity for families to receive their childcare in the community which will help with district enrollment.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

Positives (Continued)

The District is replacing 55 heat pumps May '23 – Aug '23. Cost is approximately \$1,000,000, with approximately \$250,000 of rebates due to the district. LTFM, reserve funds, and possibly ESSER funds will be used to complete the project.

Negatives

The district's recent history has been one of declining enrollment. On average, over the last decade, Battle Lake Public Schools have declined an average of 3 students per year. The initial enrollment projection for 2023-24 is similar to prior year.

The faculty in Battle Lake continues to be one of the most experienced in the region. This experience does put pressure on the District's budget as compensation rates are higher based on the experience level of the faculty.

Discussions have started at the Board of Education level of potential upgrades to the building, which include a secure entrance, new roofs, and heating/cooling updates in the east third of the building. The district is currently looking at funding options.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, please contact the business office Independent School District 542, 402 Summit Street West, Battle Lake, MN 56515.

BASIC FINANCIAL STATEMENTS

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
STATEMENT OF NET POSITION
JUNE 30, 2023**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)

	Governmental Activities	
	2023	2022
ASSETS		
Cash and Investments	\$ 3,733,421	\$ 4,372,748
Receivables:		
Property Taxes	623,919	601,652
Other Governments	338,469	279,300
Other	49,515	4,757
Prepaid Items	7,277	8,377
Inventories	6,575	9,298
Capital Assets:		
Land and Construction in Progress	1,017,153	326,253
Other Capital Assets, Net of Depreciation/Amortization	5,589,578	5,872,289
Total Assets	<u>11,365,907</u>	<u>11,474,674</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	1,503,121	1,668,559
OPEB Related	27,440	40,275
Total Deferred Outflows of Resources	<u>1,530,561</u>	<u>1,708,834</u>
LIABILITIES		
Salaries and Payroll Deductions Payable	491,129	486,093
Accounts and Contracts Payable	4,413	10,944
Due to Other Governmental Units	-	3
Unearned Revenue	17,684	21,291
Other Postemployment Benefits Payable	11,055	12,119
Long-Term Liabilities:		
Portion Due Within One Year	20,382	19,815
Portion Due in More Than One Year	51,231	70,968
Pension Liability	4,296,302	2,328,195
Other Postemployment Benefits Payable, Net of Current Portion	173,013	162,732
Total Liabilities	<u>5,065,209</u>	<u>3,112,160</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Related	822,020	3,755,507
OPEB Related	14,988	20,540
Property Taxes Levied for Subsequent Year	1,305,958	1,277,733
Total Deferred Inflows of Resources	<u>2,142,966</u>	<u>5,053,780</u>
NET POSITION		
Net Investment in Capital Assets	6,548,093	6,120,090
Restricted for:		
Operating Capital Purposes	212,652	285,341
State-Mandated Restrictions	264,037	327,376
Food Service	163,175	172,534
Community Service	44,200	28,927
Unrestricted	<u>(1,543,864)</u>	<u>(1,916,700)</u>
Total Net Position	<u>\$ 5,688,293</u>	<u>\$ 5,017,568</u>

See accompanying Notes to Financial Statements.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

Functions	2023				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Program Revenues			Total Governmental Activities	
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	2023	2022
Governmental Activities:						
Administration	\$ 245,630	\$ 50,060	\$ (3,645)	\$ 66,307	\$ (132,908)	\$ (186,585)
District Support Services	186,276	-	-	-	(186,276)	(155,616)
Regular Instruction	2,487,008	119,213	263,577	-	(2,104,218)	(2,535,148)
Vocational Education Instruction	152,577	12,013	(6,102)	-	(146,666)	(195,393)
Special Education Instruction	497,004	315,340	(4,625)	-	(186,289)	(171,290)
Instructional Support Services	170,182	-	(957)	-	(171,139)	(142,573)
Pupil Support Services	637,499	4,986	320,395	-	(312,118)	(598,378)
Sites and Buildings	923,374	-	(63)	-	(923,437)	(660,071)
Fiscal and Other Fixed Cost Programs	27,399	-	-	-	(27,399)	(27,626)
Food Service	351,813	131,061	207,849	-	(12,903)	64,945
Community Service	201,197	117,343	35,118	-	(48,736)	(73,387)
Interest and Fiscal Charges on Long-Term Liabilities	2,061	-	-	-	(2,061)	(2,612)
Total School District	\$ 5,882,020	\$ 750,016	\$ 811,547	\$ 66,307	(4,254,150)	(4,683,734)
GENERAL REVENUES						
Property Taxes Levied for:						
General Purposes					1,377,680	1,285,690
Community Service					62,535	60,085
State Aid Not Restricted to Specific Purposes					3,300,062	3,183,257
Earnings on Investments					115,026	8,296
Miscellaneous					69,572	27,410
Total General Revenues					4,924,875	4,564,738
CHANGE IN NET POSITION					670,725	(118,996)
Net Position - Beginning of Year					5,017,568	5,136,564
NET POSITION - END OF YEAR					\$ 5,688,293	\$ 5,017,568

See accompanying Notes to Financial Statements.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2023**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)

	Major Funds			Total Governmental Funds	
	General	Food Service	Community Service	2023	2022
ASSETS					
Cash and Investments	\$ 3,544,713	\$ 160,992	\$ 27,716	\$ 3,733,421	\$ 4,372,748
Receivables:					
Current Property Taxes	585,094	-	26,307	611,401	585,930
Delinquent Property Taxes	11,976	-	542	12,518	15,722
Due from Other Minnesota School Districts	10,000	-	-	10,000	-
Due from Minnesota Department of Education	315,351	-	2,072	317,423	274,604
Due from Federal through Minnesota Department of Education	11,046	-	-	11,046	4,696
Other Receivables	46,579	2,936	-	49,515	4,757
Prepaid Items	7,277	-	-	7,277	8,377
Inventory	-	6,575	-	6,575	9,298
Total Assets	\$ 4,532,036	\$ 170,503	\$ 56,637	\$ 4,759,176	\$ 5,276,132
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Salaries and Payroll Deductions Payable	\$ 475,076	\$ -	\$ 16,053	\$ 491,129	\$ 486,093
Accounts Payable	3,975	78	360	4,413	10,944
Due to Other Governmental Units	-	-	-	-	3
Unearned Revenue	-	7,250	10,434	17,684	21,291
Total Liabilities	479,051	7,328	26,847	513,226	518,331
DEFERRED INFLOWS OF RESOURCES					
Property Taxes Levied for Subsequent Year	1,247,070	-	58,888	1,305,958	1,277,733
Delinquent Property Taxes	11,976	-	542	12,518	15,722
Total Deferred Inflows of Resources	1,259,046	-	59,430	1,318,476	1,293,455
FUND BALANCES					
Nonspendable:					
Prepaid Items	7,277	-	-	7,277	8,377
Inventory	-	6,575	-	6,575	9,298
Restricted:					
Student Activities	68,440	-	-	68,440	74,866
Scholarship	448	-	-	448	723
Capital Projects Levy	195,149	-	-	195,149	78,826
Operating Capital	212,652	-	-	212,652	285,341
Gifted and Talented	-	-	-	-	112
Early Childhood and Family Education Programs	-	-	28,191	28,191	14,678
Long-Term Facility Maintenance	-	-	-	-	168,433
Other Restricted	-	156,600	15,467	172,067	181,212
Assigned:					
Other Assigned	526,291	-	-	526,291	700,000
Unassigned	1,783,682	-	(73,298)	1,710,384	1,942,480
Total Fund Balances	2,793,939	163,175	(29,640)	2,927,474	3,464,346
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,532,036	\$ 170,503	\$ 56,637	\$ 4,759,176	\$ 5,276,132

See accompanying Notes to Financial Statements.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)**

	<u>2023</u>	<u>2022</u>
Total Fund Balance for Governmental Funds	\$ 2,927,474	\$ 3,464,346
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	326,253	326,253
Construction in Progress	690,900	-
Right-to-Use Assets, Net of Accumulated Amortization	39,122	52,163
Land Improvements, Net of Accumulated Depreciation	347,831	378,519
Buildings and Improvements, Net of Accumulated Depreciation	4,582,864	4,803,073
Equipment, Net of Accumulated Depreciation	619,761	638,534
The District's OPEB liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
OPEB Liability	(184,068)	(174,851)
Deferred Inflows of Resources - OPEB Related	(14,988)	(20,540)
Deferred Outflows of Resources - OPEB Related	27,440	40,275
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the funds.		
	12,518	15,722
The District's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Liability	(4,296,302)	(2,328,195)
Deferred Inflows of Resources - Pension Related	(822,020)	(3,755,507)
Deferred Outflows of Resources - Pension Related	1,503,121	1,668,559
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:		
Obligations Under Finance Purchase Agreements	(16,672)	(24,693)
Lease Liability	(41,966)	(53,759)
Compensated Absences Payable	(12,975)	(12,331)
Total Net Position of Governmental Activities	<u>\$ 5,688,293</u>	<u>\$ 5,017,568</u>

See accompanying Notes to Financial Statements.

BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES — GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2022)

	Major Funds			Total Governmental Funds	
	General	Food Service	Community Service	2023	2022
REVENUES					
Local Sources:					
Property Taxes	\$ 1,380,737	\$ -	\$ 62,682	\$ 1,443,419	\$ 1,348,704
Earnings on Investments	110,966	3,544	516	115,026	8,296
Other	250,337	131,061	133,808	515,206	412,300
State Sources	3,863,960	17,495	22,397	3,903,852	3,753,625
Federal Sources	454,103	190,354	-	644,457	703,983
Total Revenues	6,060,103	342,454	219,403	6,621,960	6,226,908
EXPENDITURES					
Current:					
Administration	293,236	-	-	293,236	277,943
District Support Services	168,758	-	-	168,758	150,737
Regular Instruction	2,823,781	-	-	2,823,781	2,746,320
Vocational Education Instruction	234,335	-	-	234,335	219,210
Special Education Instruction	548,396	-	-	548,396	519,418
Instructional Support Services	167,660	-	-	167,660	130,786
Pupil Support Services	624,687	-	-	624,687	763,643
Sites and Buildings	1,147,446	-	-	1,147,446	620,165
Fiscal and Other Fixed Cost Programs	27,399	-	-	27,399	27,626
Food Service	-	348,856	-	348,856	341,359
Community Service	-	-	233,434	233,434	244,815
Capital Outlay	871,851	2,957	-	874,808	310,174
Debt Service:					
Principal	19,814	-	-	19,814	19,263
Interest and Fiscal Charges	2,061	-	-	2,061	2,612
Total Expenditures	6,929,424	351,813	233,434	7,514,671	6,374,071
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(869,321)	(9,359)	(14,031)	(892,711)	(147,163)
OTHER FINANCING SOURCES (USES)					
Insurance Proceeds	355,839	-	-	355,839	4,986
NET CHANGE IN FUND BALANCES	(513,482)	(9,359)	(14,031)	(536,872)	(142,177)
Fund Balances - Beginning of Year	3,307,421	172,534	(15,609)	3,464,346	3,606,523
FUND BALANCES - END OF YEAR	<u>\$ 2,793,939</u>	<u>\$ 163,175</u>	<u>\$ (29,640)</u>	<u>\$ 2,927,474</u>	<u>\$ 3,464,346</u>

See accompanying Notes to Financial Statements.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2022)**

	2023	2022
Net Change in Fund Balance-Total Governmental Funds	\$ (536,872)	\$ (142,177)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation/amortization expense.		
Capital Outlays	810,662	232,298
Gain (Loss) on Disposal of Capital Assets	-	(3,017)
Depreciation/Amortization Expense	(402,473)	(401,481)
Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.	799,942	193,446
Payments to the District's OPEB liability are recognized as expenditures at the fund level while the change in the OPEB obligation and the related deferred inflows and outflows of resources are recognized in the statement of net position.	(16,500)	(16,835)
Some capital asset additions are financed through finance purchase agreements. In governmental funds, a finance purchase agreement is considered a source of financing, but in the Statement of Net Position, the obligation is reported as a liability. Repayment of finance purchase agreement principal is an expenditure in the governmental funds, but repayment reduces the obligation in the statement of net position.		
Principal Payments - Finance Purchase Agreements	8,021	7,818
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Repayment of Lease Liability Principal	11,793	11,445
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.	(3,204)	(2,929)
In the statement of activities some 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 actually paid).		
Change in Compensated Absences	(644)	2,436
Change in Net Position of Governmental Activities	\$ 670,725	\$ (118,996)

See accompanying Notes to Financial Statements.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 542 (the District) 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. Financial Reporting Entity

Independent School District No. 542 (the District) is an instrumentality of the state of Minnesota established to function as an education institution. The elected School Board (the Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting Principles Generally Accepted in the United States of America (U.S. GAAP) require that the District's financial statements included all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

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

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

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

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

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

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amount advance recognized in accordance with a statutory "tax shift" described later in these notes. Grant 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:

1. Revenue Recognition – Revenue is recognized when it becomes measurable and available. "Measurable" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and the accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenue when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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

Description of Funds

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

Major Governmental Funds

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

Food Service Special Revenue Fund – The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund are generated from user fees, federal reimbursements, and state aids.

Community Service Special Revenue Fund – The Community Service Fund is used to account for service provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes and state credits.

E. Budgeting

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

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

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

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels. Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

F. Cash and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

G. Accounts Receivable

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

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of food and surplus commodities received from the federal government. Food purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Expenses are allocated over the periods benefited.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes

Property tax levies are established by the School Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the 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 a deferred inflow of resources (property taxes levied for subsequent year). The majority of District revenue in the General (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

In accordance with state law, the current tax shift consists of Career Technical and Reemployment Insurance to be advance recognized as revenue each year with no corresponding state aid adjustment. These portions of the District's 2022 Pay 2023, normally revenue for the 2023-24 fiscal year, are also advance recognized as June 30, 2023, as required by state statute to match revenue with the same fiscal year as the related expenditures.

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

K. Capital Assets

Capital assets are capitalized as historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District capitalizes all computer hardware assets and maintains a threshold level of \$7,500 for capitalizing all other assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

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 15 years for equipment.

Capital assets not being depreciated include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of building or other improvable property.

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

L. Leases

The District determines if an arrangement is a lease at inception. Leases are included in intangible assets and lease liabilities in the statements of net position.

Right-to-use assets represent the District's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Right-to-use assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Right-to-use assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Leases (Continued)

The lease term may include options to extend or terminate the lease when it is reasonably certain that the District will exercise that option.

The District has recognized payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

The District accounts for contracts containing both lease and nonlease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and nonlease components, and it is impractical to estimate the price of such components, the District treats the components as a single lease unit.

M. Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. The District will not recognize the related outflow until a future event occurs.

N. Accrued Employee Benefits

Other Postemployment Benefits Payable

Under the provisions of the various employee and union contracts, the District provides health coverage until the age of 65 if certain age and minimum years of service requirements are met. The amount to be incurred is limited as specified by contract. All expenses are funded on a pay-as-you-go basis.

Compensated Absences

The District compensates employees who resign or retire with due notice for unused vacation and compensatory time. Employees may carry over vacation from one vacation year to another vacation year as established by employee contracts.

Vacation is considered an expenditure in the year due in the governmental funds. All estimated vacation is recorded when incurred in the government-wide statements.

O. Deferred Inflows of Resources

In addition to liabilities, the financial statements 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 or resources (revenue) until that time.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Pensions

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

Q. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has legal claim to them. The District has reported unearned revenues for the Food Service Fund excess school lunch deposits collected for the 2023-2024 school year.

R. Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Nonspendable portions of fund balance are related to prepaid items and inventories. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Superintendent and Board of Education to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

It is also the District's policy to strive to maintain a minimum unassigned general fund balance of two months of operating expenditures.

S. Net Position

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

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Adoption of New Accounting Standards

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The District adopted the requirements of the guidance effective July 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard did not result in any material agreements being identified.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds at June 30, 2023.

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 5,756,973	\$ 6,929,424	\$ 1,172,451
Special Revenue Funds:			
Food Service Fund	300,530	351,813	51,283

All related expenditures were approved by the District's Board.

B. Deficit Fund Balance

The Community Service Fund had a deficit fund balance at June 30, 2023 of \$29,640. This deficit will be eliminated through results of future operations or by future operating transfers.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

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

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

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

The District's deposits in banks at June 30, 2023 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

B. Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and receiving the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less.
- General obligations rated "A" or better, revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rate "A" or better.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

At June 30, 2023, the District had the following investments:

Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	<u>\$ 1,475,621</u>
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The MSDLAF+ is an external investment pool (Pool) that is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value per share of \$1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Government Accounting Standards Board.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District does not have a formal policy relating to this risk. The following chart summarizes year-end ratings for the District's investments as rated by Moody's Investors Service:

<u>Type</u>	<u>Credit Quality Rating</u>	<u>Amount</u>
MSDLAF+	AAAm	<u>\$ 1,475,621</u>

The District's deposits (\$2,257,800) and investments (\$1,475,621) are presented in the financial statements.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 326,253	\$ -	\$ -	\$ 326,253
Construction in Progress	-	690,900	-	690,900
Total Capital Assets, Not Being Depreciated	326,253	690,900	-	1,017,153
Capital Assets, Being Depreciated:				
Land Improvements	731,687	-	-	731,687
Buildings and Improvements	10,256,826	-	-	10,256,826
Equipment	1,929,072	119,762	-	2,048,834
Total Capital Assets, Being Depreciated	12,917,585	119,762	-	13,037,347
Accumulated Depreciation for:				
Land Improvements	(353,168)	(30,688)	-	(383,856)
Buildings and Improvements	(5,453,753)	(220,209)	-	(5,673,962)
Equipment	(1,290,538)	(138,535)	-	(1,429,073)
Total Accumulated Depreciation	(7,097,459)	(389,432)	-	(7,486,891)
Right-to-Use Lease Assets:				
Equipment	65,204	-	-	65,204
Less Accumulated Amortization:				
Equipment	(13,041)	(13,041)	-	(26,082)
Total Right-to-Use Assets, Net	52,163	(13,041)	-	39,122
Total Capital Assets, Being Depreciated/Amortized, Net	5,872,289	(282,711)	-	5,589,578
Governmental Activities Capital Assets, Net	<u>\$ 6,198,542</u>	<u>\$ 408,189</u>	<u>\$ -</u>	<u>\$ 6,606,731</u>

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

Governmental Activities	
District Support Services	\$ 13,041
Regular Instruction	256,402
Vocational Education Instruction	1,752
Instructional Support Services	14,571
Pupil Support Services	111,256
Sites and Buildings	5,451
Total Depreciation/Amortization Expense, Governmental Activities	<u>\$ 402,473</u>

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

	Issue Date	Interest Rate	Principal Outstanding	
			Due Within One Year	Total
Lease Liability:				
2021 Copier Lease	6/30/21	3.0%	\$ 12,153	\$ 41,966
Finance Purchase Agreements:				
2019 Van Lease	1/3/2020	2.6%	8,229	16,672
Total			<u>\$ 20,382</u>	<u>\$ 58,638</u>

B. Minimum Debt Payments

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

Year Ending June 30,	Finance Purchase Agreements		Lease Liability	
	Principal	Interest	Principal	Interest
2024	\$ 8,229	\$ 433	\$ 12,153	\$ 1,060
2025	8,443	220	12,522	690
2026	-	-	12,903	309
2027	-	-	4,388	16
Total	<u>\$ 16,672</u>	<u>\$ 653</u>	<u>\$ 41,966</u>	<u>\$ 2,075</u>

C. Description of Long-Term Debt

Compensated Absences

Compensated absences for governmental funds are recorded as a liability in the governmental activities in the government-wide statement. This liability matures only upon qualified retirements or terminations and is paid out of the general fund.

Finance Purchase Agreements

On January 3, 2020, the District entered into a finance purchase agreement for the acquisition of a van.

D. Changes in Long-Term Debt

	June 30, 2022	Additions	Retirements	June 30, 2023	Due in One Year
Finance Purchase Agreements	\$ 24,693	\$ -	\$ 8,021	\$ 16,672	\$ 8,229
Lease Liability	53,759	-	11,793	41,966	12,153
Compensated Absences Payable	12,331	19,706	19,062	12,975	-
Total	<u>\$ 90,783</u>	<u>\$ 19,706</u>	<u>\$ 38,876</u>	<u>\$ 71,613</u>	<u>\$ 20,382</u>

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 RESTRICTED FUND BALANCES

Fund Equity

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

A. Restricted for Student Activities

Represents available resources to be used for extracurricular activity funds raised by students.

B. Restricted for Scholarship

Represents resources to be used for scholarship funds.

C. Restricted for Capital Projects Levy

Represents available resources from the capital projects levy to be used for building construction and other projects.

D. Restricted for Operating Capital

Represents tax levies and state aid in the General Fund to be used for purchase of equipment and facilities.

E. Restricted for Early Childhood and Family Education Programs

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

F. Restricted for Other Purposes

The fund balance restriction represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Other Restricted:

Restricted for Food Service	\$ 156,600
Restricted for Community Service	15,467
Total Other Restricted	<u><u>\$ 172,067</u></u>

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 PENSION PLANS

A. Plan Description

1. General Employees Retirement Plan (General Employees Plan)

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.

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

2. Teachers Retirement Fund (TRA)

The Teacher's 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.

B. Benefits Provided

1. General Employees Plan Benefits

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

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

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

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

2. TRA Benefits

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

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

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier I Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years of Service are Up to July 1, 2006	1.2% per Year
	First Ten Years, If Service Years are July 1, 2006 or After	1.4% per Year
	All Other Years of Service If Service Years are Up to July 1, 2006	1.7% per Year
	All Other Years of Service If Service Years are July 1, 2006 or After	1.9% per Year

With these provisions:

- (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% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. 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.

**BATTLE LAKE PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

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 provisions in effect at the time they last terminated their public service.

C. Contributions

1. General Employees Plan Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2023 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2023 were \$78,906. The District's contributions were equal to the required contributions as set by state statute.

2. TRA Contributions

Per *Minnesota Statutes*, Chapter 354 rates for the fiscal year 2023 for coordinated were 7.50% for the employee and 8.55% for the employer. Basic rates were 11.00% for the employee and 12.55% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2023 were \$212,193. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2023, the District reported a liability of \$1,061,284 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 nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled \$31,130, for a total net pension liability of \$1,092,414 associated with the District. 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 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 0.0134% at the end of the measurement period and 0.0124% for the beginning of the period.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

For the year ended June 30, 2023, the District recognized pension liability of \$137,696 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$4,652 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 8,864	\$ 11,338
Changes in Actuarial Assumptions	240,188	4,316
Difference Between Projected and Actual		
Earnings on Pension Plan Investments	18,409	-
Changes in Proportion	69,072	3,185
District Contributions Subsequent to the Measurement Date	78,906	-
Total	<u>\$ 415,439</u>	<u>\$ 18,839</u>

\$78,906 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	Pension Expenses Amount
2024	\$ 117,158
2025	124,479
2026	(19,920)
2027	95,977

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs

At June 30, 2023, the District reported a liability of \$3,235,018 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. The District's proportionate share was .0404% at the end of the measurement period and .0411% at the beginning of the period.

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 the TRA Net	
Pension Liability	\$ 3,235,018
State's Proportionate Share of TRA's Net Pension	
Liability Associated with the District	239,905
Total	<u>\$ 3,474,923</u>

For the year ended June 30, 2023, the District recognized pension expense of \$(651,385). It also recognized \$(68,023) as an increase to pension expense for the support provided by direct aid.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 47,320	\$ 28,416
Changes in Actuarial Assumptions	518,244	684,618
Difference Between Projected and Actual		
Investment Earnings	90,386	-
Changes in Proportion	219,539	90,147
District Contributions Subsequent to the Measurement Date	212,193	-
Total	<u>\$ 1,087,682</u>	<u>\$ 803,181</u>

\$212,193 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30.</u>	Pension Expenses Amount
2024	\$ (576,392)
2025	124,661
2026	74,673
2027	459,206
2028	(9,840)

The District's total pension expense for all plans for the year ended June 30, 2023 was \$(577,060).

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 PENSION PLANS (CONTINUED)

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Totals	100.0 %	

The long-term expected rate of return on TRA 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 allocations and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Private Markets	25.0	5.90
Fixed Income	25.0	0.75
Totals	100.0 %	

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5% for PERA and 7.0% for TRA. 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% for PERA and 7.0% for TRA was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

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

TRA pre-retirement mortality rates were based on the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years. Generational projection uses the MP-2015 scale. Post-retirement mortality rates were based on the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment.

Inflation is assumed to be 2.5% for TRA. Benefit increases after retirement are assumed to be 1.0% for January 2019 through January 2023 then increasing by 0.10% each year up to 1.5% annually.

Salary growth assumptions for TRA range in annual increments from 2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

The following changes in actuarial assumptions for PERA occurred in 2022:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

The following changes in actuarial assumptions for TRA occurred in 2022:

- There have been no changes since the prior valuation.

G. Discount Rate

The discount rate used to measure the PERA General Employees Plan liability in 2021 was 6.50% and 2022 was 7.50%. 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.

The discount rate used to measure the TRA pension liability was 7.00%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the fiscal year 2022 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 PENSION PLANS (CONTINUED)

H. Pension Liability Sensitivity

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

Description	One Percent Decrease in Discount Rate	Current Discount Rate	One Percent Increase in Discount Rate
General Employees Plan Discount Rate	5.50%	6.50%	7.50%
District's Proportionate Share of the General Employees Plan Net Pension Liability	<u>\$ 1,676,354</u>	<u>\$ 1,061,284</u>	<u>\$ 556,832</u>
TRA Discount Rate	6.00%	7.00%	8.00%
District's Proportionate Share of the TRA Net Pension Liability	<u>\$ 5,099,830</u>	<u>\$ 3,235,018</u>	<u>\$ 1,706,454</u>

I. Pension Plan Fiduciary Net Position

Detailed information about General Employees Plan's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-657-3669.

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single employer postemployment defined benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through the District's health insurance plan. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. There are four retired participants and 75 active participants. The Plan does not issue a publicly available financial report.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

B. Funding Policy

The District does not have assets designated to pay for OPEB related costs. Contribution requirements are negotiated between District and union representatives. For the fiscal year 2023, the District contributed \$11,055 to the plan.

C. Actuarial Methods and Assumptions

The District's OPEB liability was measured as of July 1, 2022, and the total OPEB liability was determined by an actuarial valuation as of July 1, 2021. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using the standard actuarial roll forward techniques.

The total OPEB liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Salary Increases	Services Graded Table
Health Care Trend Rates	6.50% Decreasing to 5.00% Over 6 Years

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Teachers) with MP-2020 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2020 to June 30, 2021.

The discount rate used to measure the total OPEB liability was 2.1%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

Since the most recent GASB 75 valuation, the following changes have been made:

- There have been no changes since the prior valuation.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Changes in the OPEB Liability

	Total OPEB Liability
Balances - June 30, 2022	\$ 174,851
Changes for the Year:	
Service Cost	17,425
Interest	3,911
Assumption Changes	-
Differences Between Expected and Actual Experience	-
Benefit Payments	(12,119)
Net Changes	9,217
Balances - June 30, 2023	\$ 184,068

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 one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (1.10%)	Discount Rate (2.10%)	1% Increase (3.10%)
OPEB Liability	\$ 192,408	\$ 184,068	\$ 175,587

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 health care cost trend rates that are 1% lower (5.50% decreasing to 4.00% over 6 years) or 1% higher (7.50% decreasing to 6.00% over 6 years) than the current health care cost trend rates:

	1% Decrease (5.50% Decreasing to 4.0%)	Current Trend Rates (6.50% Decreasing to 5.0%)	1% Increase (7.50% Decreasing to 6.0%)
Medical Trend Rate			
OPEB Liability	\$ 165,780	\$ 184,068	\$ 205,109

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Changes in the OPEB Liability (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 9,458	\$ 14,162
Changes in Actuarial Assumptions	6,927	826
District Contributions Subsequent to the Measurement Date	11,055	-
Total	<u>\$ 27,440</u>	<u>\$ 14,988</u>

\$11,055 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 net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	Future Recognition
2024	\$ 6,219
2025	(2,413)
2026	(2,409)
2027	-
Total	<u>\$ 1,397</u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$27,555.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Federal and State Receivables

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

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 JOINT VENTURE

The District, in conjunction with seven other school districts, is a member district of Fergus Falls Area Special Education Cooperative No. 935. The Joint Powers Board consists of one representative and one delegate from each member district. The representative is the Superintendent of Schools of each member district, and the delegate is one School Board member from each member district appointed by the School Board of that member district, who serves a three-year term. The purpose of the Joint Powers Board is to provide, by cooperative effort, a comprehensive special education program for the member districts. Each member district is entitled to one vote, which shall be cast by the delegate of that member district. No dues were charged to the District by the joint venture for year ended June 30, 2023.

Fergus Falls Area Special Education Cooperative is separately audited from the District. Complete financial statements for the Cooperative can be obtained from its administrative office at 518 Friberg Avenue, Fergus Falls, MN 56537.

NOTE 11 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; error and omissions; injuries to employees; natural disasters and workers' compensation. The District carries its workers' compensation insurance through EMC Insurance Group, Inc.

The District continues to carry commercial insurance for all other risk of loss. Along with the commercial insurance coverage is an umbrella policy that also covers workers' compensation. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. In addition, there have been no settlements in excess of the Districts insurance coverage in any of the prior three years.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
REVENUES				
Local Sources:				
Property Taxes	\$ 1,334,485	\$ 1,334,485	\$ 1,380,737	\$ 46,252
Earnings on Investments	12,000	12,000	110,966	98,966
Other	129,550	129,550	250,337	120,787
State Sources	3,751,364	3,747,152	3,863,960	116,808
Federal Sources	308,639	312,851	454,103	141,252
Total Revenues	5,536,038	5,536,038	6,060,103	524,065
EXPENDITURES				
Current:				
Administration	295,256	291,956	293,236	1,280
District Support Services	175,915	174,215	168,758	(5,457)
Regular Instruction	2,803,450	2,806,557	2,823,781	17,224
Vocational Education Instruction	213,686	213,686	234,335	20,649
Special Education Instruction	569,970	569,970	548,396	(21,574)
Instructional Support Services	125,995	127,995	167,660	39,665
Pupil Support Services	575,333	569,230	624,687	55,457
Sites and Buildings	679,868	679,868	1,147,446	467,578
Fiscal and Other Fixed Cost Programs	27,500	28,496	27,399	(1,097)
Capital Outlay	281,100	286,100	871,851	585,751
Debt Service:				
Principal	6,839	6,839	19,814	12,975
Interest and Fiscal Charges	2,061	2,061	2,061	-
Total Expenditures	5,756,973	5,756,973	6,929,424	1,172,451
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(220,935)	(220,935)	(869,321)	(648,386)
OTHER FINANCING SOURCES				
Insurance Proceeds	-	-	355,839	355,839
NET CHANGE IN FUND BALANCE	<u>\$ (220,935)</u>	<u>\$ (220,935)</u>	(513,482)	<u>\$ (292,547)</u>
Fund Balance - Beginning of Year			3,307,421	
FUND BALANCE - END OF YEAR			<u>\$ 2,793,939</u>	

See accompanying Notes to Required Supplementary Information.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
BUDGETARY COMPARISON SCHEDULE — FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local Sources:				
Earnings on Investments	\$ 200	\$ 500	\$ 3,544	\$ 3,044
Other - Primarily Meal Sales	33,500	135,500	131,061	(4,439)
State Sources	4,000	21,500	17,495	(4,005)
Federal Sources	<u>265,600</u>	<u>145,800</u>	<u>190,354</u>	<u>44,554</u>
Total Revenues	<u>303,300</u>	<u>303,300</u>	<u>342,454</u>	<u>39,154</u>
EXPENDITURES				
Current:				
Food Service	299,530	299,530	348,856	49,326
Capital Outlay	<u>1,000</u>	<u>1,000</u>	<u>2,957</u>	<u>1,957</u>
Total Expenditures	<u>300,530</u>	<u>300,530</u>	<u>351,813</u>	<u>51,283</u>
NET CHANGE IN FUND BALANCE	<u>\$ 2,770</u>	<u>\$ 2,770</u>	(9,359)	<u>\$ (12,129)</u>
Fund Balance - Beginning of Year			<u>172,534</u>	
FUND BALANCE - END OF YEAR			<u>\$ 163,175</u>	

See accompanying Notes to Required Supplementary Information.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
BUDGETARY COMPARISON SCHEDULE — COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local Sources:				
Property Taxes	\$ 63,186	\$ 63,186	\$ 62,682	\$ (504)
Earnings on Investments	100	100	516	416
Other - Primarily Tuition and Fees	141,100	141,100	133,808	(7,292)
State Sources	<u>19,747</u>	<u>19,747</u>	<u>22,397</u>	<u>2,650</u>
Total Revenues	224,133	224,133	219,403	(4,730)
EXPENDITURES				
Current:				
Community Service	<u>245,755</u>	<u>245,755</u>	<u>233,434</u>	<u>(12,321)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (21,622)</u>	<u>\$ (21,622)</u>	(14,031)	<u>\$ 7,591</u>
Fund Balance - Beginning of Year			<u>(15,609)</u>	
FUND BALANCE - END OF YEAR			<u>\$ (29,640)</u>	

See accompanying Notes to Required Supplementary Information.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
SCHEDULE OF CHANGES IN THE DISTRICT'S OPEB LIABILITY AND
RELATED RATIOS
JUNE 30, 2023**

Measurement Date	July 1, 2022	July 1, 2021	July 1, 2020
Total OPEB Liability:			
Service Cost	\$ 17,425	\$ 16,917	\$ 14,640
Interest	3,911	5,818	5,629
Assumption Changes	-	11,545	-
Differences Between Expected and Actual Experience	(12,119)	(23,606)	-
Benefit Payments	-	(13,092)	(19,700)
Net Change in Total OPEB Liability	9,217	(2,418)	569
Total OPEB Liability - Beginning of Year	174,851	177,269	176,700
Total OPEB Liability - End of Year	<u>\$ 184,068</u>	<u>\$ 174,851</u>	<u>\$ 177,269</u>
Covered Employee Payroll	<u>\$ 3,092,988</u>	<u>\$ 3,002,901</u>	<u>\$ 2,996,248</u>
District's Net OPEB Liability as a Percentage of Covered Employee Payroll	5.95%	5.82%	5.92%

Note 1: The District implemented GASB Statement No. 75 in fiscal year 2018, and the above table will be expanded to 10 years of information as the information becomes available.

Note 2: No assets are accumulated in a trust.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
SCHEDULE OF CHANGES IN THE DISTRICT'S OPEB LIABILITY AND
RELATED RATIOS (CONTINUED)
JUNE 30, 2023**

<u>July 1, 2019</u>	<u>July 1, 2018</u>	<u>July 1, 2017</u>
\$ 14,214	\$ 9,649	\$ 9,368
4,694	4,685	5,289
(4,146)	-	-
47,306	-	-
<u>(18,292)</u>	<u>(18,958)</u>	<u>(46,236)</u>
43,776	(4,624)	(31,579)
<u>132,924</u>	<u>137,548</u>	<u>169,127</u>
<u>\$ 176,700</u>	<u>\$ 132,924</u>	<u>\$ 137,548</u>
<u>\$ 2,908,979</u>	<u>\$ 2,690,059</u>	<u>\$ 2,611,708</u>
6.07%	4.94%	5.27%

See accompanying Notes to Required Supplementary Information.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS**

	Measurement Date June 30, 2022	Measurement Date June 30, 2021	Measurement Date June 30, 2020
PERA - General Employees Fund			
District's Proportion of the Net Pension Liability	0.0134%	0.0124%	0.0115%
District's Proportionate Share of the Net Pension Liability	\$ 1,061,284	\$ 529,536	\$ 689,478
State's Proportionate Share of the Net Pension Liability Associated with District	31,130	16,198	21,342
Total District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	<u>\$ 1,092,414</u>	<u>\$ 545,734</u>	<u>\$ 710,820</u>
District's Covered Payroll	<u>\$ 996,133</u>	<u>\$ 885,387</u>	<u>\$ 783,093</u>
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	106.54%	59.81%	88.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.67%	87.00%	79.10%
TRA			
District's Proportion of the Net Pension Liability	0.0404%	0.0411%	0.0384%
District's Proportionate Share of the Net Pension Liability	\$ 3,235,018	\$ 1,798,659	\$ 2,837,044
State's Proportionate Share of the Net Pension Liability Associated with District	239,905	151,964	237,649
Total District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	<u>\$ 3,474,923</u>	<u>\$ 1,950,623</u>	<u>\$ 3,074,693</u>
District's Covered Payroll	<u>\$ 2,576,331</u>	<u>\$ 2,468,327</u>	<u>\$ 2,260,265</u>
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	125.57%	72.87%	125.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.17%	86.63%	75.48%

See accompanying Notes to Required Supplementary Information.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (CONTINUED)
LAST TEN FISCAL YEARS**

Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
0.0117%	0.0134%	0.0135%	0.0132%	0.0129%	0.0131%
\$ 646,867	\$ 743,377	\$ 861,831	\$ 1,071,775	\$ 668,545	\$ 615,372
20,166	24,491	10,807	14,027	-	-
<u>\$ 667,033</u>	<u>\$ 767,868</u>	<u>\$ 872,638</u>	<u>\$ 1,085,802</u>	<u>\$ 668,545</u>	<u>\$ 615,372</u>
<u>\$ 804,160</u>	<u>\$ 876,813</u>	<u>\$ 849,293</u>	<u>\$ 792,040</u>	<u>\$ 749,851</u>	<u>\$ 690,165</u>
80.44%	84.78%	101.48%	135.32%	89.16%	89.16%
80.23%	79.53%	75.90%	68.91%	78.20%	78.70%
0.0379%	0.0382%	0.0392%	0.0374%	0.0360%	0.0414%
\$ 2,415,754	\$ 2,400,132	\$ 7,825,031	\$ 8,920,792	\$ 2,226,956	\$ 1,907,682
213,787	225,499	756,608	896,416	273,051	134,165
<u>\$ 2,629,541</u>	<u>\$ 2,625,631</u>	<u>\$ 8,581,639</u>	<u>\$ 9,817,208</u>	<u>\$ 2,500,007</u>	<u>\$ 2,041,847</u>
<u>\$ 2,157,704</u>	<u>\$ 2,110,867</u>	<u>\$ 2,126,173</u>	<u>\$ 2,593,666</u>	<u>\$ 1,890,998</u>	<u>\$ 1,891,000</u>
111.96%	113.70%	368.03%	343.95%	117.77%	100.88%
78.21%	78.07%	51.57%	44.88%	76.80%	81.50%

See accompanying Notes to Required Supplementary Information.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	2023	2022	2021
PERA - General Employees Fund			
Contractually Required Contribution	\$ 78,906	\$ 74,710	\$ 66,404
Contributions in Relation to the Contractually Required Contribution	(78,906)	(74,710)	(66,404)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	<u>\$ 1,052,080</u>	<u>\$ 996,133</u>	<u>\$ 885,387</u>
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%
TRA			
Contractually Required Contribution	\$ 212,193	\$ 214,866	\$ 200,675
Contributions in Relation to the Contractually Required Contribution	(212,193)	(214,866)	(200,675)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	<u>\$ 2,481,789</u>	<u>\$ 2,576,331</u>	<u>\$ 2,468,327</u>
Contributions as a Percentage of Covered Payroll	8.55%	8.34%	8.13%

Note: Information is presented prospectively and an accumulation of 10 years will be provided.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
SCHEDULE OF DISTRICT CONTRIBUTIONS (CONTINUED)
LAST TEN FISCAL YEARS**

2020	2019	2018	2017	2016	2015	2014
\$ 58,732	\$ 60,312	\$ 65,761	\$ 63,697	\$ 59,403	\$ 55,339	\$ 50,037
(58,732)	(60,312)	(65,761)	(63,697)	(59,403)	(55,339)	(50,037)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ 783,093</u>	<u>\$ 804,160</u>	<u>\$ 876,813</u>	<u>\$ 849,293</u>	<u>\$ 792,040</u>	<u>\$ 749,851</u>	<u>\$ 690,165</u>
7.50%	7.50%	7.50%	7.50%	7.50%	7.38%	7.25%
\$ 179,013	\$ 166,359	\$ 158,315	\$ 159,463	\$ 194,525	\$ 137,107	\$ 132,370
(179,013)	(166,359)	(158,315)	(159,463)	(194,525)	(137,107)	(132,370)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ 2,260,265</u>	<u>\$ 2,157,704</u>	<u>\$ 2,110,867</u>	<u>\$ 2,126,173</u>	<u>\$ 2,593,666</u>	<u>\$ 1,890,998</u>	<u>\$ 1,891,000</u>
7.92%	7.71%	7.50%	7.50%	7.50%	7.25%	7.00%

See accompanying Notes to Required Supplementary Information.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

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

2022

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2020 (Continued)

Changes in Plan Provisions

- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018

Changes in Actuarial Assumption

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2017

Changes in Actuarial Assumption

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 % per year thereafter.

Changes in Plan Provisions

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

2016

Changes in Actuarial Assumptions

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

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions

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

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

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

2022

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.50% to 7.00%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years.
- Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2018 (Continued)

Changes in Actuarial Assumptions (Continued)

- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

Changes in Plan Provisions

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

2017

Changes in Actuarial Assumptions

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2017 (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
- The postretirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2015 (Continued)

Changes in Plan Provisions

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

2014

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.

Changes in Plan Provisions

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

NOTE 2 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

July 1, 2022

Assumption Changes

- There have been no changes since the prior valuation

Benefit Changes

- There have been no changes since the prior valuation.

July 1, 2021

Assumption Changes

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%
- The discount rate was changed from 3.10% to 2.10%.

Benefit Changes

- There have been no changes since the prior valuation.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 2 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

July 1, 2020

Assumption Changes

- There have been no changes since the prior valuation.

Benefit Changes

- There have been no changes since the prior valuation.

July 1, 2019

Assumption Changes

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.0% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.40% to 3.10%.

Benefit Changes

- There have been no changes since the prior valuation.

July 1, 2018

Assumption Changes

- There have been no changes since the prior valuation.

Benefit Changes

- There have been no changes since the prior valuation.

July 1, 2017

Assumption Changes

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables (detrended to 2006) and then projected beyond the valuation date using scale MP-2016.
- The discount rate was changed from 3.50% to 3.40%.

Benefit Changes

- There have been no changes since the prior valuation.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 3 COMPLIANCE - BUDGETS

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

In the following funds, expenditures exceeded the appropriations during the year ended June 30, 2023:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 5,756,973	\$ 6,929,424	\$ 1,172,451
Special Revenue Funds:			
Food Service Fund	300,530	351,813	51,283

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

SUPPLEMENTARY INFORMATION

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2023**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenues	\$ 6,080,103	\$ 6,060,103	\$ -	Total Revenues	\$ -	\$ -	\$ -
Total Expenditures	\$ 6,929,424	\$ 6,929,422	\$ 2	Total Expenditures	\$ -	\$ -	\$ -
Non Spendable:				Non Spendable:			
460 Non Spendable Fund Balance	\$ 7,277	\$ 7,277	\$ -	460 Non Spendable Fund Balance	\$ -	\$ -	\$ -
Restricted/Reserved:				Restricted/Reserved:			
401 Student Activities	\$ 68,440	\$ 68,440	\$ -	407 Capital Projects Levy	\$ -	\$ -	\$ -
402 Scholarship	\$ 448	\$ 448	\$ -	409 Alternative Fac. Program	\$ -	\$ -	\$ -
403 Staff Development	\$ -	\$ -	\$ -	413 Projects Funded by COP/LP	\$ -	\$ -	\$ -
407 Capital Project Levy	\$ 195,149	\$ 195,149	\$ -	Restricted:			
408 Cooperative Programs	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ -	\$ -	\$ -
409 Alternative Facilities	\$ -	\$ -	\$ -	Unassigned:			
413 Projects Funded by COP/LP	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
414 Operating Debt	\$ -	\$ -	\$ -				
416 Levy Reduction	\$ -	\$ -	\$ -	07 DEBT SERVICE			
417 Excess Taconite Building Maint. Funds	\$ -	\$ -	\$ -	Total Revenues	\$ -	\$ -	\$ -
423 Certain Teacher Programs	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
424 Operating Capital	\$ 212,652	\$ 212,652	\$ -	Non Spendable:			
426 S25 Taconite	\$ -	\$ -	\$ -	460 Non Spendable Fund Balance	\$ -	\$ -	\$ -
427 Disabled Accessibility	\$ -	\$ -	\$ -	Restricted/Reserved:			
428 Learning & Development	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
434 Area Learning Center	\$ -	\$ -	\$ -	451 QZAB Payments	\$ -	\$ -	\$ -
435 Contracted Alt. Programs	\$ -	\$ -	\$ -	Restricted:			
436 St. Approved Alt. Prog.	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ -	\$ -	\$ -
438 Gifted & Talented	\$ -	\$ -	\$ -	Unassigned:			
440 Teacher Development & Eval	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
441 Basic Skills	\$ -	\$ -	\$ -				
445 Career and Technical Programs	\$ -	\$ -	\$ -	08 TRUST			
449 Safe Schools Levy	\$ -	\$ -	\$ -	Total Revenues	\$ -	\$ -	\$ -
450 Pre-Kindergarten	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
451 QZAB and QSCB Payments	\$ -	\$ -	\$ -	422 Net Assets	\$ -	\$ -	\$ -
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -				
467 LTFM	\$ -	\$ -	\$ -	09 AGENCY			
Restricted:				Unrestricted: Should Always Be 0-			
464 Restricted Fund Balance	\$ -	\$ -	\$ -	422 Unassigned	\$ -	\$ -	\$ -
Committed							
418 Committed for Separation	\$ -	\$ -	\$ -	20 INTERNAL SERVICE			
461 Committed Fund Balance	\$ -	\$ -	\$ -	Total Revenues	\$ -	\$ -	\$ -
Assigned:				Total Expenditures	\$ -	\$ -	\$ -
462 Assigned Fund Balance	\$ 526,291	\$ 526,291	\$ -	422 Net Assets	\$ -	\$ -	\$ -
Unassigned:							
422 Unassigned	\$ 1,783,682	\$ 1,783,685	\$ (3)	25 OPEB REVOCABLE TRUST			
02 FOOD SERVICE				Total Revenues	\$ -	\$ -	\$ -
Total Revenues	\$ 342,454	\$ 342,453	\$ 1	Total Expenditures	\$ -	\$ -	\$ -
Total Expenditures	\$ 351,813	\$ 351,811	\$ 2	422 Net Assets	\$ -	\$ -	\$ -
Non Spendable:							
460 Non Spendable Fund Balance	\$ 6,575	\$ 6,575	\$ -	45 OPEB IRREVOCABLE TRUST			
Restricted:				Total Revenues	\$ -	\$ -	\$ -
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ 156,600	\$ 156,600	\$ -	422 Net Assets	\$ -	\$ -	\$ -
Unassigned:							
463 Unassigned	\$ -	\$ -	\$ -	47 OPEB DEBT SERVICE			
04 COMMUNITY SERVICE				Total Revenues	\$ -	\$ -	\$ -
Total Revenues	\$ 219,403	\$ 219,402	\$ 1	Total Expenditures	\$ -	\$ -	\$ -
Total Expenditures	\$ 233,434	\$ 233,433	\$ 1	Non Spendable:			
Restricted/Reserved:				460 Non Spendable Fund Balance	\$ -	\$ -	\$ -
426 S25 Taconite	\$ -	\$ -	\$ -	Restricted:			
431 Community Education	\$ (46,300)	\$ (46,300)	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
432 E C F E.	\$ 28,191	\$ 28,191	\$ -	464 Restricted Fund Balance	\$ -	\$ -	\$ -
444 School Readiness	\$ (26,998)	\$ (26,998)	\$ -	Unassigned:			
447 Adult Basic Education	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -				
Restricted:							
464 Restricted Fund Balance	\$ 15,467	\$ 15,469	\$ (2)				
Unassigned:							
463 Unassigned Fund Balance	\$ -	\$ -	\$ -				

* Amounts differ from those reported on the fund level balance sheet due to the needs to reclassify negative restricted fund balance to unassigned fund balance.

OTHER REQUIRED REPORTS



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

Board of Education
Battle Lake Public Schools
Independent School District No. 542
Battle Lake, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of 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 September 5, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 through 2023-003 that we consider to be material weaknesses.

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*.

The 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 and questioned costs. 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.



CliftonLarsonAllen LLP

Alexandria, Minnesota
September 5, 2023



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Battle Lake Public Schools
Independent School District No. 542
Battle Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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. 542 (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 September 5, 2023.

In connection with our audit, we noted that the District failed to comply with provisions of the conflicts of interest section of *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, in so far as they relate to accounting matters as described in the Schedule of findings and responses as item 2023-004. 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, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters,. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The District's written response to the legal compliance findings identified in our audit are described in the Schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Board of Education
Battle Lake Public Schools
Independent School District No. 542

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

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

CliftonLarsonAllen LLP

Alexandria, Minnesota
September 5, 2023

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023**

Material Weaknesses in Internal Control Over Financial Reporting

Finding: 2023-001 Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)

Condition: The Board and management share the ultimate responsibility for the District's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

The District engages CLA to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the District's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the District has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of U.S. generally accepted accounting principles and knowledge of the District's activities and operations.

Criteria or Specific Requirement: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. generally accepted accounting principles.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls in the normal course of business.

Cause: The District's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the District's financial statements and related disclosures. However, management has reviewed and approved the financial statements and related disclosures.

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Repeat Finding: Prior year finding identified as Finding 2022-001.

Views of Responsible Officials: There is no disagreement with the audit finding. The District will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures and will review and approve these prior to the issuance of the annual financial statements.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Material Weaknesses in Internal Control Over Financial Reporting (Continued)

Finding: 2023-002 Limited Segregation of Duties

Condition: Due to the limited size of the District's business office staff, the District has limited segregation of duties in several areas.

Criteria or Specific Requirement: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Effect: The District is unable to maintain segregation of incompatible duties.

Cause: There is a limited number of staff in the business office.

Recommendation: We recommend that the District continue to segregate duties as best it can within the limits of what the District considers to be cost beneficial. We recommend the District implement review procedures to be performed by the Superintendent over the following areas: (1) disbursements, and (2) journal entries.

Repeat Finding: Prior year finding identified as Finding 2022-002.

Views of Responsible Officials:

There is no disagreement with the audit finding. The District reviews and makes improvements to its internal controls on an ongoing basis, and attempts to maximize the segregation of duties in all areas within the limits of the staff available.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Material Weaknesses in Internal Control Over Financial Reporting (Continued)

Finding: 2023-003 Audit Adjustments

Condition: As part of the audit, we proposed material adjustments related to the property tax revenues, interest income and state aid receivables.

Criteria or Specific Requirement: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair representation in the financial statements in accordance with U.S. GAAP. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statement to correct material misstatements and produce accurate financial statements on a timely basis.

Effect: Errors in the preparation of year-end balances increases the risk related to financial statement misstatements. The amounts were, in our judgment, material to the financial statements and therefore, we concluded that a material weakness existed in the District's control policies and procedures related to recording such adjustments, which are required to be reported under professional standards.

Cause: Limited amount of resources available to the business office.

Recommendation: We recommend that District management and financial personnel establish a process to ensure the recording of all related transactions to properly adjust financial statements at year-end.

Repeat Finding: Prior year finding identified as Finding 2022-003.

Views of Responsible Officials: There is no disagreement with the audit finding. The District will review the prior year audit journal entries and create a process to ensure the proper and timely recording of all adjustments in order to produce accurate and timely financial statements.

**BATTLE LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 542
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Minnesota Legal Compliance

Finding: 2023-004 Conflicts of Interest

Condition: It was noted per review of the school board meeting minutes, that the Board did not officially approve employment of one of the board members.

Criteria or Specific Requirement: Minnesota Statutes state that any employment contract with school board members must be entered into or renewed at a meeting where all board members were present and approved by majority vote.

Effect: The District is out of compliance with state statute.

Cause: District was unaware of statute.

Recommendation: We recommend that District update their policies and procedures to ensure the District is in compliance with the state statute for employment of board members going forward.

Repeat Finding: Not applicable.

Views of Responsible Officials: There is no disagreement with the audit finding. The District is aware of the statute and will update their policies and procedures to ensure that they are in compliance.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

FORM OF LEGAL OPINION

(See following pages)



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Affirmative Action, Equal Opportunity Employer

§ _____
INDEPENDENT SCHOOL DISTRICT NO. 542
(BATTLE LAKE PUBLIC SCHOOLS)
OTTER TAIL COUNTY, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2024A

We have acted as bond counsel to Independent School District No. 542 (Battle Lake Public Schools), Otter Tail County, Minnesota (the “Issuer”), in connection with the issuance by the Issuer of its General Obligation School Building Bonds, Series 2024A (the “Bonds”), originally dated March __, 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 11, 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.
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. 542
(BATTLE LAKE PUBLIC SCHOOLS)
OTTER TAIL COUNTY, 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. 542 (Battle Lake Public Schools), Otter Tail County, 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. 542 (Battle Lake Public Schools), Otter Tail County, 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, Otter Tail, 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. 542
(BATTLE LAKE PUBLIC SCHOOLS),
OTTER TAIL COUNTY, MINNESOTA**

Board Chair

Clerk

APPENDIX E

TERMS OF PROPOSAL

\$30,520,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2024A INDEPENDENT SCHOOL DISTRICT NO. 542 (BATTLE LAKE PUBLIC SCHOOLS), MINNESOTA

Proposals for the purchase of \$30,520,000* General Obligation School Building Bonds, Series 2024A (the "Bonds") of Independent School District No. 542 (Battle Lake Public Schools), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via bondsale@ehlers-inc.com or **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on February 12, 2024, at which time they will be opened, read and tabulated. The proposals will be presented to the School Board for consideration for award by resolution at a meeting to be held at 6:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held November 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 March 7, 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	\$1,205,000	2032	\$1,585,000	2039	\$1,675,000
2026	1,095,000	2033	1,305,000	2040	1,745,000
2027	1,150,000	2034	1,355,000	2041	1,815,000
2028	1,305,000	2035	1,420,000	2042	1,885,000
2029	1,370,000	2036	1,495,000	2043	1,960,000
2030	1,435,000	2037	1,550,000	2044	2,045,000
2031	1,510,000	2038	1,615,000		

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 March 7, 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 \$30,520,000 plus accrued interest on the principal sum of \$30,520,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:30 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

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

A good faith deposit ("Deposit") in the amount of \$610,400 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 (5th) 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 (5th) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PRELIMINARY OFFICIAL STATEMENT

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

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

By Order of the School Board

Independent School District No. 542
(Battle Lake Public Schools), Minnesota

PROPOSAL FORM

The School Board
Independent School District No. 542 (Battle Lake Public Schools), Minnesota (the "District")

February 12, 2024

RE: \$30,520,000* General Obligation School Building Bonds, Series 2024A (the "Bonds")
DATED: March 7, 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 \$30,520,000) 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 \$610,400 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 March 7, 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 March 7, 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. 542 (Battle Lake Public Schools), Minnesota, on February 12, 2024.

By: _____ By: _____
Title: _____ Title: _____