PRELIMINARY OFFICIAL STATEMENT DATED MAY 28, 2020

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 786
(BERTHA-HEWITT PUBLIC SCHOOL), MINNESOTA
(Todd and Otter Tail Counties)

(Minnesota School District Credit Enhancement Program)
$1,975,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2020A

PROPOSAL OPENING: June 11, 2020, 10:00 A.M., C.T.
CONSIDERATION: Not later than 11:59 P.M., C.T. on June 11, 2020 (PARAMETERS RESOLUTION)

PURPOSE/AUTHORITY/SECURITY: The $1,975,000* General Obligation School Building Bonds, Series 2020A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, and a special election held April 14, 2020 by Independent School District No. 786 (Bertha-Hewitt Public School), Minnesota (the "District"), for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Knutson, Flynn & Deans, P.A., Mendota Heights, Minnesota.

DATE OF BONDS: July 9, 2020

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2030	$300,000	2032	$325,000	2034	$345,000
2031	315,000	2033	335,000	2035	355,000

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: February 1, 2021 and semiannually thereafter.

OPTIONAL REDEMPTION: The Bonds are subject to call for prior optional redemption on February 1, 2028 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: $1,935,500.

MAXIMUM PROPOSAL: $2,172,500.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $39,500 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

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

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

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

		Term Expires
Sharon Thiel	Chairperson	January 2023
Matthew Blashack	Vice Chairperson	January 2021
Russ VanDenheuvel	Clerk	January 2021
Keith Bauch	Treasurer	January 2023
Sarah Baumgartner	Member	January 2021
Janelle Bright	Member	January 2023
Kim Gavin	Member	January 2023

ADMINISTRATION

Eric Koep, Superintendent of Schools

Lynn Lindquist, Business Manager

PROFESSIONAL SERVICES

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

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 786 (Bertha-Hewitt Public School), Minnesota (the "District") and the issuance of its $1,975,000* General Obligation School Building Bonds, Series 2020A (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").

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 July 9, 2020. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2021, 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"). 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, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation 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 shall be subject to optional redemption prior to maturity on February 1, 2028 or any date thereafter, at a price of par plus accrued interest.

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 by the District, pursuant to Minnesota Statutes, Chapter 475, and a special election held April 14, 2020, at which voters approved a building program by a vote of 320 - 232. Proceeds of the Bonds will be used to provide funds for the acquisition and betterment of school sites and facilities, including the construction and equipping of an addition to the existing school site and facility that will include a fitness center, building renovations including but not limited to a secure entry and instructional spaces, and the completion of various deferred maintenance projects to school sites and facilities.

ESTIMATED SOURCES AND USES*

Sources			
	Par Amount of Bonds	$1,975,000	
	Reoffering Premium	80,300	
	Total Sources		**$2,055,300**
Uses			
	Total Underwriter's Discount (1.500%)	$29,625	
	Costs of Issuance	50,196	
	Deposit to Capitalized Interest (CIF) Fund	33,246	
	Deposit to Project Construction Fund	1,942,233	
	Total Uses		**$2,055,300**

*Preliminary, subject to change.

SECURITY

The Bonds are general obligations of the District to which its full faith, 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 rating from Moody’s Investors Service ("Moody’s"). Moody’s has a policy which assigns a minimum rating of "Aa2" to issuers participating in the MNCEP. The "Aa2" rating is based on the State of Minnesota’s current "Aa1" rating from Moody’s. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS" for further details.

The District currently has an "A2" underlying rating from Moody's and will be requesting an underlying rating on this issue. Such rating 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 judgement 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 May 18, 2020 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, 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 warrant 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 purposes of 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 6, 2019, for General Obligation State Bonds, Series 2019A, 2019B, 2019C and 2019D, the State of Minnesota disclosed the following information about the State Credit Enhancement Program for School Districts.

> "As the date of this Official Statement, 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 2046, is approximately $15.1 billion. 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 the date of this Official Statement is $2.3 billion, with the maximum amount of principal and interest payable in any one month being $889.3 million. 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, 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.

Prior continuing disclosure undertakings entered into by the District included language stating that an Annual Report including the District's audited financial statements and operating data would be filed "as soon as available." Although the District did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. The June 30, 2015 budget was due to be filed on June 30, 2015, but was not filed until February 19, 2016. A failure to file notice has since been filed. Except to the extent the preceding is deemed to be material, the District believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The District has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the District.

LEGAL MATTERS

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Knutson, Flynn & Deans, P.A., Mendota Heights, Minnesota, Bond Counsel to the District, and will be available at the time of delivery of the 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 AND RELATED CONSIDERATIONS

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

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 31, 2019 have been audited by Fargo, North Dakota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as “APPENDIX A – FINANCIAL STATEMENTS”. The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

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 revenues (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.

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.

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

On May 13, 2020, Minnesota Governor Tim Walz signed Emergency Executive Order 20-53 which extends the COVID-19 Peacetime Emergency which was originally declared on March 13, 2020. This peacetime emergency has been extended through June 12, 2020. On May 27, 2020, the Governor signed Emergency Executive Order 20-63 which outlines guidelines for continuing to safely reopen Minnesota's economy and ensuring safe non-work activities during the COVID-19 peacetime emergency. This order is effective as of June 1, 2020. On April 23, 2020, the Governor also signed Emergency Executive Order 20-41 which directed the Commissioner of Education to extend the Distance Learning Period for Minnesota's students through the end of the current school year.

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	2017/18	2018/19	2019/20
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 $1,940,000 - 0.50% [2] Over $1,940,000 - 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 $1,880,000 - 0.50% [2] Over $1,880,000 - 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 $121,000 - .75% Over $121,000 - .25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $139,000 - .75% Over $139,000 - .25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $150,000 - .75% Over $150,000 - .25%
Industrial/Commercial/Utility[5]	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%

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

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

3 Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2018/19 Economic Market Value[1] $359,838,566[2]

2019/20 Assessor's Estimated Market Value

	Todd County	Otter Tail County	Total
Real Estate	$ 290,393,200	$ 70,450,000	$ 360,843,200
Personal Property	2,880,300	0	2,880,300
Total Valuation	$ 293,273,500	$ 70,450,000	$ 363,723,500

2019/20 Net Tax Capacity

	Todd County	Otter Tail County	Total
Real Estate	$ 2,103,232	$ 540,705	$ 2,643,937
Personal Property	57,127	0	57,127
Net Tax Capacity	$ 2,160,359	$ 540,705	$ 2,701,064
Less: Captured Tax Increment Tax Capacity[3]	(18,882)	0	(18,882)
Taxable Net Tax Capacity	$ 2,141,477	$ 540,705	$ 2,682,182

1 The most recent value available from the Minnesota Department of Revenue.

2 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for Independent School District No. 786 (Bertha-Hewitt Public School) is about 90.37% 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 $359,838,566.

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

2019/20 NET TAX CAPACITY BY CLASSIFICATION

	2019/20 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$ 496,148	18.37%
Agricultural	1,793,368	66.39%
Commercial/industrial	105,322	3.90%
Public utility	11,171	0.41%
Railroad operating property	822	0.03%
Non-homestead residential	170,316	6.31%
Commercial & residential seasonal/rec.	66,790	2.47%
Personal property	57,127	2.12%
Total	$ 2,701,064	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Taxable Net Tax Capacity[2]	Percent +/- in Estimated Market Value
2015/16	$204,441,100	$185,920,393	$ 1,448,512	$ 1,448,512	- 2.83%
2016/17	199,338,200	181,391,650	1,415,814	1,415,814	- 2.50%
2017/18 [3]	319,564,600	359,649,580	2,307,618	2,298,987	+ 60.31%
2018/19	331,655,000	301,304,364	2,449,295	2,439,312	+ 3.78%
2019/20	363,723,500	333,207,964	2,682,182	2,663,300	+ 9.67%

1 Net Tax Capacity is before fiscal disparities adjustments and includes tax increment and power line values.

2 Taxable Net Tax Capacity is after fiscal disparities adjustments and does not include tax increment or power line values.

3 These figures include the additional property values added to the District as of July 1, 2017 due to the attachment of a portion of the Eagle Valley District to the District.

LARGER TAXPAYERS

Taxpayer	Type of Property	2019/20 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Aspen Plantation, LLP	Agriculture	$124,789	4.65%
Minnesota Power & Light Co.	Utility	50,621	1.89%
Farms Boys, LLC	Agriculture/Residential	24,745	0.92%
Individuals	Agriculture	20,699	0.77%
CCMorgan, LLC	Agriculture	17,775	0.66%
Individuals	Agriculture	17,266	0.64%
Individuals	Agriculture	15,866	0.59%
Individuals	Agriculture	15,389	0.57%
Individuals	Agriculture	12,982	0.48%
Individuals	Agriculture	11,227	0.42%
Total		$311,359	11.61%

District's Total 2019/20 Net Tax Capacity $2,682,182

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

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids[2] (includes the Bonds)*	$7,195,000

Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations[2]	$608,066

*Preliminary, subject to change.

STATE AID FOR DEBT SERVICE

The Minnesota Debt Service Equalization program provides state aid to finance a portion of the principal and interest payments on most school district bonds. Bonds not eligible for the program include all alternative facilities bonds, facilities maintenance bonds, capital facilities bonds and OPEB bonds, as well as building bonds with relatively short maturities.

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

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

Some Districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to Districts to offset a portion of certain bond levies (Minn. Stat. Section 273.1387). The reimbursement percentages are 40% for taxes payable in 2018 and 2019, 50% for 2020, 55% for 2021, 60% for 2022, and 70% for 2023 and thereafter. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, rural vacant land and managed forestland. The amount of agricultural credit received in the debt service fund for taxes payable 2020 is approximately 29.3% of total annual debt service levies, based on the District's 2018/19 qualifying agricultural land valuation.

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

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

Independent School District No. 786 (Bertha-Hewitt Public School), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 07/09/2020)

	School Building Bonds Series 2012A		Taxable Reorganization Operating Debt Bonds 1) Series 2017A		Facilities Maintenance Bonds Series 2019A		School Building Bonds Series 2020A							
Dated	05/30/2012		09/12/2017		03/14/2019		07/09/2020							
Amount	$3,540,000		$600,000		$1,370,000		$1,975,000*							
Maturity	02/01		08/01		02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2021	350,000	83,200	100,000	7,550	80,000	38,400	0	33,246	530,000	162,396	692,396	6,665,000	7.37%	**2021**
2022	370,000	76,200	100,000	5,550	85,000	36,000	0	59,250	555,000	177,000	732,000	6,110,000	15.08%	**2022**
2023	375,000	68,800	100,000	3,425	90,000	33,450	0	59,250	565,000	164,925	729,925	5,545,000	22.93%	**2023**
2024	380,000	61,300	100,000	1,150	90,000	30,750	0	59,250	570,000	152,450	722,450	4,975,000	30.85%	**2024**
2025	390,000	52,750			90,000	28,050	0	59,250	480,000	140,050	620,050	4,495,000	37.53%	**2025**
2026	405,000	43,488			90,000	25,350	0	59,250	495,000	128,088	623,088	4,000,000	44.41%	**2026**
2027	415,000	33,363			90,000	22,650	0	59,250	505,000	115,263	620,263	3,495,000	51.42%	**2027**
2028	420,000	22,988			90,000	19,950	0	59,250	510,000	102,188	612,188	2,985,000	58.51%	**2028**
2029	435,000	11,963			90,000	17,250	0	59,250	525,000	88,463	613,463	2,460,000	65.81%	**2029**
2030					90,000	14,550	300,000	59,250	390,000	73,800	463,800	2,070,000	71.23%	**2030**
2031					95,000	11,850	315,000	50,250	410,000	62,100	472,100	1,660,000	76.93%	**2031**
2032					95,000	9,000	325,000	40,800	420,000	49,800	469,800	1,240,000	82.77%	**2032**
2033					100,000	6,150	335,000	31,050	435,000	37,200	472,200	805,000	88.81%	**2033**
2034					105,000	3,150	345,000	21,000	450,000	24,150	474,150	355,000	95.07%	**2034**
2035							355,000	10,650	355,000	10,650	365,650	0	100.00%	**2035**
	3,540,000	454,050	400,000	17,675	1,280,000	296,550	1,975,000	720,246	7,195,000	1,488,521	8,683,521			

* Preliminary, subject to change.

1) This issue is payable from debt service levies made on all taxable property located in the parcels of the Eagle Valley School District, which were assigned to the District.

Independent School District No. 786 (Bertha-Hewitt Public School), Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 07/09/2020)

	Equipment Lease Series 2012							
Dated	04/20/2012							
Amount	$1,151,824							
Maturity	Monthly							
Fiscal Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2021	72,582	20,340	72,582	20,340	92,921	535,485	11.94%	**2021**
2022	82,157	19,211	82,157	19,211	101,369	453,328	25.45%	**2022**
2023	85,383	15,986	85,383	15,986	101,369	367,945	39.49%	**2023**
2024	88,735	12,634	88,735	12,634	101,369	279,210	54.08%	**2024**
2025	92,218	9,150	92,218	9,150	101,368	186,992	69.25%	**2025**
2026	95,839	5,530	95,839	5,530	101,368	91,154	85.01%	**2026**
2027	91,154	1,767	91,154	1,767	92,921	0	100.00%	**2027**
	608,066	84,618	608,066	84,618	692,685			

BONDED DEBT LIMIT

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

2019/20 Assessor's Estimated Market Value	$ 363,723,500
Multiply by 15%	0.15
Statutory Debt Limit	$ 54,558,525
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes* (includes the Bonds)	(7,195,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	(608,066)
Unused Debt Limit*	$ 47,363,525

*Preliminary, subject to change.

OVERLAPPING DEBT[1]

Taxing District	2019/20 Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Todd County	$ 24,412,313	8.7721%	$ 2,415,000	$ 211,846
Otter Tail County	101,254,012	0.5340%	22,065,000	117,827
City of Eagle Bend	213,353	100.0000%	2,384,000	2,384,000
District's Share of Total Overlapping Debt				$ 2,713,673

DEBT PAYMENT HISTORY

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

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value ($359,838,566)	Debt/ Current Population Estimate (3,413)
Direct G.O. Debt Secured By Taxes and State Aids[1]*	$ 7,195,000	2.00%	$2,108.12
Less: State Agricultural Credit	(2,108,135)		
Tax Supported General Obligation Debt*	$ 5,086,865	1.41%	$1,490.44
District's Share of Total Overlapping Debt	$ 2,713,673	0.75%	$795.10
Total*	$ 7,800,538	2.17%	$2,285.54

*Preliminary, subject to change.

FUTURE FINANCING

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

LEVY LIMITS

Minnesota school district tax levies for most purposes are subject to statutory limitations. No limit, however, is placed on the debt service levy, and districts are required to levy 105% of actual principal and interest requirements to allow for delinquencies.

School districts receive a basic revenue amount per pupil unit from aid and levy proceeds in a variety of categorical state aids. They are also allowed to certify additional levies within limits for certain specified purposes. The State Department of Education and the applicable County Auditors review the levies of each school district to determine compliance with state levy limits.

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1 Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 29.3% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is $2,108,135.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[1]	Total Collected Following Year	Collected to Date[2]	% Collected
2015/16	$676,689	$649,977	$673,792	99.57%
2016/17	693,645	662,887	688,710	99.29%
2017/18	665,764	639,851	659,100	99.00%
2018/19	703,311	680,230	681,407	96.89%
2019/20	661,817	In process of collection		

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

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

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

2 Collections are through December 31, 2019 for Todd County and March 31, 2020 for Otter Tail County.

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

TAX CAPACITY RATES[1]

	2015/16	2016/17	2017/18	2018/19	2019/20
I.S.D. No. 786 (Bertha-Hewitt Public School)	38.109%	37.647%	28.251%	27.253%	22.100%
Todd County	72.507%	73.842%	74.568%	71.970%	66.564%
Otter Tail County	42.129%	41.858%	42.296%	41.561%	41.882%
City of Bertha	115.083%	107.609%	100.223%	98.084%	103.282%
City of Eagle Bend	N/A	N/A	103.210%	99.461%	102.069%
City of Hewitt	103.237%	110.162%	103.947%	94.490%	104.226%
Town of Stowe Prairie[2]	40.726%	37.047%	37.551%	33.204%	29.332%
Otter Tail County HRA	0.624%	0.674%	0.693%	1.307%	1.373%
Referendum Market Value Rates:					
I.S.D. No. 786 (Bertha-Hewitt Public School)	0.24922%	0.30648%	0.15473%	0.15473%	0.17505%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Todd and Otter Tail Counties.

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

2 Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 78, including 35 non-licensed employees and 43 licensed employees (40 of whom are teachers). The District provides education for 496 students in grades kindergarten through twelve.

DISSOLUTION OF INDEPENDENT SCHOOL DISTRICT NO. 2759 (EAGLE VALLEY PUBLIC SCHOOLS) AND ATTACHMENT TO OTHER DISTRICTS

On April 10, 2017, the Board of Independent School District No. 2759 (Eagle Valley Public Schools) (the "Eagle Valley District") adopted a resolution giving notice of the involuntary dissolution of the Eagle Valley District, effective July 1, 2017. Pursuant to Minnesota Statutes Section 123A. 46, the county board of the county containing the greatest land area of the district being dissolved must issue an order attaching the territory of the dissolving Eagle Valley District to one or more adjoining districts. On June 20, 2017, the Todd County Board issued an order dissolving the Eagle Valley District and attaching portions of its territory to the District and Independent School District No. 787 (Browerville Public Schools).

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, Chapter 354 and 356.

Public Employees' Retirement Association (PERA)

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

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Teachers	June 30, 2021
Local 70	June 30, 2021

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent actuarial study shows a total OPEB liability of $482,151 as of July 1, 2019. The District has been funding these obligations on a pay-as-you-go basis.

Source: The District's most recent actuarial study.

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2015/16	32	197	195	424
2016/17	36	198	215	449
2017/18	38	220	205	463
2018/19	33	220	217	470
2019/20	38	224	234	496

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2020/21	28	220	240	488
2021/22	30	220	230	480
2022/23	28	215	230	473

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Bertha-Hewitt School	1953	1980, 2000

FUNDS ON HAND (as of April 30, 2020)

Fund	Total Cash and Investments
General	$ 2,274,100
Food Service	187,379
Community Service	(56,739)
Debt Service	288,531
Building/Construction	176,500
Total Funds on Hand	$ 2,869,771

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.

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the District's General Fund. These summaries are not purported to be the complete audited financial statements of the District, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the District. Copies of the complete statements are available upon request. Appendix A includes the 2019 audited financial statements.

	FISCAL YEAR ENDING JUNE 30				
COMBINED STATEMENT	**2016 Audited**	**2017 Audited**	**2018 Audited**	**2019 Audited**	**2019-20 Amended Budget [2)]**
Revenues					
Local property taxes	$149,364	$282,052	$336,983	$302,893	$308,982
Other local and county revenues	179,688	236,759	278,248	440,740	286,309
State sources	4,313,947	4,997,373	5,247,886	5,681,601	5,611,992
Federal sources	204,710	197,451	245,932	263,922	293,331
Sales and other conversion of assets	13,014	9,523	1,469	5,904	32,865
Total Revenues	**$4,860,723**	**$5,723,158**	**$6,110,518**	**$6,695,060**	**$6,533,479**
Expenditures					
Current:					
Administration	$479,806	$299,953	$332,573	$406,244	$452,308
District support services	103,800	99,053	109,054	127,359	176,296
Regular instruction	2,340,774	2,395,914	2,583,088	3,160,283	2,906,877
Vocational instruction	140,316	131,734	139,175	139,970	140,871
Exceptional instruction	867,668	864,169	968,146	856,065	963,837
Instructional support services	173,418	231,488	266,271	208,143	266,130
Pupil support services	531,797	530,200	622,984	698,207	731,997
Site, buildings and equipment	786,454	707,766	872,152	819,541	861,123
Fiscal and other fixed cost programs	25,865	30,951	44,948	50,868	54,500
Capital outlay	0	0	0	0	0
Debt service	0	0	0	0	0
Total Expenditures	**$5,449,898**	**$5,291,228**	**$5,938,391**	**$6,466,680**	**$6,553,939**
Excess of revenues over (under) expenditures	(589,175)	431,930	172,127	228,380	(20,460)
Other Financing Sources (Uses)					
Bond proceeds	$0	$0	$600,000	$0	
Operating transfers in	0	0	0	0	
Operating transfers out	0	0	(8,704)	0	
Total Other Financing Sources (Uses)	**0**	**0**	**591,296**	**0**	
Net changes in Fund Balances	**($589,175)**	**$431,930**	**$763,423**	**$228,380**	
General Fund Balance July 1	$2,162,734	$1,573,561	$2,005,491	$2,300,487 [1)]	
Special item - payment associated with reorganization of Eagle Valley school district	0	0	(568,843)	0	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance June 30	$1,573,559	$2,005,491	$2,200,071	$2,528,867	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	$29,852	$28,699	$47,570	$39,602	
Restricted	299,061	343,681	421,703	523,724	
Assigned	0	0	203,749	304,136	
Unassigned	1,244,646	1,633,111	1,527,049	1,661,405	
Total	**$1,573,559**	**$2,005,491**	**$2,200,071**	**$2,528,867**	

1. Restatement was made to account for the board's decision to bring the student activities under board control in fiscal year 2019.

2. The 2019-20 budget was adopted May 2019 and revised May 18, 2020.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 2,388 and a current population estimate of 3,413, and comprising an area of 134,400 acres, is located approximately 153 miles northwest of the Minneapolis-St. Paul metropolitan area. The 2010 population does not include the additional population and area for the portion of the Eagle Valley District that was attached to the District as of July 1, 2017.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	**Type of Business/Product**	**Estimated No. of Employees**
I.S.D. No. 786 (Bertha-Hewitt Public School)	Elementary and secondary education	78
Diamond Tool and Engineering	Plastics & rubber industrial machinery & manufacturing	30
Bertha Medical Clinic/Tri County Health Care-Bertha	Medical clinics	18
Bertha Ambulance	Ambulance service	12
Main Street Express	Gasoline service	10
Richter Construction	General Contractors	10
St. Paul Lutheran Church	Churches	10
Braaten Aggregate Inc.	Privately-owned traded company	8
Harms Manufacturing Inc.	Farm equipment and game manufacturing	7
Star Bank	Commercial Bank	6
Pete's Lumber	Hardware - Retail	5

Source: *ReferenceUSA*, *written and telephone survey (April 2020), 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. Some employers do not respond to inquiries for employment data. Estimates provided are accurate as of the date noted and may not reflect changes in the number of employees resulting from the current COVID-19 pandemic. (See "Risk Factors - Impact of the Spread of COVID-19").

U.S. CENSUS DATA

Population Trend: The District[1]

2000 U.S. Census population	2,348
2010 U.S. Census population	2,388
2018 Population Estimate	3,413
Percent of Change 2000 - 2010	+ 1.70%

Income and Age Statistics

	The District	Todd County	State of Minnesota	United States
2018 per capita income	$23,124	$25,848	$36,245	$32,621
2018 median household income	$44,181	$52,872	$68,411	$60,293
2018 median family income	$76,401	$64,230	$86,204	$73,965
2018 median gross rent	$637	$644	$944	$1,023
2018 median value owner occupied units	$229,700	$149,300	$211,800	$204,900
2018 median age	40.1 yrs.	44.0 yrs.	37.9 yrs.	37.9 yrs.

	State of Minnesota	United States
District % of 2018 per capita income	63.80%	70.89%
District % of 2018 median family income	88.63%	103.29%

Source: *2000 and 2010 Census of Population and Housing, and 2018 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (https://data.census.gov/cedsci).*

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	Average Unemployment	
Year	Todd County	Todd County	State of Minnesota
2016	12,334	4.7%	3.9%
2017	12,973	3.9%	3.4%
2018	13,062	3.9%	2.9%
2019	13,358	4.4%	3.3%
2020, April	12,560	6.3%	8.6%

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

[1] The 2000 and 2010 population figures do not include the additional population for the portion of the Eagle Valley District that was attached to the District as of July 1, 2017.

APPENDIX A

FINANCIAL STATEMENTS

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

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

Financial Statements
June 30, 2019

Independent School District No. 786
Bertha-Hewitt School District

EideBailly

eidebailly.com

School Board and Administration (Unaudited)

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

- Government-Wide Financial Statements
  - Statement of Net Position
  - Statement of Activities
- Fund Financial Statements
  - Governmental Fund
    - Balance Sheet
    - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
    - Statement of Revenues, Expenditures, and Changes in Fund Balances
    - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
  - General Fund
    - Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual
- Notes to Financial Statements

Required Supplementary Information

- Schedule of Changes in the District's Total OPEB Liability and Related Ratios
- Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

Combining and Individual Fund Schedules

- General Fund
  - Schedule of Changes in UFARS Fund Balances
- Nonmajor Governmental Fund
  - Combining Balance Sheet
  - Combining Schedule of Revenues, Expenditures and Changes in Fund Balance

Other Supplementary Information

- Changes in Student Activity Cash Balances
- Uniform Accounting and Reporting Standards Compliance Table

Additional Reports

- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Report on Compliance over Financial Reporting of the Student Activity Accounts
- Independent Auditor's Report on *Minnesota Legal Compliance*
- Schedule of Audit Findings

Name	Position	Term Expires
Sharon Thiel	Chairperson	2022
Matt Blashack	Vice Chairperson	2020
Keith Bauch	Treasurer	2022
Russ VanDenheuvel	Clerk	2020
Janelle Bright	Director	2022
Sarah Baumgartner	Director	2020
Kim Gavin	Director	2022
Administration		
Eric Koep	Superintendent	
Lynn Lindquist	Business Manager	

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The School Board of
Independent School District No. 786
Bertha-Hewitt School District
Bertha, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 786, Bertha, Minnesota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 12 to the financial statements, the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of net position and fund balance as of July 1, 2018. Our opinions are not modified with respect to this matter.

Other Matters

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

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The school board and administration, combining and individual fund schedules, schedule of changes in student activity cash balances, and uniform accounting and reporting standards compliance table are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund schedules, uniform accounting and reporting standards compliance table, and schedule of changes in student activity cash balances are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The school board and administration has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated November 20, 2019, on our consideration of the District's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's Minnesota Legal Compliance Audit Guide for School Districts in considering the District's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

Eide Bailly LLP

Fargo, North Dakota
November 20, 2019

This section of Bertha Hewitt School District – Independent School District 786's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019.

Financial Highlights

Key financial highlights for the 2018-2019 fiscal year:

General Fund 01 – The overall revenues were $6,693,823 while the overall expenditures were $6,466,696, increasing fund balance by $227,127.

Food Service Fund 02 – The revenues were $373,731 and the expenditures were $341,929, increasing fund balance by $31,802.

Community Service Fund 04 – The revenues were $197,778 while the expenditures were $172,915, decreasing fund deficit by about $24,863.

Building Project Fund 06 – The revenues were $2,030 while the expenditures were $470,123. In addition bond proceeds and bond premium totaled $1,411,798. Overall, the fund balance increased $943,705.

Debt Service Fund 07 – The overall revenues were $621,013 while the expenditures were $612,990. Overall, the fund balance increased by $11,149.

Overview of the Financial Statements

The financial section of the annual report consists of three parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section) and the basic financial statements. 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.

Independent School District No. 786
Bertha-Hewitt School District
Management's Discussion and Analysis
June 30, 2019

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

1. Management's Discussion and Analysis
2. Basic Financial Statements
   - District-Wide Financial Statements
   - Fund Financial Statements

Footnote 1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

Governmental Funds – All 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 explains the relationship (or differences) between them.

Independent School District No. 786
Bertha-Hewitt School District
Management's Discussion and Analysis
June 30, 2019

Financial Analysis of the District as a Whole

Net Position – The District's combined net position was $1,143,336 on June 30, 2019. A condensed version of the Statement of Net Position at June 30, 2019 and 2018 is as follows:

Statement of Net Position (Deficit)
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets	$ 5,427,687	$ 4,096,714
Capital assets	9,090,068	9,035,790
Total assets	14,517,755	13,132,504
Deferred Outflows of Resources	4,129,730	5,174,376
Liabilities		
Other liabilities	1,544,230	1,354,944
Long-term liabilities	9,875,423	14,520,709
Total liabilities	11,419,653	15,875,653
Deferred Inflows of Resources	6,084,504	2,852,075
Net Position (Deficit)		
Net investment in capital assets	3,964,455	3,956,983
Restricted	1,735,838	630,227
Unrestricted	(4,556,965)	(5,008,058)
Total net position (deficit)	$ 1,143,328	$ (420,848)

Changes in Net Position – The District's total revenues were $7,934,736 million for the year ended June 30, 2019.

The total cost of all programs and services was $6,472,222. The District's expenses are predominantly related to educating and caring for students.

Total revenues surpassed expenses, increasing net position $1,462,514.

A condensed version of the Statement of Activities for the years ended June 30, 2019 and 2018 is as follows:

Statement of Activities
Years Ended June 30, 2019 and 2018

	2019	2018
Revenues		
Program revenues		
Charges for service	$ 566,418	$ 488,553
Operating grants and contributions	535,259	517,293
General		
Property taxes	752,660	680,014
Aids and payments from state and other	5,978,143	5,483,398
Miscellaneous revenues	106,605	1,993
Total revenues	7,939,085	7,171,251
Expenses		
District and school administration	406,852	331,512
District support services	122,040	122,946
Regular instruction	2,149,594	3,596,821
Vocational instruction	142,633	141,838
Exceptional instruction	857,103	969,184
Community education and services	172,915	235,158
Instructional support services	211,292	224,945
Pupil support services	1,051,401	945,817
Site, buildings and equipment	1,172,182	1,097,816
Fiscal and other fixed-cost programs	189,313	178,980
Total expenses	6,475,325	7,845,017
Special item - payment associated with reorganization of Eagle Valley school district	-	(568,843)
Change in Net Position (Deficit)	1,463,760	(1,242,609)
Net Position (Deficit) - Beginning, as restated on July 1, 2018 (Note 12)	(320,432)	821,761
Net Position (Deficit) - Ending	$ 1,143,328	$ (420,848)

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 $3,748,849. Revenues for the District's governmental funds were $7,888,375, while total expenditures were $8,064,653.

General Fund

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

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2019	2018		
Local property taxes	$ 302,893	$ 336,983	$ (34,090)	-10.1%
Other local sources	440,740	278,248	162,492	58.4%
State sources	5,681,601	5,247,886	433,715	8.3%
Federal sources	263,922	245,932	17,990	7.3%
Sales and other conversions	5,904	1,469	4,435	301.9%
Total General Fund revenues	$ 6,695,060	$ 6,110,518	$ 584,542	9.6%

The revenues increased in the General Fund by $583,305 or 9.5% from the previous fiscal year. The increase in state sources is a combination of increased general education aid due to more students in 2019 and increased pension aid revenue. The increase in other local sources was attributed to bringing student activities under board control in 2019. The mix of property tax and state aid can change significantly from year to year without any net change on revenue.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30, 2019	Year Ended June 30, 2018	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries and employee benefits	$ 4,197,500	$ 3,961,451	$ 236,049	6.0%
Purchased services	1,459,645	1,343,571	116,074	8.6%
Supplies, materials and equipment	344,166	162,238	181,928	112.1%
Capital expenditures	231,943	348,606	(116,663)	-33.5%
Other expenditures	233,426	122,525	110,901	90.5%
Total General Fund expenditures	$ 6,466,680	$ 5,938,391	$ 528,289	8.9%

The expenses increased in the General Fund by $528,305 or 8.9% from the previous fiscal year. The increase in expenditures was attributed to an increase in employee salaries and benefits in order to support an increase in student counts and student activities brought under board control.

Basic general education revenue is determined by the state on a per student funding formula. Other state-authorized revenue, including levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue. The District will continue to look at various cost containment measures to minimize the effect of the uncertainty of education funding by the State of Minnesota.

The total fund balance of approximately $2.5 million at June 30, 2019 represents a $227,127 increase in the fund balance from the previous year. This included one-time items of bond proceeds and debt payments associated with the reorganization of Eagle Valley School District.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into three categories:

- Implementing budgets for specially funded projects, which include both federal and state grants, and budgeting for clearing, resale, and gifts.
- Increases in appropriations for significant unbudgeted costs.
- Revising budgets to reflect all salary settlements.

The District's final general fund results when compared to the revised budget are:

- Actual revenues were $527,961 more than expected.
- The actual expenditures were $321,834 more than budgeted.

Other Non-Major Funds

The Food Service Fund maintains a fund balance of $169,098. The Community Service Fund maintains a negative fund balance of $15,700. Both of these funds continue to operate on a sound financial basis.

Capital Asset and Debt Administration

By the end of 2018-2019, the District had invested $16,700,800 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. Total depreciation expense for the year was $460,178.

Capital Assets
June 30, 2019 and 2018

	2019	2018
Land	$ 39,000	$ 39,000
Construction in progress	461,738	-
Site improvements	214,100	214,100
Buildings	14,766,667	14,766,667
Equipment	1,219,295	1,185,175
Accumulated depreciation	(7,610,732)	(7,169,152)
Total capital assets	$ 9,090,068	$ 9,035,790

See the notes to the financial statements for additional information on capital assets.

Long-Term Liabilities

At year-end, the District had $5,805,000 in general obligation bonds, $690,613 in capital lease payable, and $352,255 in special assessment payable. The District also had $48,694 in post-employment severance and approximately $326,156 in other post-employment benefit obligations at June 30, 2019. The District had $3,324,888 in net pension liability at year-end.

- The District continued to pay down its debt, retiring $480,000 of outstanding bonds.
- The District issued $1,370,000 in facilities maintenance bonds during the year.

See the notes to the financial statements for additional information on long-term liabilities.

Factors Bearing on the District's Future

With the exception of the voter-approved excess operating referendum, the District is dependent on the State of Minnesota for its revenue authority. At the time these financial statements were prepared and audited, the District was aware of the following factors that could significantly affect its financial health in the future:

- The political environment at the state level will have a significant effect on future finances. The state legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive.

- Enrollment fluctuations can have a significant effect on the District's revenue. We will continue to monitor enrollment closely and adjust budgets as necessary.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Bertha-Hewitt ISD 786, 310 Central Avenue South, Bertha, MN 56437.

Independent School District No. 786
Bertha-Hewitt School District
Statement of Net Position
June 30, 2019

Assets	
Cash and investments	$ 4,021,458
Receivables	
Current property taxes	487,513
Delinquent property taxes	25,679
Due from other governmental units	808,489
Accounts	26,235
Prepaid items	48,309
Inventories	10,004
	5,427,687
Capital assets	
Non-depreciable	
Land	39,000
Construction in progress	461,738
Depreciable	
Improvements	214,100
Buildings	14,766,667
Equipment	1,219,295
Less accumulated depreciation	(7,610,732)
Total capital assets, net of depreciation	9,090,068
Total assets	14,517,755
Deferred Outflows of Resources	
OPEB	21,654
Pension plans	4,108,076
Total deferred outflows of resources	4,129,730
Liabilities	
Accounts payable	187,275
Salaries payable	552,125
Due to other governments	69,524
Accrued interest payable	62,623
Unearned revenue	500
Long-term liabilities	
Due within one year - bonds, capital lease, and special assessment	672,183
Due in more than one year - bonds, capital lease, special assessment, severance, and compensated absences	6,224,379
Due in more than one year - OPEB	326,156
Due in more than one year - net pension liability	3,324,888
Total liabilities	11,419,653
Deferred Inflows of Resources	
Unavailable revenue-property taxes	843,736
Pension plans	5,240,768
Total deferred inflows of resources	6,084,504
Net Position (Deficit)	
Net investment in capital assets	3,964,455
Restricted	1,735,838
Unrestricted	(4,556,965)
Total net position	$ 1,143,328

The Notes to Financial Statements are an integral part of this statement

Independent School District No. 786
Bertha-Hewitt School District
Statement of Activities
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Administration	$ 406,852	$ 87,793	$ 21,503	$ (297,556)
District support services	122,040	-	-	(122,040)
Regular instruction	2,149,594	204,050	217,084	(1,728,460)
Vocational educational instruction	142,633	34,269	7,569	(100,795)
Special education instruction	857,103	21,144	25,335	(810,624)
Community education and services	172,915	108,205	-	(64,710)
Instructional support services	211,292	-	-	(211,292)
Pupil support services	1,051,401	106,101	263,768	(681,532)
Sites and buildings	1,172,182	4,856	-	(1,167,326)
Fiscal and other fixed-cost programs	189,313	-	-	(189,313)
Total governmental activities	$ 6,475,325	$ 566,418	$ 535,259	(5,373,648)
General Revenues				
Property taxes, levied for general purposes				304,316
Property taxes, levied for community service				24,934
Property taxes, levied for debt service				423,410
Aids and payments from the state				5,971,267
County apportionment				6,876
Miscellaneous revenues				106,605
Total general revenues				6,837,408
Changes in net position (deficit)				1,463,760
Net deficit - beginning, as restated (Note 12)				(320,432)
Net position - ending				$ 1,143,328

The Notes to Financial Statements are an integral part of this statement

Independent School District No. 786
Bertha-Hewitt School District
Governmental Fund
Balance Sheet
June 30, 2019

	General	Debt Service	Building Project	Other Governmental Funds	Totals
Assets					
Cash and investments	2,465,182	$ 313,369	$ 1,059,968	$ 182,939	$ 4,021,458
Receivables					
Current property taxes	170,766	290,050	-	26,697	487,513
Delinquent property taxes	8,306	16,628	-	745	25,679
Due from other governmental units	783,232	18,896	-	6,361	808,489
Accounts	24,352	-	-	1,883	26,235
Prepaid items	39,602	-	-	8,707	48,309
Inventories	-	-	-	10,004	10,004
Total assets	$ 3,491,440	$ 638,943	$ 1,059,968	$ 237,336	$ 5,427,687
Liabilities					
Accounts payable	$ 69,000	$ -	$ 116,263	$ 2,012	$ 187,275
Due to other governments	69,524	-	-	-	69,524
Salaries payable	518,966	-	-	33,159	552,125
Unearned revenue	500	-	-	-	500
Total liabilities	657,990	-	116,263	35,171	809,424
Deferred inflows of resources					
Unavailable revenue-property taxes	304,583	516,065	-	48,767	869,415
Fund Balance (Deficit)					
Nonspendable	39,602	-	-	18,711	58,313
Restricted	523,724	122,878	943,705	190,781	1,781,088
Assigned	304,136	-	-	-	304,136
Unassigned	1,661,405	-	-	(56,094)	1,605,311
Total fund balance	2,528,867	122,878	943,705	153,398	3,748,848
Total liabilities, deferred inflows of resources, and fund balances	$ 3,491,440	$ 638,943	$ 1,059,968	$ 237,336	$ 5,427,687

The Notes to Financial Statements are an integral part of this statement

Independent School District No. 786
Bertha-Hewitt School District
Governmental Fund
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Total Fund Balances - Governmental Funds	$ 3,748,848
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,090,068
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(62,623)
Delinquent property taxes are not considered available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	25,679
Total OPEB obligation liabilities are not recognized in the funds.	(326,156)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds	(1,111,038)
Long-term liabilities, including bonds payable, capital lease, net pension liability, special assessment, compensated absences and severance payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds.	(10,221,450)
Total Net Position - Governmental Activities	$ 1,143,328

The Notes to Financial Statements are an integral part of this statement

Independent School District No. 786
Bertha-Hewitt School District
Governmental Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2019

	General	Debt Service	Building Project	Other Governmental Funds	Totals
Revenues					
Local property tax levies	$ 302,893	$ 423,410	$ -	$ 24,934	$ 751,237
Other local and county sources	440,740	8,672	2,030	84,022	535,464
State sources	5,681,601	192,057	-	124,392	5,998,050
Federal sources	263,922	-	-	263,768	527,690
Sales and other conversion of assets	5,904	-	-	74,393	80,297
Total revenues	6,695,060	624,139	2,030	571,509	7,892,738
Expenditures					
Administration	406,244	-	-	-	406,244
District support services	127,359	-	-	-	127,359
Regular instruction	3,160,283	-	-	-	3,160,283
Vocational education instruction	139,970	-	-	-	139,970
Special education instruction	856,065	-	-	-	856,065
Community education and service	-	-	-	172,915	172,915
Instructional support services	208,143	-	-	-	208,143
Pupil support services	698,207	-	-	341,929	1,040,136
Sites and buildings	819,541	-	473,249	-	1,292,790
Fiscal and other fixed cost programs	50,868	612,990	-	-	663,858
Total expenditures	6,466,680	612,990	473,249	514,844	8,067,763
Excess (Deficiency) of Revenues Over (Under) Expenditures	228,380	11,149	(471,219)	56,665	(175,025)
Other Financing Sources					
Bond proceeds	-	-	1,370,000	-	1,370,000
Premium on bonds	-	-	44,924	-	44,924
Total other financing sources	-	-	1,414,924	-	1,414,924
Net Change in Fund Balance	228,380	11,149	943,705	56,665	1,239,899
Fund Balance, Beginning of Year, as restated (Note 12)	2,300,487	111,729	-	96,733	2,508,949
Fund Balance, End of Year	$ 2,528,867	$ 122,878	$ 943,705	$ 153,398	$ 3,748,848

The Notes to Financial Statements are an integral part of this statement

Net Change in Fund Balances - Total Governmental Funds	$ 1,239,899
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expenses and net disposals exceed capital outlays in the current period.	54,278
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,423
In the statement of activities compensated absences and severance 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.	(3)
In the statement of activities OPEB obligations 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.	(12,919)
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	992,517
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(811,435)
Change in Net Position of Governmental Activities	$ 1,463,760

The Notes to Financial Statements are an integral part of this statement

Independent School District No. 786
Bertha-Hewitt School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local property tax levies	$ 290,062	$ 294,663	$ 302,893	$ 8,230
Other local and county sources	219,119	250,188	440,740	190,552
State sources	5,151,684	5,370,073	5,681,601	311,528
Federal sources	272,130	254,013	263,922	9,909
Sales and other conversion of assets	1,125	(3,075)	5,904	8,979
Total revenues	5,934,120	6,165,862	6,695,060	529,198
Expenditures				
Administration	411,715	394,142	406,244	(12,102)
District support services	115,738	125,479	127,359	(1,880)
Regular instruction	2,620,481	2,838,087	3,160,283	(322,196)
Vocational education instruction	135,959	137,295	139,970	(2,675)
Special education instruction	932,538	915,552	856,065	59,487
Instructional support services	213,650	201,247	208,143	(6,896)
Pupil support services	627,272	659,069	698,207	(39,138)
Sites and buildings	865,253	825,888	819,541	6,347
Fiscal and other fixed cost programs	43,500	48,100	50,868	(2,768)
Total expenditures	5,966,106	6,144,859	6,466,680	(321,821)
Net Change in Fund Balance	$ (31,986)	$ 21,003	228,380	$ 207,377
Fund Balance, Beginning of Year, as restated (Note 12)			2,300,487	
Fund Balance, End of Year			$ 2,528,867	

The Notes to Financial Statements are an integral part of this statement

Note 1 - Summary of Significant Accounting Policies

A. Organization

Independent School District No. 786, Bertha-Hewitt School District, Bertha, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

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

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

Student activities are determined primarily by students' participants under the guidance of an adult and are generally conducted outside of school hours. The School Board does have fiduciary responsibility in establishing board policies and ensuring that appropriate financial records are maintained for student activities. In accordance with Minnesota Statues, the District's School Board has elected to control or exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are included in these financial statements. As discussed in Note 12, a restatement was made to account for the board's decision to bring the student activities under board control in fiscal year 2019.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole, except for the fiduciary funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Position at the fund financial statement level. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

Independent School District No. 786
Bertha-Hewitt School District
Notes to Financial Statements
June 30, 2019

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust, private-purpose trust, and agency. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide statements.

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

Revenue Recognition – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, severance and healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are included within the applicable functional areas.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

Description of Funds

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

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, and health and safety projects. The District's Student Activity Funds are under board control and are reported and audited in the general fund.

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

Building Project Fund – The building project fund is used to account for the accumulation of resources for, and payment of, construction costs for the building project.

Nonmajor Governmental Funds

Food Service Fund – The food service fund is used to account for food service revenues and expenditures.

Community Service Fund – The community service fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, extended day programs, or other similar services.

Independent School District No. 786
Bertha-Hewitt School District
Notes to Financial Statements
June 30, 2019

E. Other Significant Accounting Policies

Budgeting

An operating budget is adopted by July 1 of each fiscal year for all governmental funds on the same modified accrual basis used to reflect actual revenues and expenditures. The superintendent is authorized to transfer budget amounts within line items; however, supplemental appropriations that amend total appropriations of any fund require a board resolution. Reported budgeted amounts are as originally adopted or as amended by board resolution. Unencumbered appropriations lapse at year-end.

Cash and Investments

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

Short-term, highly liquid debt instruments (including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

Receivables

All receivables are shown net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables not expected to be collected within one year are property taxes receivable.

Prepaid Items

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

Inventories

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

Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District.

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

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-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 purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 50 years.

Capital assets not being depreciated include land and construction progress.

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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

Compensated Absences Payable

The District offers eligible employees to accrue vacation and sick leave at varying rates, portions of which may be carried over to future years. Employees are reimbursed for unused, accrued vacation to the limit specified in their labor contract or School Board policy upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued when earned in the government-wide financial statements.

Severance Payable

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of an eligible employee's unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary. Severance benefits payable are recorded as a liability in the government wide financial statements as they are earned and it becomes probable, they will vest at some point in the future.

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 the 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.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015). Additional information can be found in Note 9.

For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District has three items that qualify for reporting in this category. They are the contributions made to pension plans and other postemployment benefits after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2019.

Net Position

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

Fund Balance

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

- Restricted fund balances represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which is the School Board through an ordinance or resolution.

- Assigned fund balance represents amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed.

- Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The District's policy is to strive to maintain a minimum unrestricted general fund balance of three months of operating expenditures. The first priority is to utilize the balance as restricted fund balance. Committed funds will be considered second with assigned fund balance third when expenditures is incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used like assigned or unassigned.

Estimates

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

Note 2 - Stewardship, Compliance, and Accountability

The Community Service Fund had a deficit fund balance of $15,700 as of June 30, 2019. The deficit will be alleviated with future revenues and a transfer from the general fund if necessary.

The General Fund had expenditures exceeding appropriations of $321,837 for the year ended June 30, 2019. These over expenditures were funded by revenues exceeding budget and existing fund balance.

Note 3 - Deposits and Investments

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's School Board. All such depositories are members of the Federal Reserve System.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

At June 30, 2019, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

Investments

Custodial Credit Risk - The investments in the MSDLAF is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40. The District does not have an investment policy for custodial credit risk. Concentration of Credit Risk. The District places no limit on the amount the District may invest in any one issuer. More than 5% of the District's cash equivalents are in the MSDLAF.

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

Credit Risk- The District may invest funds as authorized by Minnesota Statutes Section 118A.04. All funds in the MSDLAF are invested in accordance with Minnesota Statutes Section 475.66. Each Minnesota School District owns a pro-rata share of each investment which is held in the name of the funds. The District has no investment policy that would further limit its investment choices. As of June 30, 2019, the District's MSDLAF were rated AAA by S&P.

Concentration of Credit Risk- The District places no limit on the amount the District may invest in any one issuer. More than 5% of the District's investments are invested in the MSDLAF (100%).

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The District had no such investments during the year or at year end.

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

The following table presents the District's deposit and investment balances at June 30, 2019:

Minnesota School District Liquid Asset Fund	$ 2,881,494
Certificate of Deposit	542,831
Deposits	597,133
	$ 4,021,458

The Certificates of Deposit had an investment maturity of 10 years.

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pools shares.

Note 4 - Due from Other Governmental Units

Amounts receivable from other governments as of June 30, 2019, include:

Fund	Federal	State	Other	Total
Major funds				
General	$ 25,008	$ 655,260	$ 102,964	$ 783,232
Debt service	-	18,896	-	18,896
Non-major funds	-	6,361	-	6,361
	$ 25,008	$ 680,517	$ 102,964	$ 808,489

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated				
Land	$ 39,000	$ -	$ -	$ 39,000
Construction in progress	-	461,738	-	461,738
Total capital assets not being depreciated	39,000	461,738	-	500,738
Capital assets being depreciated				
Improvements	214,100	-	-	214,100
Buildings	14,766,667	-	-	14,766,667
Equipment	1,185,175	54,104	19,984	1,219,295
Total capital assets being depreciated	16,165,942	54,104	19,984	16,200,062
Less accumulated depreciation for				
Improvements	128,250	5,647	-	133,897
Buildings	6,259,928	397,183	-	6,657,111
Equipment	780,974	57,348	18,598	819,724
Total accumulated depreciation	7,169,152	460,178	18,598	7,610,732
Net capital assets, depreciated	8,996,790	(406,074)	1,386	8,589,330
Total capital assets, net	$ 9,035,790	$ 55,664	$ 1,386	$ 9,090,068

Depreciation expense for the year ended June 30, 2019 was charged to the following functions/programs:

Administration	608
Regular instruction	5,321
Vocational instruction	2,663
Special education	1,038
Instructional support services	3,149
Pupil support services	11,267
Sites and buildings	436,132
Total depreciation expense	$ 460,178

Note 6 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2019 are as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Bonds payable	$ 4,915,000	$ 1,370,000	$ 480,000	$ 5,805,000	$ 585,000
Capital lease payable (direct borrowing)	763,807	-	73,194	690,613	76,068
Special assessment payable	363,082	-	10,827	352,255	11,115
Compensated absence payable	14,878	25,534	27,017	13,395	-
Severance payable	33,813	18,236	16,750	35,299	-
	$ 6,090,580	$ 1,413,770	$ 607,788	$ 6,896,562	$ 672,183

During the year ended June 30, 2019, the District issued $1,370,000 in Series 2019A facilities maintenance bonds with an interest rate of 3.0%. The proceeds will be used for building projects as described in the District's ten-year facility plan. The payments call for annual payments of principal and semi-annual payments of interest, starting in 2019.

Following is a summary of bonds payable as of June 30, 2019:

Bond Description	Final Maturities	Interest Rate	Original Principal	Outstanding Balance
General Obligation				
Refunding Bonds Series 2007A	2/20	4.125%	$ 3,625,000	$ 395,000
Building Bonds Series 2012A	2/29	2.00% - 2.75%	3,540,000	3,540,000
Reorganization Operating Debt Series 2017A	8/24	2.00% - 2.30%	600,000	500,000
Facilities Maintenance Bonds Series 2019A	2/26	3.00%	1,370,000	1,370,000
				$ 5,805,000

Bond principal and interest payments are made by the debt service fund.

Following is a summary of capital leases as of June 30, 2019:

Lease Description	Final Maturities	Interest Rate	Original Principal	Outstanding Balance
Capital lease, 2012	5/27	3.857%	$ 1,151,824	$ 690,613

Capital lease payable was for equipment with the total capitalized asset amount of $1,151,824. As of June 30, 2019, the equipment has accumulated depreciation in the amount of $575,912. Capital lease principal and interest payments are made by the general fund. The outstanding capital lease contains a provision that in the event of default, the equipment will be repossessed.

Special assessments payable due to the City of Berth for a completed water and sewer project that levied the assessments to the District. Annual payments are $20,359 with the final payment due in 2042.

Remaining principal and interest payments on general long-term debt are as follows:

Years Ending June 30,	Bonds Payable		Capital Lease Payable		Special Assessment Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 585,000	$ 145,235	$ 76,068	$ 25,301	$ 11,115	$ 9,239	$ 672,183	$ 179,775
2021	530,000	129,150	79,054	22,314	11,410	8,944	620,464	160,408
2022	555,000	117,750	82,157	19,211	11,713	8,641	648,870	145,602
2023	565,000	105,675	85,383	15,986	12,025	8,329	662,408	129,990
2024	570,000	93,200	88,735	12,634	12,344	8,010	671,079	113,844
2025-2029	2,515,000	277,802	279,216	16,447	66,819	34,951	2,861,035	329,200
2030-2034	485,000	44,700	-	-	76,182	26,588	561,182	71,288
2035-2039	-	-	-	-	86,857	14,914	86,857	14,914
2040-2043	-	-	-	-	63,790	3,247	63,790	3,247
	$ 5,805,000	$ 913,512	$ 690,613	$ 111,893	$ 352,255	$ 122,863	$ 6,847,868	$ 1,148,268

Payments for the capital leases, special assessments and compensated absences are from the General Fund.

Note 7 - Other Postemployment Benefits

A. Plan Description

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District's health insurance plan after retirement. This plan covers active and retired employees who have reached age 55, with teachers needing at least 3 years of service and all other district employees needing 5 years of service. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. A separately issued report is not available.

B. Benefits Provided

The contract groups have access to other post-retirement benefits of blended medical premiums of $509 for single and $1,335 for family coverage. The implicit rate subsidy is only until Medicare eligibility. There are no subsidized post-employment medical, dental, or life insurance benefits.

C. Employees Covered by Benefit Terms

At the valuation date of July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	71
	73

D. Total OPEB Liability

The District's total OPEB liability of $326,156 was measured as of July 1, 2018, and was determined by an actuarial valuation as of July 1, 2017.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

E. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent
Discount rate	3.40 percent
Healthcare cost trend rates	6.25 percent as of July 1, 2018 grading to 5.00% over 5 years
Retiree plan participation	40%
Percent of married retirees electing spouse coverage	25%

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates were based on the RP-2014 While Collar Mortality Tables (de-trended to 2006) and then projected beyond the valuation date using scale MP-2016.

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study as of July 1, 2017.

F. Changes in Total OPEB Liability

Balance at June 30, 2018	$ 306,478
Changes from the Prior Year	
Service Cost	23,601
Interest Cost	10,972
Benefit Payments	(14,895)
Net Change	19,678
Balance at June 30, 2019	$ 326,156

G. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.40%	3.40%	4.40%
Total OPEB Liability	$ 342,795	$ 326,156	$ 310,101

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Medical trend rate	5.25% decreasing to 4% over 5 years	6.25% decreasing to 5% over 5 years	7.25% decreasing to 6% over 5 years
Total OPEB Liability	$ 300,129	$ 326,156	$ 355,930

H. OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of $34,573. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made after the measurement date	$ 21,654	$ -

$21,654 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020.

Note 8 - Defined Benefit Pension Plans

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Public Employees' Retirement Association (PERA) or the Teachers' Retirement Association (TRA), all of which are administered on a state-wide basis. Disclosures relating to these plans are as follows:

Public Employees Retirement Association (PERA)

A. Plan Descriptions

The District participates in the following cost-sharing multiple employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (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 General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

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

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent 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. Increases are related to the funding ratio of the plan. General Employees Plan benefit recipients receive a future annual 1.0 percent increase. If the General Employees Plan is at least 90 percent funded for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

C. Contribution Rate

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2019, were $72,840. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At June 30, 2019, the District reported a liability of $748,925 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $24,491. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0135% at the end of the measurement period and 0.0132% for the beginning of the period.

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District's proportionate share of net pension liability	$ 748,925
State of Minnesota's proportionate share of the net pension liability associated with the District	24,491
Total	$ 773,416

For the year ended June 30, 2019, the District recognized pension expense of $40,221 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $5,711 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, 2019, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 19,402	$ 19,254
Changes in actuarial assumptions	63,062	82,870
Net collective difference between projected and actual investment earnings	-	85,314
Changes in proportion	67,141	1,296
Contributions paid to PERA subsequent to the measurement date	72,840	-
Total	$ 222,445	$ 188,734

The $72,840 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2020	$ 44,450
2021	(12,780)
2022	(55,168)
2023	(15,631)

E. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50% per year

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

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2018:

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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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 Allocations	Long-Term Expected Real Rate of Return
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	2%	0.00%
Total	100%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net 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.

G. Pension Liability Sensitivity

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

Sensitivity Analysis
Net Pension Liability (Asset) at Different Discount Rates

	General Employees Fund	
1% Lower	6.50%	$ 1,217,098
Current Discount Rate	7.50%	$ 748,925
1% Higher	8.50%	$ 362,461

H. Pension Plan Fiduciary Net Position

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

Teachers Retirement Association (TRA)

A. Plan Descriptions

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

Educators employed in Minnesota's public elementary and secondary school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those teachers employed by St. Paul schools or Minnesota State colleges and universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through Minnesota State's Individual Retirement Account Plan (IRAP) within one year of eligible employment.

B. Benefits Provided

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

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

Tier I Benefits

Tier1	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006 or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006 or after	1.9% per year

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With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
(b) 3 percent per year early retirement reduction 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 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for coordinated members and 2.7 for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

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

C. Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ending June 30, 2017, June 30, 2018 and June 30, 2019 were:

	June 30, 2017		June 30, 2018		June 30, 2019	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.50%	11.00%	11.50%	11.00%	11.71%
Coordinated	7.50%	7.50%	7.50%	7.50%	7.50%	7.71%

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

Employer contributions reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	$ 378,728,000
Add employer contributions not related to future contribution efforts	522,000
Deduct TRA's contributions not included in allocation	(471,000)
Total employer contributions	378,779,000
Total non-employer contributions	35,588,000
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 414,367,000

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

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D. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2018
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial Assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% for 10 years and 3.25% thereafter
Projected salary increase	2.85 to 8.85% for 10 years and 3.25 to 9.25% thereafter
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality Assumptions	
Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

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

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

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	2%	0.00%
Total	100%	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is six years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of 6 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is 5 years as required by GASB 68.

Changes in actuarial assumptions since the 2017 valuation

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. This is an increase from the discount rate at the prior measurement date of 5.12 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2018 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

At June 30, 2019, the District reported a liability of $2,575,963 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.0410% at the end of the measurement period and 0.0398% for the beginning of the year.

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

District's proportionate share of net pension liability	$ 2,575,963
State's proportionate share of the net pension liability associated with the district	$ 242,204

For the year ended June 30, 2019 the District recognized pension expense of ($1,705,360). It also recognized ($169,043) as an increase to pension expense for the support provided by direct aid.

At June 30, 2019, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 887	$ 50,039
Changes in actuarial assumptions	3,396,984	4,354,029
Difference between projected and actual investment earnings	-	179,791
Change in proportion and differences between contributions made and District's proportionate share of contributions	301,350	468,175
District's contributions to TRA subsequent to the measurement date	186,410	-
Total	$ 3,885,631	$ 5,052,034

$186,410 was reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2020	$ 195,257
2021	129,116
2022	(14,247)
2023	(1,023,332)
2024	(639,607)

G. Net Pension Liability

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50% as well as the liability measured using one percent lower and one percent higher:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	$ 4,088,043	$ 2,575,963	$ 1,328,507

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

H. Pension Plan Fiduciary Net Position

Detailed information about 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, Suite 400, and St. Paul, MN, 55103-4000; or by calling (651)-296-2409 or (800)-657-3669.

Note 9 - Fund Balance

Certain portions of fund balances 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.

At June 30, 2019 the District has recorded the following restrictions of net position for the following purposes:

	General Fund	Debt Service Fund	Building Project Fund	Other Governmental Funds	Total
Fund balances					
Nonspendable					
Prepaid items	$ 39,602	$ -	$ -	$ 8,707	$ 48,309
Inventories	-	-	-	10,004	10,004
Total nonspendable	39,602	-	-	18,711	58,313
Restricted					
Operating capital	324,201	-	-	-	324,201
Staff development	4,688	-	-	-	4,688
Safe school - crime levy	5,477	-	-	-	5,477
Basic skills	17,423	-	-	-	17,423
Medical assistance	141,968	-	-	-	141,968
Long term facilities maintenance	29,967	-	943,705	-	973,672
Debt service	-	122,878	-	-	122,878
Food service	-	-	-	156,836	156,836
ECFE	-	-	-	12,314	12,314
School readiness	-	-	-	21,631	21,631
Total restricted	523,724	122,878	943,705	190,781	1,781,088
Assigned					
Roofing	300,387	-	-	-	300,387
Chromebook	3,749	-	-	-	3,749
Total assigned	304,136	-	-	-	304,136
Unassigned	1,661,405	-	-	(56,094)	1,605,311
Total fund balance	$ 2,528,867	$ 122,878	$ 943,705	$ 153,398	$ 3,748,848

The UFARS fund balance reporting standards are slightly different than the reporting standards under GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is a reconciliation between the fund balance reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Fund balances			
Nonspendable			
Prepaid items	$ 48,309	$ -	$ 48,309
Inventories	10,004	-	10,004
Total nonspendable	58,313	-	58,313
Restricted			
Operating capital	324,201	-	324,201
Staff development	4,688	-	4,688
Safe school - crime levy	5,477	-	5,477
Basic skills	17,423	-	17,423
Medical assistance	141,968	-	141,968
Long term facilities maintenance	973,672	-	973,672
Debt service	122,878	-	122,878
Food service	156,836	-	156,836
ECFE	12,314	-	12,314
Community Education	-	(13,813)	(13,813)
School Readiness	21,631	-	21,631
Total restricted	1,781,088	(13,813)	1,767,275
Assigned			
Roofing	300,387	-	300,387
Chromebook	3,749	-	3,749
Total assigned	304,136	-	304,136
Unassigned	1,605,311	13,813	1,619,124
Total fund balance	$ 3,748,848	$ -	$ 3,748,848

Note 10 - Employee Benefit Plan 403(b)

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). OMNI Financial Group is the third party administrator of this Plan. Employees of the District are eligible to participate in the Plan as stipulated in their individual bargaining or collective bargaining agreements. Eligible employees may elect to have a specified dollar amount or percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective bargaining agreements. The District contributions for the years ending June 30, 2019, 2018, and 2017 were $30,620, $29,540, and $20,093, respectively.

Note 11 - Student Activity Accounts Transferred to under Board Control

As of July 1, 2018, the District transferred Student Activity accounts to under board control. Student Activity accounts were previously accounted for in the *agency fund*. Beginning fund balance in the General fund was restated to retroactively move student activity account balances to the general fund, as follows:

General Fund Balance - June 30, 2018, as previously reported	$ 2,200,071
Restatement due to student activity accounts brought under board control	100,416
General Fund Balance - July 1, 2018, as restated	$ 2,300,487

Due to the *agency fund* not being included in the Government-Wide Financial Statements, beginning net deficit was also restated to retroactively move student activity account balances to governmental activities, as follows:

Net Deficit - June 30, 2018, as previously reported	$ (420,848)
Restatement due to student activity accounts brought under board control	100,416
Net Deficit - July 1, 2018, as restated	$ (320,432)

Note 12 - Commitments and Contingencies

Federal Revenue

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.

Operating Lease

The District has entered into operating lease agreements for photocopiers and laptops. Total operating lease expense for the year ended June 30, 2019 was $17,715. Future minimum lease payments for the terms of the lease are as follows:

2020	$	22,832
2021		22,832
2022		19,610
2023		4,609
	$	69,883

Construction Commitments

In association with the dissolution of the Independent School District No. 2759 (Eagle Valley), the District assumed ownership of the territory consisting of the Eagle Valley school building, which is currently uninhabitable. Because of this condition, the State of Minnesota has earmarked the District $1.5 million for use in the demolition of the building and infrastructure and facilitate the redevelopment and reuse of the site. The District is working with the City of Eagle Bend to decide if they will demolish the building and expect a decision by 2020.

During fiscal year 2019, the District entered into two construction contracts that were in progress as of year-end. The roofing project has a total estimated cost of $1,727,700. As of June 30, 2019, construction costs of $422,388 have been incurred, with an estimated remaining amount of $1,305,312. Construction is expected to be completed in the summer of 2020. The elevator project has an estimated total cost of $52,466. As of June 30, 2019, construction costs of $39,350 have been incurred, with an estimated remaining amount of $13,116. Construction is expected to be completed in the fall of 2019.

Note 13 - Issued But Non-effective Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the District. The first statement issued and was early adopted by the District is Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. This statement was early implemented at the District in the year ended June 30, 2019.

The second statement issued but not yet implemented that will significantly affect the District is Statement No. 90, *Majority Equity Interests*. This statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This statement will be implemented at the District in the year ended June 30, 2020.

The third statement issued but not yet implemented that will significantly affect the District is Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This statement will be implemented at the District in the year ended June 30, 2021.

The fourth statement issued but not yet implemented that will significantly affect the District is Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period. This statement will be implemented at the District in the year ended June 30, 2021.

The final statement issued but not yet implemented that will significantly affect the District is Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required noted disclosures. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognized assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. This statement will be implemented at the District in the year ended June 30, 2022.

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

Required Supplementary Information
June 30, 2019

Independent School District No. 786
Bertha-Hewitt School District

Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Last 10 Fiscal Years*

	2019	2018
Service cost	$ 23,601	$ 22,913
Interest	10,972	10,149
Benefit payments	(14,895)	(4,276)
Net change in total OPEB liability	19,678	28,786
Total OPEB liability - beginning	306,478	277,692
Total OPEB liability - ending	$ 326,156	$ 306,478
Covered-employee payroll	$ 2,999,161	$ 2,911,807
District's total OPEB liability as a percentage of covered-employee payroll	10.87%	10.53%

*GASB Statement No. 75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the Required Supplementary Information

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years *

Pension Plan	Measurement Date	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (a+b)	Employer's Covered-Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2018	0.0135%	$ 748,925	$ 24,491	$ 773,416	$ 901,903	83.0%	79.5%
PERA	6/30/2017	0.0132%	842,679	10,567	853,246	838,840	100.5%	75.9%
PERA	6/30/2016	0.0119%	966,221	12,561	978,782	736,573	131.2%	68.9%
PERA	6/30/2015	0.0120%	621,902	N/A	621,902	696,200	89.3%	78.2%
PERA	6/30/2014	0.0131%	615,372	N/A	615,372	662,653	92.9%	78.8%
TRA	6/30/2018	0.0410%	$ 2,575,963	$ 242,204	$ 2,818,167	$ 2,312,573	111.4%	78.1%
TRA	6/30/2017	0.0393%	7,844,993	758,368	8,603,361	2,115,507	370.8%	51.6%
TRA	6/30/2016	0.0419%	9,994,150	1,003,029	10,997,179	2,178,653	458.7%	44.9%
TRA	6/30/2015	0.0413%	2,554,813	313,603	2,868,416	2,093,760	122.0%	76.8%
TRA	6/30/2014	0.0469%	2,161,118	152,034	2,313,152	2,000,227	108.0%	81.5%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Schedule of Employer's Contributions
Last 10 Fiscal Years *

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Payroll (d)	Contributions as a Percentage of Covered-Payroll (b/d)
PERA	6/30/2019	$ 72,940	$ 72,940	$ -	$ 971,577	7.5%
PERA	6/30/2018	67,673	67,673	-	901,903	7.5%
PERA	6/30/2017	62,913	62,913	-	838,840	7.5%
PERA	6/30/2016	55,243	55,243	-	736,573	7.5%
PERA	6/30/2015	52,215	52,215	-	696,200	7.5%
TRA	6/30/2019	$ 186,410	$ 186,410	$ -	$ 2,417,769	7.7%
TRA	6/30/2018	173,443	173,443	-	2,312,573	7.5%
TRA	6/30/2017	158,663	158,663	-	2,115,507	7.5%
TRA	6/30/2016	163,399	163,399	-	2,178,653	7.5%
TRA	6/30/2015	157,032	157,032	-	2,093,760	7.5%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

PERA Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

PERA Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

TRA Changes in Actuarial Assumptions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

PERA's CAFR may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Additional financial and actuarial information can be found in TRA's GASB 67-68 report. Both reports can be obtained at https://minnesotatra.org/wp-content/uploads/2019/01/2018-MN-TRA-GASB-67-68-Reportscombined.pdf.

Combining and Individual Fund Schedules
June 30, 2019

Independent School District No. 786
Bertha-Hewitt School District

Independent School District No. 786
Bertha-Hewitt School District
General Fund
Schedule of Changes in UFARS Fund Balances
Year Ended June 30, 2019

	Fund Balance (Deficit) Beginning of Year	Net Change in Fund Balance	Fund Balance (Deficit) End of Year
Nonspendable	$ 47,570	$ (7,968)	$ 39,602
Restricted for health and safety	(15,752)	15,752	-
Restricted for operating capital	277,067	47,134	324,201
Restricted for staff development	4,688	-	4,688
Restricted for safe school - crime levy	70	5,407	5,477
Restricted for basic skills	4,834	12,589	17,423
Restricted for long term facilities maintenance	44,575	(14,608)	29,967
Restricted for medical assistance	90,469	51,499	141,968
Assigned	203,749	100,387	304,136
Unassigned	1,643,217	18,188	1,661,405
	$ 2,300,487	$ 228,380	$ 2,528,867

Independent School District No. 786
Bertha-Hewitt School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

	Food Service	Community Service	Totals
Assets			
Cash and cash equivalents	$ 172,255	$ 10,684	$ 182,939
Receivables			
Current property taxes	-	26,697	26,697
Delinquent property taxes	-	745	745
Due from other governmental units	-	6,361	6,361
Accounts	-	1,883	1,883
Prepaids	2,258	6,449	8,707
Inventories	10,004	-	10,004
Total assets	$ 184,517	$ 52,819	$ 237,336
Liabilities			
Accounts payable	$ 469	$ 1,543	$ 2,012
Salaries payable	14,950	18,209	33,159
Total liabilities	15,419	19,752	35,171
Deferred inflows of resources			
Unavailable revenue-property taxes	-	48,767	48,767
Fund Balance (Deficit)			
Nonspendable	12,262	6,449	18,711
Restricted	156,836	33,945	190,781
Unassigned	-	(56,094)	(56,094)
	169,098	(15,700)	153,398
Total liabilities, deferred inflows of resources, and fund balances	$ 184,517	$ 52,819	$ 237,336

Independent School District No. 786
Bertha-Hewitt School District
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2019

	Food Service	Community Service	Totals
Revenues			
Local property tax levies	$ -	$ 24,934	$ 24,934
Other local and county sources	2,597	81,425	84,022
State sources	32,973	91,419	124,392
Federal sources	263,768	-	263,768
Sales and other conversion of assets	74,393	-	74,393
Total revenues	373,731	197,778	571,509
Expenditures			
Community education and service	-	172,915	172,915
Pupil support services	341,929	-	341,929
Total expenditures	341,929	172,915	514,844
Excess (Deficiency) of Revenues Over (Under) Expenditures	31,802	24,863	56,665
Fund Balance (Deficit), Beginning of Year	137,296	(40,563)	96,733
Fund Balance (Deficit), End of Year	$ 169,098	$ (15,700)	$ 153,398

Other Supplementary Information
June 30, 2019

Independent School District No. 786
Bertha-Hewitt School District

Independent School District No. 786
Bertha-Hewitt School District
Changes in Student Activity Cash Balances
Year Ended June 30, 2019

Activity	Balance 7/1/18	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/19
Accelerated Reading	$ 630	7,447	7,610	$ 467
Annual Staff	2,491	2,152	2,030	2,613
Art Club	25	-	-	25
Band	4,072	-	680	3,392
Baseball	639	2,445	1,854	1,230
Basketball - Boy	2,964	1,477	556	3,885
Basketball - Girls	3,078	4,092	5,005	2,165
Bear Fund	4,933	-	3,076	1,857
Bear Cub Fund	7,177	1,519	2,960	5,736
B-H Pops Concert	1,396	-	-	1,396
Botany Club	54	-	19	35
Youth Football	4,110	-	643	3,467
Youth Girls Basketball	-	38	-	38
BEARS	407	726	409	724
Business Professional Assoc.	3,234	1,559	1,873	2,920
Choir	11,004	565	3,093	8,476
Concessions Club	7,193	16,417	16,454	7,156
DARE	200	-	-	200
The Den	5,088	3,814	3,309	5,593
Drama Club	1,953	2,999	2,089	2,863
Fishing Club	1,585	800	1,545	840
FFA	1,980	5,662	5,980	1,662
Football	1,173	4,015	2,855	2,333
General Account	7,596	5,679	2,096	11,179
Hangout	700	1,243	575	1,368
HS Athletics	818	741	1,038	521
Knowledge Bowl	273	-	-	273
Long Lake Cons Center	1,024	4,063	5,087	-
National Honor Society	315	652	253	714
Softball	-	-	100	(100)
Spanish Club	-	261	235	26
Special Education	628	-	125	503
Speech Club	7	408	-	415
Student Council	5,045	6,263	2,971	8,337
Trap Team	2,509	4,097	4,021	2,585
Video Tech	1,792	207	77	1,922
Volleyball	779	2,283	977	2,085
Wrestling	1,269	2,049	2,282	1,036
Kindergarten	175	-	-	175
Grade 1	1,204	-	154	1,050
Grade 2	1,037	15	32	1,020
Grade 3	863	-	117	746
Grade 4	604	-	171	433
Grade 5	427	-	243	184
Grade 6	675	926	1,104	497
Class of 2019	3,124	3,110	5,595	639
Class of 2020	3,106	2,270	679	4,697
Class of 2021	768	172	-	940
Class of 2022	292	62	-	354
Class of 2023	-	17	-	17
Class of 2024	-	288	-	288
	$ 100,416	$ 90,533	$ 89,972	$ 100,977

Independent School District No. 786
Bertha-Hewitt School District
Uniform Accounting and Reporting Standards Compliance Table
Year Ended June 30, 2019

Fiscal Compliance Report - 6/30/2019 Help Logoff
District: BERTHA-HEWITT (786-1) Back Print

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$6,695,060	$6,695,057	$3
Total Expenditures	$6,466,680	$6,466,683	($3)
Non Spendable:			
4.60 Non Spendable Fund Balance	$39,602	$39,602	$0
Restricted / Reserved:			
4.03 Staff Development	$4,688	$4,688	$0
4.06 Health and Safety	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$324,201	$324,201	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$5,477	$5,477	$0
4.50 Pre-Kindergarten	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$17,423	$17,422	$1
4.67 LTFM	$29,967	$29,965	$2
4.72 Medical Assistance	$141,968	$141,966	$2
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$304,136	$304,134	$2
Unassigned:			
4.22 Unassigned Fund Balance	$1,661,405	$1,661,408	($3)
02 FOOD SERVICES			
Total Revenue	$373,731	$373,730	$1
Total Expenditures	$341,929	$341,926	$3
Non Spendable:			
4.60 Non Spendable Fund Balance	$12,262	$12,262	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$156,836	$156,837	($1)

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$2,030	$2,030	$0
Total Expenditures	$473,249	$473,249	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$943,705	$943,705	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$624,139	$624,139	$0
Total Expenditures	$612,990	$612,989	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$122,978	$122,978	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
20 INTERNAL SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
45 OPEB IRREVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
47 OPEB DEBT SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0

Independent School District No. 786
Bertha-Hewitt School District
Uniform Accounting and Reporting Standards Compliance Table
Year Ended June 30, 2019

Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0
04 COMMUNITY SERVICE			
Total Revenue	$197,778	$197,777	$1
Total Expenditures	$172,915	$172,914	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$6,449	$6,449	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	($13,813)	($13,813)	$0
4.32 E.C.F.E	$12,314	$12,314	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$21,631	$21,631	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	($42,281)	($42,283)	$2

Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

Additional Reports
June 30, 2019

Independent School District No. 786
Bertha-Hewitt School District

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CPAs & BUSINESS ADVISORS

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

The School Board of
Independent School District No. 786
Bertha-Hewitt School District
Bertha, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 786, Bertha, Minnesota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings as items 2019-001, 2019-002, and 2019-003 that we consider to be material weaknesses.

Compliance and Other Matters

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

Response to Findings

The District's responses to the findings identified in our audit are described in the District's schedule of audit findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Eide Bailly LLP

Fargo, North Dakota
November 20, 2019

EideBailly

CPAs & BUSINESS ADVISORS

Report on Compliance over Financial Reporting of the Student Activity Accounts

The School Board of
Independent School District No. 786
Bertha-Hewitt School District
Bertha, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the *Manual for Activity Fund Accounting (MAFA)*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 786, Bertha, Minnesota, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2019.

Compliance
As part of obtaining reasonable assurance about whether the District's student activity accounts are free of material misstatement, we performed tests of the district's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of student activity amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. Findings 2019-004, 2019-005, and 2019-006 in the attached schedule of audit findings was noted to be noncompliance found through testing of these requirements.

Response to Findings
The District's responses to the findings identified in our audit are described in the District's schedule of audit findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, the Minnesota Department of Education, and other state agencies and is not intended to be and should be used by anyone other than those specified parties.

Eide Bailly LLP

Fargo, North Dakota
November 20, 2019

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on *Minnesota Legal Compliance*

The School Board of
Independent School District No. 786
Bertha-Hewitt School District
Bertha, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 786 as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2019.

The *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our audit considered all of the listed categories.

In connection with our audit, no items came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*. 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.

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

Eide Bailly LLP

Fargo, North Dakota
November 20, 2019

Section I – Financial Statement Findings

2019-001 **Segregation of Duties**
Material Weaknesses

Condition – The District has a lack of segregation of duties in certain areas, including approval of payroll timesheets and review of journal entries, due to a limited staff.

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

Cause – There is a limited amount of office employees.

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

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

View of responsible officials – There is no disagreement with the finding.

2019-002 **Material Adjustments**
Material Weakness

Condition – During the course of our engagement, we proposed audit adjustments that would not have been identified as a result of the District's existing internal controls.

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing entries to the financial statements and for adequate knowledge and interpretation of reporting standards.

Cause – The District does not have an internal control system designed to identify all necessary adjustments or properly interpret all new reporting standards.

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

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

View of responsible officials – There is no disagreement with the finding.

2019-003 **Preparation of Financial Statements**
Material Weakness

Condition – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements.

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing the District's financial statements.

Cause – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Effect – The disclosures in the financial statements could be incomplete.

Recommendation – This circumstance is not unusual in a District of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of responsible officials – There is no disagreement with the finding.

Section II – Student Activity Findings

2019-004 Funds Remaining for a Graduated Class

Criteria – MAFA guidelines state that student activity funds remaining from the graduating class must be disposed of in the manner indicated on the activity purpose form no later than September 1 after graduation.

Condition – During the course of our engagement, we noted that funds relating to the graduated Class of 2019 still remained in that account after September 1.

Cause – The District does not have an internal control system designed to properly review student activity funds and ensure that funds relating to graduation classes are properly treated in accordance with the MAFA guidelines.

Effect – This finding could result in student activities funding being misused.

Recommendation – We recommend the District put a procedure in place to properly review student activity balances at year end to ensure that balances relating to graduated classes are properly disposed of.

View of responsible officials – There is no disagreement with the finding.

2019-005 Inactive Student Activity Funds

Criteria – A good system of internal accounting control contemplates an adequate system for compliance with the MAFA guidelines requires inactive accounts to be closed or a formal plan must be in place for why the activity fund was not used.

Condition – During the course of our engagement, we noted several instances of student activity funds with no activity during the year. Per Chapter 14 of the UFARS Manual, inactive accounts should be closed or a formal plan should be in place for why the activity fund was not used.

Effect – The finding could result in public funds being used for the personal gain of individuals.

Cause – The District did not follow the procedures in maintaining activity in all student activity funds.

Recommendation – District should review the MAFA guidelines to determine proper treatment of inactive accounts.

View of responsible officials – There is no disagreement with the finding.

2019-006 Negative Student Activity Funds

Criteria – A good system of internal accounting control contemplates an adequate system for compliance with the MAFA guidelines requires inactive accounts to be closed or a formal plan must be in place for why the activity fund has a negative balance.

Condition – During the course of our engagement, we noted one instance of a student activity fund having a negative cash balance. Per Chapter 14 of the UFARS Manual, accounts with negative cash balances should have formal plan should be in place to provide assurance the fund has future funding to offset the negative account balance.

Effect – The finding could result in public funds being used for the personal gain of individuals.

Cause – The District did not follow the procedures in maintaining activity in all student activity funds.

Recommendation – District should review the MAFA guidelines to determine proper treatment of negative activity accounts.

View of responsible officials – There is no disagreement with the finding.

Independent School District No. 786
Bertha-Hewitt School District
Schedule of Audit Findings
Year Ended June 30, 2019

Section III – Minnesota Legal Compliance Findings

None reported

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

KNUTSON, FLYNN & DEANS, P.A.
1155 Centre Pointe Drive, Suite 10
Mendota Heights, MN 55120
651.222.2811 fax 651.225.0600
www.kfdmn.com

$1,975,000
GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2020A
INDEPENDENT SCHOOL DISTRICT NO. 786
(BERTHA-HEWITT PUBLIC SCHOOL)
TODD AND OTTER TAIL COUNTIES, MINNESOTA

We have acted as Bond Counsel in connection with the issuance by Independent School District No. 786 (Bertha-Hewitt Public School), Todd and Otter Tail Counties, Minnesota (the "District"), of its General Obligation School Building Bonds, Series 2020A (the "Bonds"), in the aggregate principal amount of $1,975,000, bearing a date of original issue of July 9, 2020. The Bonds are fully registered as to principal and interest and are originally issued using a global book-entry system.

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

We have examined the law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other affidavits and certificates of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based upon our examination of these materials, assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and based upon present Minnesota and federal laws, regulations, rulings and decisions, it is our opinion that:

(1) The Bonds are in due form and the proceedings show lawful authority for their issuance according to their terms under the Constitution and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the District enforceable in accordance with their terms except to the extent to which enforceability thereof may be limited by the exercise of judicial discretion in accordance with general principles of equity, by the constitutional powers of the United States of America and by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted. All of the taxable property in the District is subject to the levy of ad valorem taxes to pay the principal and interest on the Bonds, which taxes are without limitation as to rate or amount.

(3) Interest on the Bonds is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes. Interest on the Bonds is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax measured by income. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals and other taxpayers under Section 55 of the Internal Revenue Code of 1986, as amended, (the "Code") or for purposes of the Minnesota alternative minimum tax applicable to individuals, trusts and estates. Interest on the Bonds is not includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of the federal and Minnesota alternative minimum taxes applicable to corporations.

(4) The opinion set forth in Paragraph (3) above is subject to the condition that the District comply with all the 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, excluded from gross income for federal and state income tax purposes. The District has covenanted in the resolution authorizing the issuance of the Bonds to comply with these continuing requirements. Noncompliance with these covenants by the District following the issuance of the Bonds may result in inclusion of interest on the Bonds in federal gross income and Minnesota taxable net income for federal and Minnesota income tax purposes retroactive to the date of issuance of the Bonds. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences caused by the receipt or accrual of interest on or arising with respect to ownership of the Bonds.

(5) The Bonds have been designated as "qualified tax-exempt obligations" for the purposes of Section 265 of the Code relating to the deduction of interest expenses allocable to the Bonds by financial institutions.

DATED at Mendota Heights, Minnesota, this 9th day of July 2020.

KNUTSON, FLYNN & DEANS
Professional Association

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

CONTINUING DISCLOSURE CERTIFICATE
(Limited Disclosure)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 786 (Bertha-Hewitt Public School), State of Minnesota (the "District"), in connection with the issuance of its General Obligation School Building Bonds, Series 2020A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the School Board on June 15, 2020 (the "Resolution"). The District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 (the "State Payment Law" described in the Official Statement for the Bonds) which provides for payment by the State of Minnesota in the event of a potential default of a District obligation. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Bondholders or beneficial owners, if different, and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12. This Disclosure Certificate constitutes the written Undertaking required by the Rule and reflects the District's obligations under the provisions of paragraph (d)(2) of the Rule.

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

"Audited Financial Statements" shall mean the financial statements of the District audited annually by an independent certified public accounting firm and prepared in accordance with generally accepted accounting principles or as otherwise required by Minnesota law for the preceding Fiscal Year, including a balance sheet and statement of revenues, expenditures and changes in fund balances.

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

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

"Financial Obligation" shall mean a: (i) debt obligation; (ii) derivative entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this Rule.

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

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

SECTION 3. Provision of Information.

The District shall annually provide to the MSRB, in an electronic format through the use of EMMA, or shall cause the Dissemination Agent to provide its Audited Financial Statements for the most recent Fiscal Year, which is the only financial information or operating data which is customarily prepared by the District and publicly available. The Annual Financial Statements shall be submitted not later than June 30, 2021, and twelve (12) months after the end of each fiscal year during which the bonds are outstanding.

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

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

SECTION 4. Reporting of Significant Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events, with respect to the Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

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

SECTION 5. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Bonds.

SECTION 6. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

If this Disclosure Certificate is amended, the District will disclose such amendment, together with a narrative explanation of that amendment, to the MSRB with its annual financial information disclosure.

SECTION 8. 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 report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate . If the District chooses to include any information in any report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an

Event of Default under the Resolution or with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders from time to time of the Bonds or the beneficial owners, if different, and shall create no rights in any other person or entity.

SECTION 12. Reserved Rights. The District reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or to modify the Undertaking under this Disclosure Certificate if the District determines that such modification is required by the Rule, or by a court of competent jurisdiction.

SECTION 13. District Contact Information.

Title:	Superintendent
Name of District:	Independent School District No. 786 (Bertha-Hewitt Public School)
Address:	310 Central Avenue S., P.O. Box 8 Bertha, MN 56437-0008
Telephone No.	(218) 924-2500

Dated as of this 9th day of July 2020.

INDEPENDENT SCHOOL DISTRICT NO. 786
BERTHA, MINNESOTA

By: ______________________________
Chair

And: ______________________________
Clerk

[Signature Page for Continuing Disclosure Certificate]

APPENDIX E

TERMS OF PROPOSAL

$1,975,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2020A INDEPENDENT SCHOOL DISTRICT NO. 786 (BERTHA-HEWITT PUBLIC SCHOOL), MINNESOTA

Proposals for the purchase of $1,975,000* General Obligation School Building Bonds, Series 2020A (the "Bonds") of Independent School District No. 786 (Bertha-Hewitt Public School), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on June 11, 2020, at which time they will be opened, read and tabulated. On May 18, 2020, the School Board adopted a resolution which authorizes designated officials of the District to accept proposals on the Bonds on June 11, 2020. The Board will meet on June 15, 2020 at 6:00 P.M. to ratify and approve the sale of the Bonds. 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.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, and a special election held April 14, 2020 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, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated July 9, 2020, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2030	$300,000	2032	$325,000	2034	$345,000
2031	315,000	2033	335,000	2035	355,000

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2021, 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. 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, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation 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 shall be subject to optional redemption prior to maturity on February 1, 2028 or any date thereafter, at a price of par plus accrued interest.

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 July 9, 2020, 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 Knutson, Flynn & Deans, P.A., Mendota Heights, Minnesota, Bond Counsel to the District, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the District; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than $1,935,500 plus accrued interest on the principal sum of $1,975,000 from date of original issue of the Bonds to date of delivery. **The maximum proposal allowed is $2,172,500.** 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 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

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

A good faith deposit ("Deposit") in the amount of $39,500 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) <u>If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test</u>, 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 Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of $10.00 per copy.

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

By Order of the Board of Education

Independent School District No. 786
(Bertha-Hewitt Public School), Minnesota

PROPOSAL FORM

The Board of Education **June 11, 2020**
Independent School District No. 786 (Bertha-Hewitt Public School), Minnesota

RE: $1,975,000* General Obligation School Building Bonds, Series 2020A (the "Bonds")
DATED: July 9, 2020

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you $__________________ (not less than $1,935,500 **and not more than $2,172,500**) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

________	% due	2030	________	% due	2032	________	% due	2034
________	% due	2031	________	% due	2033	________	% due	2035

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

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 $39,500 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 July 9, 2020.

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 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 the (circle one): 10% test / 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 July 9, 2020 of the above proposal is $_______________and the true interest cost (TIC) is __________%.

The foregoing offer is hereby accepted by and on behalf of the Board of Education of Independent School District No. 786 (Bertha-Hewitt Public School), Minnesota, on June 11, 2020.

By: ______________________ By: ______________________

Title: ______________________ Title: ______________________