PRELIMINARY OFFICIAL STATEMENT DATED APRIL 29, 2021

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, the amount of each Rental Payment designated as and comprising interest as set forth on Exhibit B to the Lease and received by the registered owners of the Certificates (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. The amount of each Rental Payment designated as and comprising interest as set forth on Exhibit B to the Lease and received by the registered owners of the Certificates is included, however, in taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The District will designate the Lease and the Certificates 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. 831
(FOREST LAKE AREA SCHOOLS), MINNESOTA
(Washington, Anoka and Chisago Counties)

$6,830,000* CERTIFICATES OF PARTICIPATION, SERIES 2021A

PROPOSAL OPENING: May 20, 2021, 10:00 A.M., C.T.
CONSIDERATION: Not later than 11:59 P.M., C.T. on May 20, 2021 (PARAMETERS RESOLUTION)

PURPOSE/AUTHORITY/SECURITY: The $6,830,000* Certificates of Participation, Series 2021A (the "Certificates") are being issued pursuant to Minnesota Statutes, Section 465.71, by Independent School District No. 831 (Forest Lake Area Schools), Minnesota (the "District"), for the purposes of financing the reconstruction and construction of outdoor physical education track and fields; and a current refunding of certain outstanding special obligations of the District as more fully described herein. The Certificates will be special, limited obligations of the District payable from and secured of leased payment required to be made by the District to Associated Trust Company, N.A. (the "Trustee") pursuant to a Trust Agreement to be entered into between the District and Trustee and the Ratifying Resolution. The District will pledge the receipt of certain taxes levied pursuant to Minnesota Statutes, Section 126C.40, with the approval of the Commissioner of Education, to the payment of the Rental Payments due under the Lease. **THE CERTIFICATES DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE DISTRICT AND ARE NOT A CHARGE AGAINST THE GENERAL OBLIGATION CREDIT OF THE DISTRICT.** Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

DATE OF CERTIFICATES: June 17, 2021

MATURITY: April 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2022	$635,000	2026	$670,000	2030	$745,000
2023	610,000	2027	690,000	2031	765,000
2024	630,000	2028	710,000		
2025	650,000	2029	725,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: April 1, 2022 and semiannually thereafter.

OPTIONAL REDEMPTION: Certificates maturing on April 1, 2029 and thereafter are subject to call for prior optional redemption on April 1, 2028 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: $6,761,700.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $136,600 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT/ ESCROW AGENT/TRUSTEE: Associated Trust Company, N.A.

BOND COUNSEL: Dorsey & Whitney LLP

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the District and other sources for which there is reasonable basis for believing the information is accurate and complete.

Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the District, is contingent upon the delivery of the Certificates.

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

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

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

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

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

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

CLOSING CERTIFICATES

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

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FOREST LAKE AREA SCHOOLS
SCHOOL BOARD

		Term Expires
Jeff Peterson	Chairperson	January 2025
Jill Olson	Vice Chairperson	January 2023
Kate Luthner	Clerk	January 2023
Julie Corcoran	Treasurer	January 2025
Alex Keto	Member	January 2023
Robert Rapheal	Member	January 2025
Gail Theisen	Member	January 2025

ADMINISTRATION

Dr. Steve Massey, Superintendent of Schools

Lawrence Martini, Director of Business Services

PROFESSIONAL SERVICES

Dorsey & Whitney LLP, Bond Counsel, Minneapolis, 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. 831 (Forest Lake Area Schools), Minnesota (the "District") and the issuance of its $6,830,000* Certificates of Participation, Series 2021A (the "Certificates"). Any descriptions or summaries of the Certificates, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Certificates to be included in the resolution authorizing the issuance and sale of the Certificates ("Ratifying Resolution") to be adopted by the School Board.

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 CERTIFICATES

GENERAL

The Certificates will be issued in fully registered form as to both principal and interest in denominations of $5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of June 17, 2021. The Certificates will mature on April 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on April 1 and October 1 of each year, commencing April 1, 2022, to the registered owners of the Certificates appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Certificates of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

The District has selected Associated Trust Company, N.A., Green Bay, Wisconsin, to act as paying agent (the "Paying Agent"), escrow agent (the "Escrow Agent") and trustee (the "Trustee"). The District will pay the charges for Paying Agent/Escrow Agent/Trustee services. The District reserves the right to remove the Paying Agent/Escrow Agent/Trustee and/or to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION AND EXTRAORDINARY REDEMPTION

On any date on or after April 1, 2028, the principal portion of the Rental Payments may be prepaid under the Lease, in whole or in part, at a price of par plus accrued interest, and upon such prepayment, the Certificates maturing on or after April 1, 2029, will be subject to optional redemption in whole or in part, and if in part, in multiples of $5,000, at a price of par plus accrued interest to the date of redemption.

The Certificates shall be subject to extraordinary redemption, in whole but not in part, at the option of the District on any date upon the conditions and terms set forth herein if there occurs an event of damage, destruction or condemnation relating to the Project and the District elects to exercise its extraordinary prepayment option under the Lease. Such extraordinary optional redemption shall be at a price equal to the principal amount to be redeemed plus accrued interest to the redemption date without premium.

The Certificates may be subject to mandatory sinking fund redemption. See "Term Bond Option."

The Certificates shall be called for redemption in such order as the District shall determine and within a maturity by lot. If less than all Certificates maturing on the same dates are to be redeemed, the Certificates shall be selected by lot by the Trustee in accordance with its standard practices; provided, however, that the portion of any Certificate to be redeemed shall be in the principal amount of $5,000 or any multiple thereof, and that in selecting portions of Certificates for redemption, the Trustee shall treat each such Certificate as representing that number of Certificates which is obtained by dividing the principal amount of such Certificate by $5,000. When redemption is authorized or required pursuant to the provisions of the Trust Agreement, the Trustee shall give notice of the redemption of the Certificates to the Certificate Owners, at the expense of the District. Notice of such redemption shall be given by Trustee not less than 30 days prior to the redemption date by mailing a copy of the redemption notice by first class, postage prepaid, to the Owners whose Certificates are to be redeemed; provided that notice shall be given to any securities depository in accordance with its operational arrangements including by electronic means. Any notice of redemption may be made conditional on receipt of moneys sufficient to redeem the Certificates called for redemption

AUTHORITY; PURPOSE

The Lease is being entered into pursuant to Minnesota Statutes, Section 465.71, and the Certificates in the Lease are being issued pursuant to a Trust Agreement between the District and the Trustee and the Ratifying Resolution.

The Certificates are being issued for the purpose of (1) financing the acquisition, construction and installation of two athletic turf fields and a nine-lane track at Forest Lake Area High School (the "New Money Project"), in order to provide physical education classes and recreational services to District residents, including football, softball, baseball and lacrosse, and (2) refinancing that certain Lease-Purchase Agreement of the District and the Certificates of Participation, Series 2014A, issued therein in the original principal amount of $3,000,000 (the "Refunded Certificates" or the "Series 2014A Certificates"), which Refunded Certificates were issued in order to acquire from the Forest Lake Area Athletic Association the ice arena and field house then known as the Lichtscheidl Arena and Field House and now known as the Forest Lake Sports Center (the "Refunding Project," and together with the New Money Project, the "Project"), in order to provide recreational services to District residents. The Refunding Project is used and will continue to be used by the Forest Lake Hockey Association, a 501(c)(3) organization and a Minnesota nonprofit corporation, and the New Money Project will be used by The Forest Lake Athletic Association, a 501(c)(3) organization and a Minnesota nonprofit corporation.

The Refunded Certificates are summarized below:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 345875
Series 2014A Certificates	2/25/14	6/24/21	Par	2022	3.75%	$125,000	AH1
				2023	4.00%	130,000	AJ7
				2024	4.30%	140,000	AK4
				2025	4.50%	145,000	AL2
				2026	4.60%	150,000	AM0
				2027	4.75%	155,000	AN8
				2030 (term)	5.05%	515,000	AP3
				2034 (term)	5.35%	820,000	AQ1
Total Series 2014A Certificates Being Refunded						$2,180,000	

A portion of the proceeds of the Certificates will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance.

Brief descriptions of the Ground Lease, the Lease and the Trust Agreement follow. **See Appendix F for a summary of certain additional provisions of the operative documents. Such summaries do not purport to be comprehensive or definitive.**

The Trustee and the District will enter into a Ground Lease Agreement pursuant to which the District will lease or sublease the real property on which the Project is located (the "Land") to the Trustee. A portion of the Land is owned by the City of Forest Lake, Minnesota (the "City"), but leased to the District pursuant to a long-term ground lease and the City has consented to the sublease of the Land to the Trustee. Pursuant to the Lease, the District will sublease the Land from the Trustee and lease the improvements constructed thereon and comprising the Project from the Trustee, with an option to purchase, in exchange for the payment of periodic Rental Payments sufficient to pay the principal and interest due on the Certificates. Pursuant to the Trust Agreement, the Trustee has agreed to hold in trust, for the benefit of the owners of the Certificates, among other things, all of its right, title and interest in and to the Lease, the Rental Payments and other amounts due under the Lease, the Ground Lease and the Project. See "SECURITY" and "RISK FACTORS" herein for a further description of the documents and certain provisions therein.

ESTIMATED SOURCES AND USES*

Sources			
	Par Amount of Certificates	$6,830,000	
	Reoffering Premium	272,787	
	Total Sources		**$7,102,787**
Uses			
	Total Underwriter's Discount (1.000%)	$68,300	
	Costs of Issuance	99,500	
	Deposit to Project Construction Fund	4,712,654	
	Deposit to Current Refunding Fund	2,222,333	
	Total Uses		**$7,102,787**

*Preliminary, subject to change.

SECURITY

The District will convey a leasehold interest in the Land to the Trustee via the Ground Lease. The Ground Lease will terminate ten years after the term of the Lease, unless terminated sooner according to its terms. The Trustee will sublease to the District the Land and lease to the District all improvements thereon comprising the Project via the Lease. The Certificates are payable solely from Rental Payments made by the District under the terms of the Lease. **The Lease is not a general obligation of the District, and the full faith and credit and ad valorem taxing powers of the District are not pledged to the payment of the Rental Payments.** No provision of the Lease shall be construed or interpreted as creating a general obligation or other indebtedness of the District within the meaning of any constitutional or statutory debt limitation, except to the limited extent required by Minnesota Statutes, Section 465.71. The District will pledge the receipt of certain taxes levied pursuant to Minnesota Statutes, Section 126C.40, with the approval of the Commissioner of Education, to the payment of a portion of the Rental Payments due under the Lease. The District made its first levy in 2020 for collection in 2021.

The Certificates are special limited obligations of the District payable solely from amounts held pursuant to the Trust Agreement and pledged to the payment of principal of and interest on the Certificates. The Certificates are not general obligations of the District and are not payable from any funds, revenues or assets of the District or any other political subdivision or governmental authority (except for the District's interest in the Lease and amounts held pursuant to the Trust Agreement, including Rental Payments made by the District.) The Certificates do not constitute a pledge of the full faith and credit or taxing power of the District.

The District covenants and agrees, under the Trust Agreement, that so long as the Certificates shall be outstanding, it will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in said Trust Agreement and in the Ratifying Resolution, and in each and every Certificate executed, authenticated, and delivered thereunder. The District further covenants that it will pay, or cause to be paid, from Rental Payments made by the District and other amounts received in respect to the Lease, the principal of the interest on the Certificates. The District covenants that it will cause such amounts received to be deposited with the Trustee prior to the due date of each payment of principal and interest and prior to the maturity of any Certificate in amounts sufficient to pay such payment; provided, however, that the principal of and interest on any Certificate is not and shall not be deemed to represent a debt or pledge of the faith or credit of the District or grant to the holder of any Certificate any right to have the District levy any taxes or appropriate any funds to the payment of debt service on the Certificates. Such payment is to be made solely and only out of the moneys received pursuant to the Lease and the funds established and maintained with the Trustee pursuant to the Trust Agreement and appropriated to payment of the Certificates by the District.

During the term of the Lease, the District is required to make Rental Payments scheduled to be sufficient to pay when due all scheduled payments of principal of and interest on the Certificates. **Except in the case of non-appropriation (see "RISK FACTORS" herein)**, the obligation of the District to make Rental Payments and perform and observe all other covenants and agreements contained in the Lease shall be absolute and unconditional in all events. The District has covenanted in the Lease to include in its annual budget request to the District for each Fiscal Year during the term of the Lease moneys sufficient to pay all Rental Payments. The District intends to continue the Lease for its entire term and to pay all Rental Payments. However, the District has no legal obligation to actually appropriate such amounts for any Fiscal Year. The District shall have the right to terminate the Lease by giving the Trustee a written notice of the District's non-appropriation before the end of each Fiscal Year.

RATING

General obligation debt of the District, with the exception of any outstanding credit enhanced issues, is currently rated "A2" by Moody's Investors Service, Inc. ("Moody's").

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

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

CONTINUING DISCLOSURE

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

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

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

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

LEGAL OPINION

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

TAX CONSIDERATIONS

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

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

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Certificates. It does not address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent expressly specified herein. This summary is limited to consequences to U.S. holders that purchase the Certificates for cash at original issue and hold the Certificates as "capital assets" (generally, property held for investment).

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

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

Tax-Exempt Interest

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, the amount of each Rental Payment designated as and comprising interest as set forth on Exhibit B to the Lease and received by the registered owners of the Certificates (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. The amount of each Rental Payment designated as and comprising interest as set forth on Exhibit B to the Lease and received by the registered owners of the Certificates is included, however, in taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

In expressing its opinion, Bond Counsel will rely on legal opinions of Timothy Paul Brausen, esq., counsel to The Forest Lake Athletic Association ("FLAA"), and Legal for Good PLLC, counsel to the Forest Lake Hockey Association ("FLHA"), as to the status of FLAA and FLHA, respectively, as organizations described in Section 501(c)(3) of the Code and other matters with respect to which their opinions are delivered.

The Code establishes certain requirements that must be met after the issuance of the Certificates in order that interest on the Certificates be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Certificate proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of Certificate proceeds and other amounts. The District has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure the amount of each Rental Payment designated as and comprising interest as set forth on Exhibit B to the Lease and received by the registered owners of the Certificates will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause the amount of each Rental Payment designated as and comprising interest as set forth on Exhibit B to the Lease and received by the registered owners of the Certificates to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Certificates in the event that interest on the Certificates is included in federal gross income or in Minnesota taxable net income.

Original Issue Discount

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

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

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

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

Market Discount

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

Bond Premium

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

Related Tax Considerations

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take the amount of each Rental Payment designated as and comprising interest as set forth on Exhibit B to the Lease and received by the registered owners of the Certificates into account in determining the taxability of such benefits.

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

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

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

Sale or Other Disposition

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

Information Reporting and Backup Withholding

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2020 have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., Minneapolis, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

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

Non-Appropriation Risk: The District's obligation to make payments under the Lease is subject to termination without penalty at the end of each fiscal year. An assessment of the risk of termination involves a number of considerations. In the event of termination of the Lease, the Trustee is entitled to exercise its rights under the Ground Lease and the Lease and repossess the Project for the term of the Ground Lease and the District is required to turn over the possession of the Project to the Trustee who, on behalf of the owners of the Certificates, will attempt to sublease or lease the Project. This may result in revenues substantially less than amounts expected to be received from the District under the Lease, and the proceeds of any such lease may be substantially less than the remaining principal amount on the Certificates. Any lease to an entity that is not a governmental organization may adversely affect the tax-exempt status of the interest on the Certificates. There is no assurance that the Project could be re-leased by the Trustee pursuant to the Ground Lease and the Lease for amounts sufficient to pay the outstanding principal balance on the Certificates. If functional or economic obsolescence of a substantial portion of the financed and refinanced improvements were a significant reason for termination, it is reasonable to expect that the amount recovered by the Trustee from the sale or subsequent lease of the improvements would be substantially less than the outstanding Certificates. If the Lease is terminated, the District is not prohibited from purchasing or using other property to perform the same function as, or functions taking the place of, those performed by the Project. Accordingly, the District may terminate the Lease and obtain replacements for the Project. The Trustee will not receive a mortgage and will not have any right to foreclose on any Land of the District as a result of an event of non-appropriation or default under the Lease.

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

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

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

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

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

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

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

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

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

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

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

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for federal payments from the Coronavirus Relief Fund to the State for the discrete purpose of covering expenses directly incurred as a result of COVID-19 between March 1 and December 30, 2020. On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021, which provides local governments an additional $130.2 billion through the Coronavirus Local Fiscal Recovery Fund. These funds can be used to mitigate increased expenditures, lost revenue and economic hardship related to the COVID-19 pandemic.

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

VALUATIONS

OVERVIEW

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

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

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

Type of Property	2018/19	2019/20	2020/21
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 $1,880,000 - 0.50% [2] Over $1,880,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,900,000 - 0.50% [2] Over $1,900,000 - 1.00% [2]
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 $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%	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

2019/20 Economic Market Value[1] $6,564,986,569[2]

2020/21 Assessor's Estimated Market Value

	Washington County	Anoka County	Chisago County	Total
Real Estate	$3,520,841,900	$2,113,710,300	$812,835,600	$6,447,387,800
Personal Property	28,701,400	21,803,400	10,130,500	60,635,300
Total Valuation	$3,549,543,300	$2,135,513,700	$822,966,100	$6,508,023,100

2020/21 Net Tax Capacity

	Washington County	Anoka County	Chisago County	Total
Real Estate	$36,817,590	$21,704,802	$8,837,824	$67,360,216
Personal Property	555,199	432,423	200,425	1,188,047
Net Tax Capacity	$37,372,789	$22,137,225	$9,038,249	$68,548,263
Less: Captured Tax Increment Tax Capacity[3]	(460,794)	(484,906)	(25,268)	(970,968)
Power Line Adjustment[4]	(392)	0	0	(392)
Fiscal Disparities Contribution[5]	(2,200,415)	(1,293,812)	0	(3,494,227)
Taxable Net Tax Capacity	$34,711,188	$20,358,507	$9,012,981	$64,082,676
Plus: Fiscal Disparities Distribution[5]	3,943,551	2,512,533		6,456,084
Adjusted Taxable Net Tax Capacity	$38,654,739	$22,871,040	$9,012,981	$70,538,760

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

2 According to the Minnesota Department of Revenue, the 2019/20 Assessor's Estimated Market Value (the "AEMV") for the District is about 95.10% 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 $6,564,986,569.

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

4 Ten percent of the net tax capacity of certain high voltage transmission lines is removed when setting local tax rates. However, taxes are paid on the full value of these lines. The taxes attributable to 10% of value of these lines are used to fund a power line credit. Certain property owners receive a credit when the high voltage transmission line runs over their property.

5 Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base since 1972 to an area pool which is then distributed among the municipalities on the basis of population, special needs, etc. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

2020/21 NET TAX CAPACITY BY CLASSIFICATION

	2020/21 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$44,488,612	64.90%
Agricultural	2,446,160	3.57%
Commercial/industrial	10,805,711	15.76%
Public utility	218,791	0.32%
Railroad operating property	154,122	0.22%
Non-homestead residential	8,425,865	12.29%
Commercial & residential seasonal/rec.	820,955	1.20%
Personal property	1,188,047	1.73%
Total	$68,548,263	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Adjusted Taxable Net Tax Capacity[2]	Percent +/- in Estimated Market Value
2016/17	$5,029,758,300	$4,710,733,348	$52,236,862	$53,968,547	+3.82%
2017/18	5,367,232,400	5,047,763,740	55,806,178	57,830,971	+6.71%
2018/19	5,793,048,100	5,491,550,107	60,539,290	62,677,487	+7.93%
2019/20	6,222,800,500	5,929,041,932	65,245,034	67,148,941	+7.42%
2020/21	6,508,023,100	6,209,606,497	68,548,263	70,538,760	+4.58%

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

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

LARGER TAXPAYERS

Taxpayer	Type of Property	2020/21 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Xcel Energy	Utility	$ 777,771	1.13%
Hallberg, Inc.	Commerical/Storage	447,596	0.65%
North Metro Harness Initiative, LLC	Commercial	397,734	0.58%
Target Corporation	Commercial	381,565	0.56%
Fairview Hospital	Commercial	308,386	0.45%
Barbara Gaugham Family Limited Partnership	Apartments	268,435	0.39%
WM Forest Lake Minnesota, LLC	Commercial	264,422	0.39%
Lighthouse Lofts, LLC	Apartments	261,240	0.38%
Store Master Funding VI, LLC	Commercial	253,635	0.37%
Aces Hotel, LLC	Commercial	222,581	0.32%
Total		$ 3,583,365	5.23%

District's Total 2020/21 Net Tax Capacity $68,548,263

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Washington, Anoka and Chisago Counties.

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by tax abatement revenues and state aids[2]	$ 1,565,000
Total G.O. debt secured by taxes and state aids[2]	155,400,000
Total General Obligation Debt	$156,965,000

Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations[3] (includes the Certificates)*	$6,830,000

*Preliminary, subject to change.

[1] Outstanding debt is as of the dated date of the Certificates.

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

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

STATE AID FOR DEBT SERVICE

The Minnesota Debt Service Equalization program provides state aid to finance a portion of the principal and interest payments on most school district bonds. 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, and to rural vacant land and managed forest land. The amount of agricultural credit received in the debt service fund for taxes payable 2021 is approximately 1.2% of total annual debt service levies, based on the District’s 2019/20 qualifying agricultural land valuation. Although the District expects to receive a small amount of Agricultural Credit in its debt service fund, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aid.

Independent School District No. 831 (Forest Lake Area Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 06/17/2021)

	Tax Abatement Bonds 1) Series 2018A							
Dated	08/16/2018							
Amount	$1,835,000							
Maturity	02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2022	165,000	69,350	165,000	69,350	234,350	1,400,000	10.54%	**2022**
2023	175,000	61,100	175,000	61,100	236,100	1,225,000	21.73%	**2023**
2024	180,000	52,350	180,000	52,350	232,350	1,045,000	33.23%	**2024**
2025	190,000	43,350	190,000	43,350	233,350	855,000	45.37%	**2025**
2026	200,000	33,850	200,000	33,850	233,850	655,000	58.15%	**2026**
2027	210,000	23,850	210,000	23,850	233,850	445,000	71.57%	**2027**
2028	220,000	13,350	220,000	13,350	233,350	225,000	85.62%	**2028**
2029	225,000	6,750	225,000	6,750	231,750	0	100.00%	**2029**
	1,565,000	303,950	1,565,000	303,950	1,868,950			

1) This represents the $1,835,000 Tax Abatement Portion of the $8,250,000 General Obligation Facilities Maintenance and Tax Abatement Bonds, Series 2018A. This debt is not subject to the debt limit.

Independent School District No. 831 (Forest Lake Area Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 06/17/2021)

	School Building Bonds Series 2016A		School Building Bonds Series 2016B		Taxable OPEB Refunding Bonds 1) Series 2016C		Facilities Maintenance Bonds 2) Series 2018A		Facilities Maintenance and Capital Facilities Bonds Series 2020A							
Dated	05/05/2016		12/15/2016		12/15/2016		08/16/2018		04/30/2020							
Amount	$75,000,000		$67,070,000		$5,365,000		$6,415,000		$9,610,000							
Maturity	02/01		02/01		02/01		02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2022	1,610,000	2,305,111	1,630,000	2,300,188	405,000	123,600	575,000	242,550	320,000	270,294	4,540,000	5,241,743	9,781,743	150,860,000	2.92%	**2022**
2023	1,665,000	2,224,611	1,715,000	2,218,688	435,000	114,488	605,000	213,800	450,000	257,494	4,870,000	5,029,080	9,899,080	145,990,000	6.06%	**2023**
2024	1,725,000	2,174,661	1,765,000	2,167,238	440,000	103,830	635,000	183,550	510,000	239,494	5,075,000	4,868,773	9,943,773	140,915,000	9.32%	**2024**
2025	1,815,000	2,088,411	1,850,000	2,078,988	450,000	92,390	665,000	151,800	550,000	219,094	5,330,000	4,630,683	9,960,683	135,585,000	12.75%	**2025**
2026	1,900,000	1,997,661	1,910,000	2,023,488	465,000	80,015	700,000	118,550	570,000	197,094	5,545,000	4,416,808	9,961,808	130,040,000	16.32%	**2026**
2027	1,930,000	1,959,661	2,005,000	1,927,988	485,000	66,763	735,000	83,550	595,000	174,294	5,750,000	4,212,255	9,962,255	124,290,000	20.02%	**2027**
2028	1,980,000	1,901,761	2,065,000	1,867,838	510,000	52,213	770,000	46,800	615,000	150,494	5,940,000	4,019,105	9,959,105	118,350,000	23.84%	**2028**
2029	2,030,000	1,842,361	2,125,000	1,805,888	535,000	36,148	790,000	23,700	640,000	125,894	6,120,000	3,833,990	9,953,990	112,230,000	27.78%	**2029**
2030	2,085,000	1,781,461	2,185,000	1,742,138	560,000	18,760			1,225,000	113,094	6,055,000	3,655,453	9,710,453	106,175,000	31.68%	**2030**
2031	2,735,000	1,718,911	2,235,000	1,673,856					1,050,000	88,594	6,020,000	3,481,361	9,501,361	100,155,000	35.55%	**2031**
2032	2,815,000	1,636,861	2,310,000	1,601,219					765,000	66,544	5,890,000	3,304,624	9,194,624	94,265,000	39.34%	**2032**
2033	2,900,000	1,552,411	2,380,000	1,526,144					765,000	51,244	6,045,000	3,129,799	9,174,799	88,220,000	43.23%	**2033**
2034	2,985,000	1,465,411	2,465,000	1,445,819					775,000	34,988	6,225,000	2,946,218	9,171,218	81,995,000	47.24%	**2034**
2035	3,075,000	1,375,861	2,550,000	1,362,625					780,000	17,550	6,405,000	2,756,036	9,161,036	75,590,000	51.36%	**2035**
2036	3,170,000	1,283,611	2,635,000	1,273,375							5,805,000	2,556,986	8,361,986	69,785,000	55.09%	**2036**
2037	3,265,000	1,188,511	2,725,000	1,181,150							5,990,000	2,369,661	8,359,661	63,795,000	58.95%	**2037**
2038	3,360,000	1,090,561	2,825,000	1,085,775							6,185,000	2,176,336	8,361,336	57,610,000	62.93%	**2038**
2039	3,465,000	985,561	2,925,000	983,369							6,390,000	1,968,930	8,358,930	51,220,000	67.04%	**2039**
2040	3,575,000	877,280	3,030,000	877,338							6,605,000	1,754,618	8,359,618	44,615,000	71.29%	**2040**
2041	3,685,000	765,561	3,145,000	767,500							6,830,000	1,533,061	8,363,061	37,785,000	75.69%	**2041**
2042	3,800,000	650,405	3,255,000	653,494							7,055,000	1,303,899	8,358,899	30,730,000	80.23%	**2042**
2043	3,920,000	530,705	3,375,000	535,500							7,295,000	1,066,205	8,361,205	23,435,000	84.92%	**2043**
2044	4,045,000	407,225	3,500,000	408,938							7,545,000	816,163	8,361,163	15,890,000	89.77%	**2044**
2045	4,175,000	275,763	3,635,000	277,688							7,810,000	553,450	8,363,450	8,080,000	94.80%	**2045**
2046	4,310,000	140,075	3,770,000	141,375							8,080,000	281,450	8,361,450	0	100.00%	**2046**
	72,020,000	34,220,416	64,010,000	33,927,600	4,285,000	688,205	5,475,000	1,064,300	9,610,000	2,006,163	155,400,000	71,906,684	227,306,684			

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

2) This represents the $6,415,000 Facilities Maintenance Portion of the $8,250,000 General Obligation Facilities Maintenance and Tax Abatement Bonds, Series 2018A.

Independent School District No. 831 (Forest Lake Area Schools), Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 06/17/2021)

	Certificates of Participation 1) Series 2021A							
Dated	06/17/2021							
Amount	$6,830,000*							
Maturity	04/01							
Fiscal Year Ending	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2022	635,000	144,130	635,000	144,130	779,130	6,195,000	9.30%	**2022**
2023	610,000	163,650	610,000	163,650	773,650	5,585,000	18.23%	**2023**
2024	630,000	145,350	630,000	145,350	775,350	4,955,000	27.45%	**2024**
2025	650,000	126,450	650,000	126,450	776,450	4,305,000	36.97%	**2025**
2026	670,000	106,950	670,000	106,950	776,950	3,635,000	46.78%	**2026**
2027	690,000	86,850	690,000	86,850	776,850	2,945,000	56.88%	**2027**
2028	710,000	66,150	710,000	66,150	776,150	2,235,000	67.28%	**2028**
2029	725,000	51,950	725,000	51,950	776,950	1,510,000	77.89%	**2029**
2030	745,000	30,200	745,000	30,200	775,200	765,000	88.80%	**2030**
2031	765,000	15,300	765,000	15,300	780,300	0	100.00%	**2031**
	6,830,000	936,980	6,830,000	936,980	7,766,980			

* Preliminary, subject to change.

1) A portion of this issue will refund the 2022 through 2034 maturities of the District's $3,000,000 Certificates of Participation, Series 2014A, dated February 25, 2014.

BONDED DEBT LIMIT[1]

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

2019/20 Economic Market Value	$6,564,986,569
Multiply by 15%	0.15
Statutory Debt Limit	$ 984,747,985
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes[2]	(151,115,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations (includes the Certificates)*	(6,830,000)
Unused Debt Limit*	$ 826,802,985

*Preliminary, subject to change.

1 Does not include the Tax Abatement Portion of the $8,250,000 General Obligation Facilities Maintenance and Tax Abatement Bonds, Series 2018A, as they are not subject to the debt limit calculation.

2 Does not include the $5,365,000 General Obligation Taxable OPEB Refunding Bonds, Series 2016C, as they are not subject to the debt limit calculation.

OVERLAPPING DEBT[1]

Taxing District	2020/21 Adjusted Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Anoka County	$453,476,406	5.0435%	$ 49,315,000	$ 2,487,202
Chisago County	65,966,871	13.6629%	41,015,000	5,603,838
Washington County	363,058,143	10.6470%	113,845,000	12,121,077
City of Chisago	7,466,500	1.9446%	4,485,000	87,215
City of Columbus	7,224,695	100.0000%	7,404,000	7,404,000
City of East Bethel	14,974,943	14.8293%	16,520,000	2,449,800
City of Forest Lake	28,193,557	100.0000%	24,105,000	24,105,000
City of Ham Lake	23,718,202	6.8736%	1,043,000	71,692
City of Hugo	23,082,552	10.8183%	8,335,000	901,705
City of Lino Lakes	27,800,937	17.8974%	9,275,485	1,660,071
City of Scandia	8,139,655	85.5113%	3,709,000	3,171,614
City of Stacy	1,377,973	3.4102%	2,045,000	69,739
City of Wyoming	10,268,243	87.7753%	8,570,000	7,522,343
Town of Linwood	6,821,970	99.9669%	62,000	61,979
Metropolitan Council	4,884,505,255	1.2596%	187,200,000[3]	2,357,971
District's Share of Total Overlapping Debt				$70,075,247

DEBT PAYMENT HISTORY

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

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

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

3 Hennepin County also has General Obligation Solid Waste Revenue Bonds outstanding which are payable entirely from the County's solid waste enterprise fund; General Obligation Bonds (Century Plaza Debt) which are expected to be paid from building rental fees from County departments and non-County tenants; and General Obligation Ice Arena Revenue Bonds which are expected to be paid from building rental payments from Augsburg College. These issues have not been included in the overlapping debt or debt ratios.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value ($6,564,986,569)	Debt/ Current Population Estimate (48,995)
Direct G.O. Debt Secured By:			
Tax Abatement Revenues and State Aids	$ 1,565,000		
Taxes and State Aids	155,400,000		
Tax Supported General Obligation Debt	$156,965,000	2.39%	$3,203.69
District's Share of Total Overlapping Debt	$ 70,075,247	1.07%	$1,430.25
Total	$227,040,247	3.46%	$4,633.95

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.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[1]	Total Collected Following Year	Collected to Date[2]	% Collected
2016/17	$23,166,820	$22,984,879	$23,144,092	99.90%
2017/18	21,663,991	21,453,594	21,636,766	99.87%
2018/19	27,050,431	26,795,367	26,965,031	99.68%
2019/20	27,994,937	27,726,037	27,726,037	99.04%
2020/21	28,813,105	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 Certificates.

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

2 Collections are through December 31, 2020 for Washington, Anoka and Chisago Counties.

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

TAX CAPACITY RATES[1]

	2016/17	2017/18	2018/19	2019/20	2020/21
I.S.D. No. 831 (Forest Lake Area Schools)	31.213%	26.230%	24.856%	25.097%	25.090%
Anoka County	36.841%	35.334%	34.473%	33.078%	31.086%
Chisago County	69.276%	66.551%	65.860%	65.665%	63.787%
Washington County	30.448%	29.983%	29.682%	28.944%	27.435%
City of Chisago	45.235%	44.857%	43.152%	41.618%	41.266%
City of Columbus	50.259%	51.706%	50.653%	46.925%	48.280%
City of East Bethel	47.222%	44.510%	43.204%	41.467%	38.348%
City of Forest Lake	43.473%	41.871%	39.580%	40.333%	40.641%
City of Ham Lake	25.578%	25.007%	23.439%	22.426%	21.953%
City of Hugo	36.360%	36.330%	36.274%	39.279%	39.294%
City of Lino Lakes	45.140%	42.826%	41.817%	39.870%	40.109%
City of Scandia	36.594%	35.058%	32.396%	31.466%	30.815%
City of Stacy	45.979%	38.760%	36.025%	33.206%	30.894%
City of Wyoming	55.254%	48.622%	45.719%	43.579%	43.457%
Town of Linwood[2]	31.030%	29.179%	25.680%	25.571%	24.757%
Anoka County HRA	1.536%	1.508%	1.504%	1.513%	1.573%
Anoka County RR Authority	0.802%	0.738%	0.685%	0.494%	0.481%
Browns Creek Watershed	5.275%	5.021%	5.263%	4.850%	4.835%
Carnelian-Marine Watershed	3.150%	3.292%	3.454%	3.993%	3.841%
Chisago County HRA/EDA	0.977%	0.907%	0.832%	0.765%	0.712%
Columbus EDA	1.568%	1.594%	1.475%	1.297%	1.272%
Comfort Lake-Forest Lake Watershed	5.012%	5.707%	5.658%	5.835%	6.346%
East Bethel EDA	0.833%	0.814%	0.907%	0.821%	0.808%
East Bethel HRA	0.405%	0.438%	0.446%	0.463%	0.465%
East Central Regional Dev. Comm.	0.225%	0.217%	0.207%	0.199%	0.188%
Metropolitan Council	1.724%	1.657%	1.278%	1.180%	1.503%
Metropolitan Mosquito	0.930%	0.893%	0.839%	0.788%	0.766%
Metropolitan Transit	2.723%	2.588%	2.710%	2.603%	2.387%

Continued on next page -

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.

TAX CAPACITY RATES[1] - *continued*

	2016/17	2017/18	2018/19	2019/20	2020/21
Regional Rail Authority	0.243%	0.224%	0.175%	0.165%	0.157%
Rice Creek Watershed	2.088%	1.838%	1.924%	1.926%	1.918%
Washington County CDA	1.475%	1.469%	1.423%	1.356%	1.289%
Referendum Market Value Rates:					
I.S.D. No. 831 (Forest Lake Area Schools)	0.12865%	0.11395%	0.20186%	0.17344%	0.16723%
Washington County	0.00378%	0.00353%	0.00330%	0.00342%	0.00325%
City of East Bethel	0.01374%	0.01247%	0.01179%	0.01103%	0.00965%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Washington, Anoka and Chisago 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.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 1,045, including 555 non-licensed employees and 490 licensed employees (468 of whom are teachers). The District provides education for 5,803 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

Public Employees' Retirement Association (PERA)

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

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Teachers	June 30, 2021
Clerical	June 30, 2022
Custodial	June 30, 2022
Food Service	June 30, 2022
Directors	June 30, 2021
Principals	June 30, 2021
Supervisors	June 30, 2021
Paraprofessionals	June 30, 2020
Bus Drivers/Aides	June 30, 2022
Mechanics	June 30, 2022
SAC	June 30, 2022
Tech Specs	June 30, 2020

Status of Contracts

The contracts which expired on June 30, 2020 are currently in negotiations.

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 Comprehensive Annual Financial Report (Audit) shows a total OPEB liability of $8,193,036 as of June 30, 2020. In 2016, the District issued $5,365,000 in OPEB Bonds to fund an irrevocable trust. As of June 30, 2020, the net position of the trust was $1,686,264. Future OPEB costs will be paid partially from the trust and partially from operating funds.

Source: The District's most recent Audit.

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2016/17	435	2,685	3,152	6,272
2017/18	422	2,618	3,117	6,157
2018/19	403	2,589	3,038	6,030
2019/20	397	2,474	3,014	5,885
2020/21	379	2,449	2,975	5,803

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2021/22	393	2,408	2,969	5,770
2022/23	391	2,397	2,937	5,725
2023/24	385	2,379	2,918	5,682

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Columbus Elementary	1975	1999, 2018
Forest Lake Elementary	1957	1968, 1988, 2019
Forest View Elementary	1967	1988, 1999, 2018
Lino Lakes Elementary	1957	1961, 1975, 1999, 2019
Linwood Elementary	1961	1970, 1988, 1999, 2020
Scandia Elementary	1962	1964, 1971, 1988, 1999, 2019
Wyoming Elementary	1989	1999, 2020
Forest Lake Area Middle School	2000	2019
Forest Lake Education Center	1965	1980, 1988, 1999, 2020
Forest Lake Senior High	1972	1989, 1999, 2019
Central Learning Center	1948	1958, 1981, 2000, 2021
Forest Lake Sports Center	2008	2013
Maintenance and Warehouse	1979	--
Administration Building	1984	2003

FUNDS ON HAND (as of December 31, 2020)

Fund	Total Cash and Investments
General	$12,649,263
Food Service	(131,916)
Community Service	1,219,346
Debt Service	9,741,728
Building/Construction	4,063,475
Internal Service	4,515,100
Total Funds on Hand	$32,056,997

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 heir rights and power to execute and deliver the Certificates or otherwise questioning the validity of the Certificates.

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

SUMMARY GENERAL FUND INFORMATION

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

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				
	2017 Audited	2018 Audited	2019 Audited	2020 Audited	2020-21 Revised Budget 1)
Revenues					
Local property taxes	$12,003,610	$13,421,398	$11,976,441	$16,942,049	$16,800,000
Investment earnings	29,677	80,894	199,175	188,443	180,000
Other	2,344,996	2,508,241	2,911,436	2,372,320	2,470,000
Revenues from state sources	57,412,440	57,201,749	58,120,768	57,199,212	56,700,000
Revenues from federal sources	1,902,513	1,953,798	1,943,362	2,119,589	3,600,000
Total Revenues	$73,693,236	$75,166,080	$75,151,182	$78,821,613	$79,750,000
Expenditures					
Current:					
Administration	$3,706,541	$3,305,470	$3,237,724	$3,372,758	$3,488,530
District support services	1,981,718	2,794,017	2,967,753	2,906,337	2,928,300
Elementary & secondary regular instruction	27,796,600	27,505,436	26,064,394	27,191,856	28,499,722
Vocational education instruction	1,331,649	1,228,503	1,059,116	1,555,531	1,520,600
Special education instruction	13,191,811	12,505,873	12,741,535	13,637,180	13,785,060
Instructional support services	4,875,659	5,258,752	5,286,816	7,467,572	6,745,475
Pupil support services	11,214,282	10,874,254	11,736,493	11,471,940	11,323,912
Sites and buildings	8,252,564	10,193,913	10,863,761	10,325,268	10,222,401
Fiscal and other fixed cost programs	574,212	635,768	520,000	650,000	650,000
Capital outlay	0	0	0	0	0
Debt service	325,166	310,938	308,465	234,360	238,000
Total Expenditures	$73,250,202	$74,612,924	$74,786,057	$78,812,802	$79,402,000
Excess of revenues over (under) expenditures	$443,034	$553,156	$365,125	$8,811	$348,000
Other Financing Sources (Uses)					
Sale of assets	$0	$0	$0	$14,000	
Operating transfers out	(1,188,279)	(114,709)	0	0	
Total Other Financing Sources (Uses)	($1,188,279)	($114,709)	$0	$14,000	
Net changes in Fund Balances	($745,245)	$438,447	$365,125	$22,811	
General Fund Balance July 1	$2,444,268	$1,699,023	$2,137,470	$2,502,595	
Change in accounting principle	0	0	0	121,838	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance June 30	$1,699,023	$2,137,470	$2,502,595	$2,647,244	
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$307,516	$170,007	$151,143	$37,519	
Restricted	0	795,382	397,938	161,247	
Assigned	471,136	461,114	583,713	475,778	
Unassigned	920,371	710,967	1,369,801	1,972,700	
Total	$1,699,023	$2,137,470	$2,502,595	$2,647,244	

1) The 2020-21 budget was revised on January 7, 2021.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 44,247 and a current population estimate of 48,995, and comprising an area of 213 square miles, is located approximately 25 miles north of the Minneapolis-St. Paul Metropolitan Area.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 831 (Forest Lake Area Schools)	Elementary and secondary education	1,045
Fairview Lakes Regional Health Care	Hospital and clinics	750
Wal-Mart	Retail	500
Polaris	All terrain vehicle manufacturers	275
Teamvantage	Plastic mold manufacturing	251
Rosenbauer	Fire truck equipment, supplies & manufacturers	225
Birchwood Health Care Center	Nursing home	220
Menards, Inc.	Retail	190
Target Corporation	Retail	160
Cub Foods	Grocery	150

Source: *Data Axle Reference Solutions, written and telephone survey (April 2021), 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

2000 U.S. Census population	38,028
2010 U.S. Census population	44,247
2019 Population Estimate	48,995
Percent of Change 2000 - 2010	+ 16.35%

Income and Age Statistics

	The District	Washington County	State of Minnesota	United States
2019 per capita income	$39,873	$45,822	$37,625	$34,103
2019 median household income	$86,569	$96,671	$71,306	$62,843
2019 median family income	$101,061	$114,542	$89,842	$77,263
2019 median gross rent	$1,135	$1,307	$977	$1,062
2019 median value owner occupied units	$273,600	$289,400	$223,900	$217,500
2019 median age	41.5 yrs.	39.5 yrs.	38.0 yrs.	38.1 yrs.

	State of Minnesota	United States
District % of 2019 per capita income	105.97%	116.92%
District % of 2019 median family income	112.49%	130.80%

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

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	Average Unemployment	
Year	**Washington County**	**Washington County**	**State of Minnesota**
2017	136,764	3.0%	3.4%
2018	138,416	2.5%	3.0%
2019	139,544	2.9%	3.2%
2020	134,276	5.3%	6.2%
2021, March	134,924	3.9%	4.5%

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

APPENDIX A

FINANCIAL STATEMENTS

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

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

INDEPENDENT SCHOOL DISTRICT NO. 831
FOREST LAKE, MINNESOTA

Financial Statements
and Supplemental Information

Year Ended
June 30, 2020

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INDEPENDENT SCHOOL DISTRICT NO. 831

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Table of Contents (continued)

INDEPENDENT SCHOOL DISTRICT NO. 831

Table of Contents (continued)

INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 831

School Board and Administration
Year Ended June 30, 2020

SCHOOL BOARD

	Board Position During 2019–2020
Jeff Peterson	Chairperson (President)
Robert Rapheal	Vice Chairperson (Vice President)
Kate Luthner	Clerk
Julie Corcoran	Treasurer
Alex Keto	Director
Jill Olson	Director
Gail Theisen	Director

ADMINISTRATION

Dr. Steven Massey	Superintendent
Lawrence Martini	Director of Business Services

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FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC
ACCOUNTANTS

PRINCIPALS
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 831
Forest Lake, 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. 831 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Phone: 952-545-0424 • Fax: 952-545-0569 • www.mmkr.com

Opinions

In our opinion, the financial statements referred to on the previous page 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, 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 described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, during the year ended June 30, 2020. Our opinion is 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 and the required supplementary information (RSI), 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and other district information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of the District. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

(continued)

The supplemental information, the Schedule of Expenditures of Federal Awards, and the UFARS Compliance Table 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 introductory section and other district information have 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 them.

Prior Year Comparative Information

We have previously audited the District's 2019 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 23, 2019. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 18, 2020

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This section of Independent School District No. 831's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the other components of the District's annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2020 by $39,306,414 (deficit net position). The District's total net position decreased by $3,106,052 during the fiscal year ended June 30, 2020, excluding the change in accounting principle as discussed below.

- The District recorded a change in accounting principle in the current year with the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The implementation of this standard changed the way the District reports student activities that were not previously reported within the District's reporting entity. The implementation of this standard increased beginning net position in the government-wide financial statements and beginning fund balance in the General Fund by $121,838.

- Government-wide expenses totaled $98,805,342, and were $3,106,052 more than revenues of $95,699,290.

- The General Fund's total fund balance (under the governmental fund presentation) increased $22,811 from the prior year, compared to an increase of $449,500 planned in the budget, excluding the change in accounting principle discussed above.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual financial statements consists of the following parts:

- Independent Auditor's Report;
- Management's discussion and analysis;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Supplemental information consisting of combining and individual fund statements and schedules.

The following explains the two types of statements included in the basic financial statements:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Position and Statement of Activities) 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, except for the fiduciary funds. 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 government-wide financial statements report the District's *net position* and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

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

In the government-wide financial statements, the District's activities are shown in one category titled "governmental activities." These activities, including regular and special education instruction, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*—focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service Special Revenue and Community Service Special Revenue) that do not meet the threshold to be classified as major funds are called "nonmajor" funds. Detailed financial information for nonmajor funds can be found in the supplemental information section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with Minnesota statutory requirements and accounting principles generally accepted in the United States of America. Some funds are required by state law and by bond covenants. The District can establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps to determine whether there are more or less 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 government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund financial statements that explain the relationship (or differences) between these two types of financial statement presentations.

Proprietary Funds – The District maintains one type of proprietary fund. The internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for the self-insurance activities of district employees' medical and dental claims. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1 is a summarized view of the District's Statement of Net Position:

Table 1
Summary Statement of Net Position
as of June 30, 2020 and 2019

	2020	2019
Assets		
Current and other assets	$ 52,815,672	$ 57,783,886
Capital assets, net of depreciation	198,701,627	191,230,845
Total assets	$ 251,517,299	$ 249,014,731
Deferred outflows of resources		
Bond refunding deferments	$ 403,229	$ 441,788
OPEB plan deferments	536,687	253,405
Pension plan deferments	38,451,138	57,361,210
Total deferred outflows of resources	$ 39,391,054	$ 58,056,403
Liabilities		
Current and other liabilities	$ 15,199,160	$ 19,845,772
Long-term liabilities, including due within one year	221,912,426	217,322,784
Total liabilities	$ 237,111,586	$ 237,168,556
Deferred inflows of resources		
OPEB plan deferments	$ 625,096	$ 719,004
Pension plan deferments	65,248,005	79,361,879
Property taxes levied for subsequent year	27,230,080	26,143,895
Total deferred inflows of resources	$ 93,103,181	$ 106,224,778
Net position		
Net investment in capital assets	$ 39,995,043	$ 39,775,923
Restricted	1,064,706	1,995,275
Unrestricted	(80,366,163)	(78,093,398)
Total net position	$ (39,306,414)	$ (36,322,200)

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. The other major factor in determining net position as compared to fund balances is the liability for long-term severance, pension, and other post-employment benefits (OPEB), which impacts the unrestricted portion of net position.

The District's increase in net investment in capital assets is due mostly to the relationship between the rate at which the District's capital assets are being added, depreciated, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. The District's decrease in net position restricted for capital asset acquisition, food service, and community service contributed to the decrease in the restricted portion of net position. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position.

Table 2 presents a summarized version of the District's Statement of Activities:

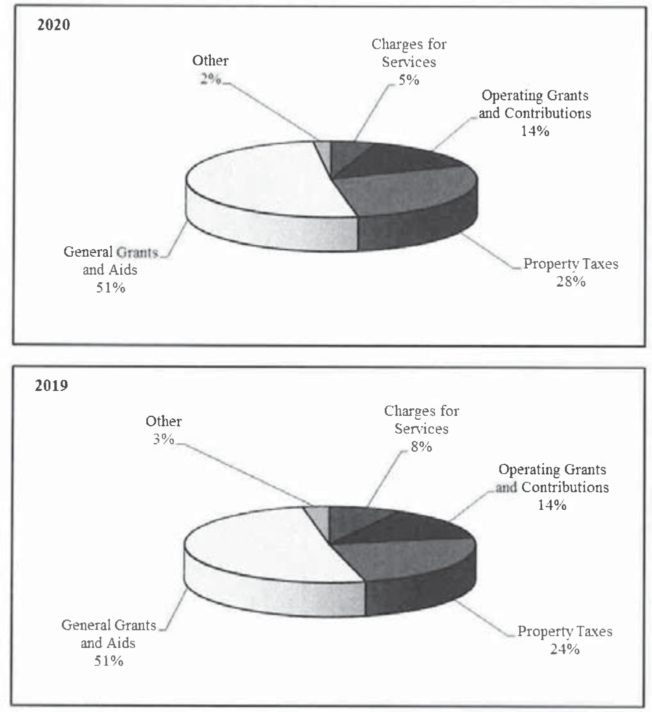
Table 2
Summary Statement of Activities
for the Years Ended June 30, 2020 and 2019

	2020	2019
Revenues		
Program revenues		
Charges for services	$ 5,313,535	$ 6,891,345
Operating grants and contributions	13,010,160	13,306,489
General revenues		
Property taxes	27,031,623	22,372,109
General grants and aids	48,773,418	46,735,121
Other	1,570,554	2,605,932
Total revenues	95,699,290	91,910,996
Expenses		
Administration	3,527,550	2,404,931
District support services	2,825,243	2,914,489
Elementary and secondary regular instruction	29,013,805	15,406,822
Vocational education instruction	1,647,733	551,470
Special education instruction	14,352,862	9,188,795
Instructional support services	7,738,382	3,770,996
Pupil support services	11,321,031	9,919,553
Sites and buildings	7,648,115	9,509,308
Fiscal and other fixed cost programs	650,000	520,000
Food service	3,526,004	3,642,072
Community service	4,855,822	4,447,056
Depreciation not allocated to other functions	6,209,276	4,393,215
Interest and fiscal charges	5,489,519	5,170,398
Total expenses	98,805,342	71,839,105
Change in net position	(3,106,052)	20,071,891
Net position – beginning, as previously reported	(36,322,200)	(56,394,091)
Change in accounting principle	121,838	–
Net position – beginning, as restated	(36,200,362)	(56,394,091)
Net position – ending	$ (39,306,414)	$ (36,322,200)

This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal. The increase in general grants and aids and significant increase in expenses reflects the change in the PERA and the TRA multiple-employer defined benefit pension plans mentioned earlier. Tax revenues increased from the prior year, consistent with the approved property tax levy.

Figure A shows further analysis of these revenue sources:

Figure A – Sources of Revenues for Fiscal Years 2020 and 2019



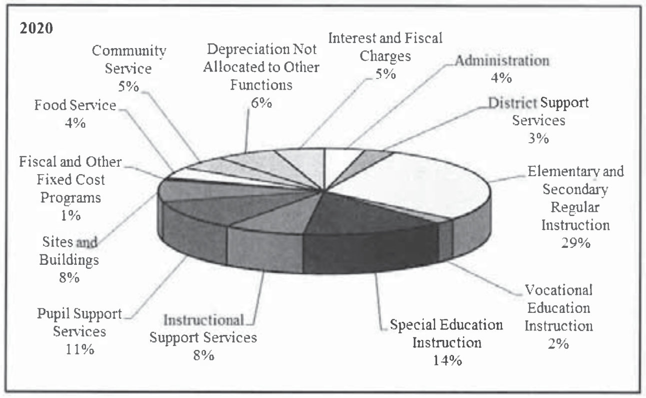
The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

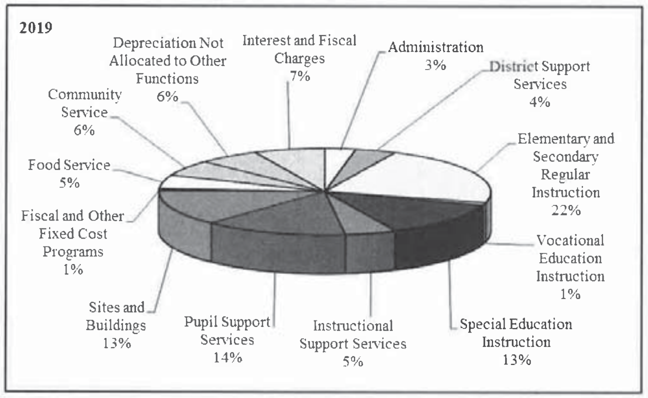
Property taxes are generally the next largest source of funding. The level of revenue property tax sources provide is not only dependent on district taxpayers by way of operating and building referenda, but also by decisions made by the Legislature in the mix of state aid and local effort in a variety of funding formulas.

Charges for services were down from the prior year directly related to the COVID-19 pandemic beginning in March through the end of the fiscal year.

Figure B shows further analysis of the expense functions:

Figure B – Expenses for Fiscal Years 2020 and 2019





The District's expenses are predominately related to educating students. Programs (or functions), such as elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the District.

The significant year-to-year change in the percentage of expenses incurred in several program areas shown above was attributable to the change in expenses related to the two state-wide pension plans, which caused greater fluctuations in program areas with a higher proportion of salaries.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in its governmental funds. Table 3 shows the change in total fund balances of each of the District's governmental funds:

Table 3
Governmental Fund Balances
as of June 30, 2020 and 2019

	2020	2019	Change
Major funds			
General Fund	$ 2,647,244	$ 2,502,595	$ 144,649
Capital Projects – Building Construction	3,909,682	4,934,642	(1,024,960)
Debt Service	1,286,532	1,524,501	(237,969)
Nonmajor funds			
Food Service Special Revenue	217,243	482,623	(265,380)
Community Service Special Revenue	671,128	1,100,004	(428,876)
Total governmental funds	$ 8,731,829	$ 10,544,365	$ (1,812,536)

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance that has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

At June 30, 2020, the District's governmental funds reported combined fund balances of $8,731,829, a decrease of $1,812,536 in comparison with the prior year, which includes a $121,838 increase for a change in accounting principle as previously discussed. Approximately 22.6 percent of this amount ($1,972,700) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is: 1) not in spendable form ($167,619), 2) restricted for particular purposes ($6,115,732), or 3) assigned for particular purposes ($475,778).

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Change	Percent Change
Revenue	$ 77,458,000	$ 78,550,000	$ 1,092,000	1.4 %
Expenditures	$ 76,490,500	$ 78,100,500	$ 1,610,000	2.1 %

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amended the budget for known significant changes in circumstances such as: updated enrollment estimates, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, insurance premium changes, special education tuition changes, or for new debt issued.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2020 Actual	Amount	Percent	Amount	Percent
Revenues and other financing sources	$ 78,835,613	$ 285,613	0.4 %	$ 3,684,431	4.9 %
Expenditures	78,812,802	$ 712,302	0.9 %	$ 4,026,745	5.4 %
Net change in fund balances	$ 22,811				

The fund balance of the General Fund increased $22,811, compared to an increase of $449,500 approved in the final budget. As previously discussed, the District reported a change in accounting principle that increased beginning fund balance by $121,838.

The largest revenue and other financing sources variance to budget occurred in federal sources, which was $369,589 more than projected in the budget. Conservative budgeting for federal special education revenue contributed to this source exceeding budget. The revenue change from the prior year was mainly in property taxes, which increased $4,965,608, due to the increased property tax levy in the current year.

The expenditure budget variance was spread across several programs and object categories, with the largest variance in elementary and secondary regular instruction, which was $1,314,989 under budget. This budget variance was offset by instructional support services and special education instruction expenditures in excess of budget $1,012,815 and $551,274, respectively. The District budgeted salaries and benefits in the elementary and secondary regular instruction program but actual amounts were recorded in other program areas resulting in total expenditures to be within 0.9 percent of budget. Expenditures increased $4,026,745 from the prior year, mainly in salaries and benefits, due to contractual increases and additional staffing hired.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities financed with voter-approved building bonds, and as authorized by the District's long-term facilities maintenance program as approved by the Minnesota Department of Education. At June 30, 2020, the District had a fund balance of $2,352,188 restricted for long-term facilities maintenance and $1,557,494 restricted for capital projects.

Debt Service Fund

Debt Service Fund expenditures exceeded revenues and other financing sources by $237,969 in the current year, compared to a $425,000 fund balance decrease anticipated in the budget. The funding of the Debt Service Fund is largely controlled with each individual debt obligation's financing plan. The remaining fund balance of $1,286,532 at June 30, 2020 is available for meeting future debt service obligations.

Food Service Special Revenue Fund

The Food Service Special Revenue Fund ended the year with expenditures exceeding revenues and other financing sources, decreasing equity by $265,380, compared to a planned fund balance decrease of $583,772. This variance was primarily due to federal sources, which were $619,060 more than anticipated in the budget. The decrease in equity in the current year was due to decreased meal sales, as a result of the COVID-19 pandemic.

Community Service Special Revenue Fund

The Community Service Special Revenue Fund ended the year with expenditures exceeding revenues, decreasing equity by $428,876, compared to a planned fund balance decrease of $850,000. The decrease in equity in the current year was due to less program participation, caused by the COVID-19 pandemic.

Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District currently maintains two internal service funds used to account for the District's self-insured health and dental insurance functions.

Operating revenues for the internal service funds for fiscal 2020 totaled $10,133,409. Operating expenses totaled $10,083,527 for self-insured health and dental benefit claims. The internal service funds also reported $91,063 in investment earnings in the current year.

The net position for internal service funds as of June 30, 2020 totaled $3,605,343, which represents an increase of $140,945 in net position from the prior year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ended June 30, 2020 and 2019:

Table 6
Capital Assets

	2020	2019	Change
Land	$ 1,885,726	$ 1,885,726	$ –
Construction in progress	317,945	31,238,880	(30,920,935)
Buildings	78,399,633	78,308,059	91,574
Building and land improvements	178,526,102	134,565,593	43,960,509
Furniture and equipment	24,292,056	23,963,713	328,343
Intangibles	1,895,000	1,895,000	–
Less accumulated depreciation	(86,614,835)	(80,626,126)	(5,988,709)
Total	$ 198,701,627	$ 191,230,845	$ 7,470,782
Depreciation expense	$ 6,900,896	$ 4,886,261	$ 2,014,635

By the end of fiscal year 2020, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity of projects at district sites during fiscal year 2020, including the activity of the Capital Projects – Building Construction Fund.

The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year.

Additional details about capital assets can be found in the notes to basic financial statements.

Long-Term Liabilities

Table 7 illustrates the components of the District's long-term liabilities with changes from the prior year:

Table 7
Outstanding Long-Term Liabilities

	2020	2019	Change
General obligation bonds payable	$ 161,160,000	$ 155,405,000	$ 5,755,000
Certificates of participation payable	2,305,000	2,425,000	(120,000)
Unamortized premium/discount	3,837,059	3,639,955	197,104
Net pension liability	44,304,266	46,378,028	(2,073,762)
Net OPEB liability	8,193,036	7,012,087	1,180,949
Severance benefits payable	1,162,499	1,506,246	(343,747)
Compensated absences payable	950,566	956,468	(5,902)
Total	$ 221,912,426	$ 217,322,784	$ 4,589,642

The change in general obligation bonds payable is due to the sale of facilities maintenance and capital facilities bonds offset by the scheduled principal payments in the current year. The decrease in certificates of participation payable is due to the planned principal payments made in fiscal 2020.

The difference in the net pension liability reflects the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA.

The increase in the net OPEB liability is due to changes in actuarial assumptions and service cost in the current year.

The state limits the amount of general obligation debt the District can issue to 15.0 percent of the market value of all taxable property within the District's corporate limits (see Table 8).

Table 8
Limitations on Debt

District's market value	$ 5,831,765,400
Limit rate	15.0%
Legal debt limit	$ 874,764,810

Additional details of the District's long-term debt activity can be found in the notes to basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for a majority of its revenue authority.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added $129, or 2.0 percent, per pupil to the formula for fiscal year 2021.

The COVID-19 pandemic has impacted how the District provides instruction. The District completed the 2019–2020 school year with distance learning. Increased expenditures for personal protective equipment, sanitation supplies, and technology are expected in the upcoming fiscal year.

The amount of funding a district receives is also dependent on the number of students it serves, meaning attracting and retaining students is critical to the District's financial well-being. The COVID-19 pandemic will impact how many students the District attracts and maintains. Students choosing to enroll in other online schools, private school options, or kindergarten families choosing to wait a year, will mean less revenue for the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about these statements or need additional financial information, contact the Business Services Department at (651) 982-8125. The address is: Independent School District No. 831, 6100 North 210th Street, Forest Lake, Minnesota 55025.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Net Position
as of June 30, 2020
(With Partial Comparative Information as of June 30, 2019)

	Governmental Activities	
	2020	2019
Assets		
Cash and temporary investments	$ 28,167,911	$ 35,316,780
Receivables		
Current taxes	17,037,068	15,272,610
Delinquent taxes	403,833	379,987
Accounts and interest	260,888	377,386
Due from other governmental units	6,567,835	5,872,659
Due from fiduciary fund	210,518	350,000
Inventory	129,240	51,548
Prepaid items	38,379	162,916
Capital assets		
Not depreciated	2,203,671	33,124,606
Depreciated, net of accumulated depreciation	196,497,956	158,106,239
Total capital assets, net of accumulated depreciation	198,701,627	191,230,845
Total assets	251,517,299	249,014,731
Deferred outflows of resources		
Bond refunding deferments	403,229	441,788
OPEB plan deferments	536,687	253,405
Pension plan deferments	38,451,138	57,361,210
Total deferred outflows of resources	39,391,054	58,056,403
Total assets and deferred outflows of resources	$ 290,908,353	$ 307,071,134
Liabilities		
Salaries payable	$ 544,264	$ 682,919
Accounts and contracts payable	8,980,474	14,050,385
Accrued interest payable	2,267,845	2,500,558
Due to other governmental units	399,620	134,783
Unearned revenue	2,204,987	1,855,631
Claims incurred, but not reported	801,970	621,496
Long-term liabilities		
Due within one year	5,567,028	5,245,335
Due in more than one year	216,345,398	212,077,449
Total long-term liabilities	221,912,426	217,322,784
Total liabilities	237,111,586	237,168,556
Deferred inflows of resources		
OPEB plan deferments	625,096	719,004
Pension plan deferments	65,248,005	79,361,879
Property taxes levied for subsequent year	27,230,080	26,143,895
Total deferred inflows of resources	93,103,181	106,224,778
Net position		
Net investment in capital assets	39,995,043	39,775,923
Restricted for		
Capital asset acquisition	–	397,938
Food service	217,243	482,623
Community service	686,216	1,114,714
Other purposes (state funding restrictions)	161,247	–
Unrestricted	(80,366,163)	(78,093,398)
Total net position	(39,306,414)	(36,322,200)
Total liabilities, deferred inflows of resources, and net position	$ 290,908,353	$ 307,071,134

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Activities
Year Ended June 30, 2020
(With Partial Comparative Information for the Year Ended June 30, 2019)

	2020				2019
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 3,527,550	$ –	$ –	$ (3,527,550)	$ (2,404,931)
District support services	2,825,243	–	–	(2,825,243)	(2,914,489)
Elementary and secondary regular instruction	29,013,805	913,540	1,054,635	(27,045,630)	(13,052,145)
Vocational education instruction	1,647,733	787	45,227	(1,601,719)	(522,323)
Special education instruction	14,352,862	266,945	9,474,294	(4,611,623)	526,652
Instructional support services	7,738,382	–	18,823	(7,719,559)	(3,770,996)
Pupil support services	11,321,031	–	166,937	(11,154,094)	(9,728,845)
Sites and buildings	7,648,115	45,521	–	(7,602,594)	(9,444,138)
Fiscal and other fixed cost programs	650,000	–	–	(650,000)	(520,000)
Food service	3,526,004	1,768,431	1,464,009	(293,564)	244,049
Community service	4,855,822	2,318,311	786,235	(1,751,276)	(490,492)
Depreciation not allocated to other functions	6,209,276	–	–	(6,209,276)	(4,393,215)
Interest and fiscal charges	5,489,519	–	–	(5,489,519)	(5,170,398)
Total governmental activities	$ 98,805,342	$ 5,313,535	$ 13,010,160	(80,481,647)	(51,641,271)
	General revenues				
	Taxes				
	Property taxes for general purposes			16,971,277	12,009,508
	Property taxes for community service			1,202,570	1,138,000
	Property taxes for debt service			8,857,776	9,224,601
	General grants and aids			48,773,418	46,735,121
	Other general revenues			1,145,527	1,586,759
	Investment earnings			425,027	1,019,173
	Total general revenues			77,375,595	71,713,162
	Change in net position			(3,106,052)	20,071,891
	Net position – beginning, as previously reported			(36,322,200)	(56,394,091)
	Change in accounting principle			121,838	–
	Net position – beginning, as restated			(36,200,362)	(56,394,091)
	Net position – ending			$ (39,306,414)	$ (36,322,200)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 831

Balance Sheet
Governmental Funds
as of June 30, 2020
(With Partial Comparative Information as of June 30, 2019)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	$ 10,715,425	$ 4,412,320	$ 5,096,414
Receivables			
Current taxes	10,349,315	–	5,937,834
Delinquent taxes	250,528	–	134,368
Accounts and interest	226,881	1,702	–
Due from other governmental units	6,319,907	–	20,075
Due from other funds	210,518	–	–
Inventory	–	–	–
Prepaid items	37,519	–	–
Total assets	$ 28,110,093	$ 4,414,022	$ 11,188,691
Liabilities			
Salaries payable	$ 414,334	$ –	$ –
Accounts and contracts payable	8,263,651	504,340	–
Due to other governmental units	397,486	–	1,813
Unearned revenue	1,000	–	–
Total liabilities	9,076,471	504,340	1,813
Deferred inflows of resources			
Property taxes levied for subsequent year	16,191,139	–	9,793,568
Unavailable revenue – delinquent taxes	195,239	–	106,778
Total deferred inflows of resources	16,386,378	–	9,900,346
Fund balances			
Nonspendable	37,519	–	–
Restricted	161,247	3,909,682	1,286,532
Assigned	475,778	–	–
Unassigned	1,972,700	–	–
Total fund balances	2,647,244	3,909,682	1,286,532
Total liabilities, deferred inflows of resources, and fund balances	$ 28,110,093	$ 4,414,022	$ 11,188,691

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds 2020	Total Governmental Funds 2019
$ 1,396,076	$ 21,620,235	$ 29,350,332
749,919	17,037,068	15,272,610
18,937	403,833	379,987
7,561	236,144	341,701
227,853	6,567,835	5,872,659
–	210,518	350,000
129,240	129,240	51,548
860	38,379	162,916
$ 2,530,446	$ 46,243,252	$ 51,781,753
$ 129,930	$ 544,264	$ 682,919
45,183	8,813,174	13,847,748
321	399,620	134,783
206,180	207,180	142,029
381,614	9,964,238	14,807,479
1,245,373	27,230,080	26,143,895
15,088	317,105	286,014
1,260,461	27,547,185	26,429,909
130,100	167,619	214,464
758,271	6,115,732	8,376,387
–	475,778	583,713
–	1,972,700	1,369,801
888,371	8,731,829	10,544,365
$ 2,530,446	$ 46,243,252	$ 51,781,753

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INDEPENDENT SCHOOL DISTRICT NO. 831

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2020
(With Partial Comparative Information as of June 30, 2019)

	2020	2019
Total fund balances – governmental funds	$ 8,731,829	$ 10,544,365
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	285,316,462	271,856,971
Accumulated depreciation	(86,614,835)	(80,626,126)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
General obligation bonds payable	(161,160,000)	(155,405,000)
Certificates of participation payable	(2,305,000)	(2,425,000)
Unamortized premium/discount	(3,837,059)	(3,639,955)
Net pension liability	(44,304,266)	(46,378,028)
Net OPEB liability	(8,193,036)	(7,012,087)
Severance benefits payable	(1,162,499)	(1,506,246)
Compensated absences payable	(950,566)	(956,468)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(2,267,845)	(2,500,558)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	3,605,343	3,464,398
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – bond refunding deferments	403,229	441,788
Deferred outflows of resources – OPEB plan deferments	536,687	253,405
Deferred outflows of resources – pension plan deferments	38,451,138	57,361,210
Deferred inflows of resources – OPEB plan deferments	(625,096)	(719,004)
Deferred inflows of resources – pension plan deferments	(65,248,005)	(79,361,879)
Deferred inflows of resources – unavailable revenue – delinquent taxes	317,105	286,014
Total net position – governmental activities	$ (39,306,414)	$ (36,322,200)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2020
(With Partial Comparative Information for the Year Ended June 30, 2019)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	$ 16,942,049	$ –	$ 8,856,291
Investment earnings	188,443	54,393	55,021
Other	2,372,320	–	–
State sources	57,199,212	–	200,574
Federal sources	2,119,589	–	–
Total revenue	78,821,613	54,393	9,111,886
Expenditures			
Current			
Administration	3,372,758	–	–
District support services	2,906,337	–	–
Elementary and secondary regular instruction	27,191,856	–	–
Vocational education instruction	1,555,531	–	–
Special education instruction	13,637,180	–	–
Instructional support services	7,467,572	–	–
Pupil support services	11,471,940	–	–
Sites and buildings	10,325,268	–	–
Fiscal and other fixed cost programs	650,000	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	10,811,999	–
Debt service			
Principal	120,000	–	3,855,000
Interest and fiscal charges	114,360	173,692	5,587,439
Total expenditures	78,812,802	10,985,691	9,442,439
Excess (deficiency) of revenue over expenditures	8,811	(10,931,298)	(330,553)
Other financing sources (uses)			
Debt issued	–	9,610,000	–
Premium on debt issued	–	296,338	92,584
Sale of assets	14,000	–	–
Total other financing sources (uses)	14,000	9,906,338	92,584
Net change in fund balances	22,811	(1,024,960)	(237,969)
Fund balances			
Beginning of year, as previously reported	2,502,595	4,934,642	1,524,501
Change in accounting principle	121,838	–	–
Beginning of year, as restated	2,624,433	4,934,642	1,524,501
End of year	$ 2,647,244	$ 3,909,682	$ 1,286,532

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds 2020	Total Governmental Funds 2019
$ 1,202,192	$ 27,000,532	$ 22,311,181
36,107	333,964	930,004
4,086,742	6,459,062	8,478,104
957,371	58,357,157	59,202,080
1,292,873	3,412,462	3,245,306
7,575,285	95,563,177	94,166,675
–	3,372,758	3,237,724
–	2,906,337	2,967,753
–	27,191,856	26,064,394
–	1,555,531	1,059,116
–	13,637,180	12,741,535
–	7,467,572	5,286,816
–	11,471,940	11,736,493
–	10,325,268	10,863,761
–	650,000	520,000
3,510,116	3,510,116	3,671,166
4,748,616	4,748,616	4,776,430
22,384	10,834,383	42,219,818
–	3,975,000	4,034,234
–	5,875,491	5,349,406
8,281,116	107,522,048	134,528,646
(705,831)	(11,958,871)	(40,361,971)
–	9,610,000	8,250,000
–	388,922	866,758
11,575	25,575	–
11,575	10,024,497	9,116,758
(694,256)	(1,934,374)	(31,245,213)
1,582,627	10,544,365	41,789,578
–	121,838	–
1,582,627	10,666,203	41,789,578
$ 888,371	$ 8,731,829	$ 10,544,365

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INDEPENDENT SCHOOL DISTRICT NO. 831

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2020
(With Partial Comparative Information for the Year Ended June 30, 2019)

	2020	2019
Total net change in fund balances – governmental funds	$ (1,934,374)	$ (31,245,213)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	14,707,475	45,973,151
Depreciation expense	(6,900,896)	(4,886,261)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	(335,797)	(228,522)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
General obligation bonds payable	(9,610,000)	(8,250,000)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	3,855,000	3,845,000
Certificates of participation payable	120,000	115,000
Capital lease payable	–	74,234
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	232,713	(278,336)
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	(197,104)	(514,178)
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability	2,073,762	90,566,272
Net OPEB liability	(1,180,949)	(469,619)
Severance benefits payable	343,747	203,752
Compensated absences payable	5,902	(18,253)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.	140,945	(214,510)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – bond refunding deferments	(38,559)	(38,559)
Deferred outflows of resources – OPEB plan deferments	283,282	206,538
Deferred outflows of resources – pension plan deferments	(18,910,072)	(19,612,900)
Deferred inflows of resources – bond refunding deferments	–	143,323
Deferred inflows of resources – OPEB plan deferments	93,908	(460,991)
Deferred inflows of resources – pension plan deferments	14,113,874	(54,898,965)
Deferred inflows of resources – unavailable revenue – delinquent taxes	31,091	60,928
Change in net position – governmental activities	$ (3,106,052)	$ 20,071,891

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2020

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Final Budget
Revenue				
Local sources				
Property taxes	$ 16,900,000	$ 16,900,000	$ 16,942,049	$ 42,049
Investment earnings	85,000	85,000	188,443	103,443
Other	2,413,900	2,563,900	2,372,320	(191,580)
State sources	56,409,100	57,251,100	57,199,212	(51,888)
Federal sources	1,650,000	1,750,000	2,119,589	369,589
Total revenue	77,458,000	78,550,000	78,821,613	271,613
Expenditures				
Current				
Administration	3,545,853	3,560,853	3,372,758	(188,095)
District support services	2,855,276	2,628,331	2,906,337	278,006
Elementary and secondary regular instruction	28,669,033	28,506,845	27,191,856	(1,314,989)
Vocational education instruction	1,319,622	1,319,622	1,555,531	235,909
Special education instruction	13,063,906	13,085,906	13,637,180	551,274
Instructional support services	5,472,899	6,454,757	7,467,572	1,012,815
Pupil support services	11,513,917	11,323,912	11,471,940	148,028
Sites and buildings	9,086,994	10,332,274	10,325,268	(7,006)
Fiscal and other fixed cost programs	650,000	650,000	650,000	–
Debt service				
Principal	190,000	115,000	120,000	5,000
Interest and fiscal charges	123,000	123,000	114,360	(8,640)
Total expenditures	76,490,500	78,100,500	78,812,802	712,302
Excess (deficiency) of revenue over expenditures	967,500	449,500	8,811	(440,689)
Other financing sources				
Sale of assets	–	–	14,000	14,000
Net change in fund balances	$ 967,500	$ 449,500	22,811	$ (426,689)
Fund balances				
Beginning of year, as previously reported			2,502,595	
Change in accounting principle			121,838	
Beginning of year, as restated			2,624,433	
End of year			$ 2,647,244	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Net Position
Internal Service Funds
as of June 30, 2020
(With Partial Comparative Information as of June 30, 2019)

	2020	2019
Assets		
Current assets		
Cash and temporary investments	$ 6,547,676	$ 5,966,448
Receivables		
Accounts and interest	24,744	35,685
Total current assets	6,572,420	6,002,133
Liabilities		
Current liabilities		
Accounts and contracts payable	167,300	202,637
Unearned revenue	1,997,807	1,713,602
Claims incurred, but not reported	801,970	621,496
Total current liabilities	2,967,077	2,537,735
Net position		
Unrestricted	$ 3,605,343	$ 3,464,398

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2020
(With Partial Comparative Information for the Year Ended June 30, 2019)

	2020	2019
Operating revenue		
Charges for services		
Contributions from governmental funds	$ 10,133,409	$ 9,381,054
Operating expenses		
Health benefit claims	9,586,574	9,181,479
Dental benefit claims	496,953	503,254
Total operating expenses	10,083,527	9,684,733
Operating income (loss)	49,882	(303,679)
Nonoperating revenue		
Investment earnings	91,063	89,169
Change in net position	140,945	(214,510)
Net position		
Beginning of year	3,464,398	3,678,908
End of year	$ 3,605,343	$ 3,464,398

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2020
(With Partial Comparative Information for the Year Ended June 30, 2019)

	2020	2019
Cash flows from operating activities		
Contributions from governmental funds	$ 10,428,555	$ 9,318,572
Payment for health claims	(9,450,506)	(9,200,838)
Payment for dental claims	(487,884)	(504,769)
Net cash flows from operating activities	490,165	(387,035)
Cash flows from investing activities		
Investment income received	91,063	89,169
Net change in cash and cash equivalents	581,228	(297,866)
Cash and cash equivalents		
Beginning of year	5,966,448	6,264,314
End of year	$ 6,547,676	$ 5,966,448
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	$ 49,882	$ (303,679)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts and interest receivable	10,941	(24,290)
Accounts and contracts payable	(35,337)	(113,719)
Unearned revenue	284,205	(38,192)
Claims incurred, but not reported	180,474	92,845
Net cash flows from operating activities	$ 490,165	$ (387,035)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Fiduciary Net Position
as of June 30, 2020

		Post-Employment Benefits Trust Fund
Assets		
Cash and temporary investments	$	1,840,100
Investments		
MNTrust Investment Shares Portfolio		690
Accounts and interest receivable		55,992
Total assets		1,896,782
Liabilities		
Due to other funds		210,518
Net position		
Held in trust for employee benefits	$	1,686,264

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2020

		Post-Employment Benefits Trust Fund
Additions		
Investment earnings	$	53,260
Deductions		
Benefits paid to plan members and administrative fees		210,768
Change in net position		(157,508)
Net position		
Beginning of year		1,843,772
End of year	$	1,686,264

See notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 831 (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 District's financial statements 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 includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

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. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements. Transactions representing interfund services provided and used are not eliminated in the consolidation process to the government-wide financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 revenues are recognized when all eligibility requirements imposed by the provider have been met.

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. For capital assets that essentially serve all functional areas, depreciation expense is reported as "depreciation not allocated to other functions." Interest on 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, proprietary, 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.

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

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues, including property taxes, 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 funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

The proprietary (internal service) funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the internal service funds are consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service funds are charges to customers (other district funds) for service. Operating expenses for the internal service funds include the cost of providing the services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary funds are presented in the fiduciary fund financial statements by type, for which the District has one Post-Employment Benefits Trust Fund. 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 financial statements.

Proprietary and 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 (MDE). Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

General Fund – The General Fund is the government's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities and as authorized by the District's MDE-approved long-term facilities maintenance program.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) debt service account. The OPEB debt service account is used for the taxable OPEB bond issues.

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used to record financial activities of the District's child nutrition program.

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

Proprietary Funds

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service funds are used to account for dental and health insurance benefits offered by the District to its employees as a self-insured plan.

Fiduciary Fund

Post-Employment Benefits Trust Fund – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of eligible employees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end. Expenditures in the General, Food Service Special Revenue, Community Service Special Revenue, Capital Projects – Building Construction, and Debt Service Funds exceeded budgeted appropriations by $712,302, $175,738, $82,072, $1,885,691, and $7,439 respectively, during the year ended June 30, 2020. Revenues in excess of budget, along with available fund balance, financed these variances.

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Bond proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to the fund.

In the Post-Employment Benefits Trust Fund, assets were contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Earnings from the investments of this trust are allocated directly to this fund.

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalent. The Proprietary Fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

Investments are generally stated at fair value, except for certain investments in external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the District's recurring fair value measurements as of year-end.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are delinquent property taxes receivable.

H. Inventories

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures/expenses at the time of consumption.

J. Property Taxes

The majority of the District's revenue in the General Fund 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. Currently, the mandated tax shift recognizes $896,707 of the property tax levy collectible in 2020 as revenue to the District in fiscal year 2019–2020. The remaining portion of the taxes collectible in 2020 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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 generally remits taxes to the District at periodic intervals as they are collected.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year.

K. Capital Assets

Capital assets that are purchased or constructed by the District are recorded at historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year. 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 governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for buildings and building and land improvements, 5 to 15 years for furniture and equipment, and 10 to 20 years for intangible assets. Land and construction in progress are not depreciated.

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

L. 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. If material, 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 during the current period. The face amount of debt issued is reported as other financing sources. Premiums or discounts on debt issuances are reported as other financing sources or uses, respectively.

M. Compensated Absences

Under the terms of collectively bargained contracts, eligible employees 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. Compensated absences are accrued in the governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end, due to employee termination or similar circumstances.

N. Severance Benefits

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. The severance benefit is calculated by converting a portion of unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary. Members of certain employee groups may also elect to receive district matching contributions paid into a tax-deferred matching contribution plan. The amount of any severance or retirement benefit due to an individual is reduced by the total matching contributions made by the District to such a plan over the course of that individual's employment.

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. Severance benefits payable are accrued in the governmental fund financial statements as the liability matures, due to employee termination.

O. State-Wide Pension Plans

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 the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into the TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association in 2015.

The PERA has a special funding situation created by a direct aid contribution made by the state of Minnesota. The direct aid is a result of the merger of the Minneapolis Employees Retirement Fund into the PERA on January 1, 2015.

P. Other Post-Employment Benefits (OPEB) Plan

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and certain investments that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

Q. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The District reports deferred outflows of resources related to bond refunding deferments in the government-wide Statement of Net Position. A bond refunding deferment results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The District also reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, differences between projected and actual investment earnings on pension and OPEB Plan investments, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

Property taxes levied for subsequent years, which represents property taxes received or reported as a receivable before the period for which the taxes are levied, are reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied, and in the governmental fund financial statements during the year for which they are levied, if available.

Unavailable revenue from property taxes arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

R. Net Position

In the government-wide, internal service, and fiduciary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

S. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In the governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.

- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, then use unrestricted resources as they are needed.

When committed, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

T. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements during the reporting period. Actual results could differ from those estimates.

U. Risk Management and Self-Insurance

1. **General Insurance** – 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 the current year.

2. **Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

   The District makes premium payments, that include both employer and employee contributions to the internal service funds on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

   District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on complex factors, such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the balance of dental claim liabilities for the past two years were as follows:

	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2019	$ 5,834	$ 503,254	$ 498,423	$ 10,665
2020	$ 10,665	$ 496,953	$ 497,618	$ 10,000

Changes in the balance of health claim liabilities for the past two years were as follows:

	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2019	$ 522,817	$ 9,181,479	$ 9,093,465	$ 610,831
2020	$ 610,831	$ 9,586,574	$ 9,405,435	$ 791,970

V. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

W. Change in Accounting Principle

During the year ended June 30, 2020, the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes new criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by accounting for the extracurricular student activity funds in the General Fund and its governmental activities, rather than excluding them from the reporting entity as it has in the past. This standard required retroactive implementation, which resulted in the restatement of fund balance in the General Fund and net position of governmental activities as of June 30, 2019. The restatement resulted in an increase in fund balance and net position of $121,838 as of July 1, 2019.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	$ 10,369,144
Investments	19,639,557
Total deposits and investments	$ 30,008,701

Cash and investments are included on the basic financial statements as follows:

Statement of Net Position	
Cash and temporary investments	$ 28,167,911
Statement of Fiduciary Net Position	
Cash and temporary investments	1,840,100
Investments – MNTrust Investment Shares Portfolio	690
Total deposits and investments	$ 30,008,701

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and nonnegotiable certificates of deposit.

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 percent 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. The District's deposit policies do not further limit depository choices.

At year-end, the carrying amount of the District's deposits was $10,369,144, while the balance on the bank records was $11,694,604. At June 30, 2020, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District's agent in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

	Credit Risk		Fair Value Measurements	Interest Risk – Maturity Duration in Years		
Deposits/Investments	Rating	Agency	Using	Less Than 1	1 to 5	Total
Negotiable certificates of deposit	N/R	N/A	Level 2	$ 3,257,725	$ 253,589	$ 3,511,314
Investment pools/mutual funds						
Minnesota School District Liquid Asset Fund	AAA	S&P	N/A	N/A	N/A	109,432
MNTrust Investment Shares Portfolio	AAA	S&P	N/A	N/A	N/A	5,953,085
MNTrust Limited Term Duration	AAA	S&P	N/A	N/A	N/A	1,029,463
Wells Fargo Federal Treasury Obligation I	AAA	S&P	Level 1	N/A	N/A	9,036,263
Total investments						$ 19,639,557

N/R – Not Rated
N/A – Not Applicable

The District's investments include investment pools managed by MNTrust and the Minnesota School District Liquid Asset Fund (MSDLAF), which are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District's investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio or MSDLAF Liquid Class investment pools. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24-hour hold on all requests for redemptions. Investments in the MNTrust Limited Term Duration must be deposited for a minimum of 30 calendar days.

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policies do not address concentration risk.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District's investment policies do not limit the maturities of investments; however, when purchasing investments, the District considers such things as interest rates and cash flow needs.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District's investment policies do not further restrict investing in specific financial instruments.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year is as follows:

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
Capital assets, not depreciated					
Land	$ 1,885,726	$ –	$ –	$ –	$ 1,885,726
Construction in progress	31,238,880	12,599,907	(330,466)	(43,190,376)	317,945
Total capital assets, not depreciated	33,124,606	12,599,907	(330,466)	(43,190,376)	2,203,671
Capital assets, depreciated					
Buildings	78,308,059	–	–	91,574	78,399,633
Building and land improvements	134,565,593	1,219,730	–	42,740,779	178,526,102
Furniture and equipment	23,963,713	887,838	(917,518)	358,023	24,292,056
Intangibles	1,895,000	–	–	–	1,895,000
Total capital assets, depreciated	238,732,365	2,107,568	(917,518)	43,190,376	283,112,791
Less accumulated depreciation for					
Buildings	(51,083,478)	(1,537,722)	–	–	(52,621,200)
Building and land improvements	(12,983,697)	(3,987,950)	–	–	(16,971,647)
Furniture and equipment	(16,210,303)	(1,270,236)	912,187	–	(16,568,352)
Intangibles	(348,648)	(104,988)	–	–	(453,636)
Total accumulated depreciation	(80,626,126)	(6,900,896)	912,187	–	(86,614,835)
Net capital assets, depreciated	158,106,239	(4,793,328)	(5,331)	43,190,376	196,497,956
Total capital assets, net	$ 191,230,845	$ 7,806,579	$ (335,797)	$ –	$ 198,701,627

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the following governmental functions:

Administration	$ 28,264
District support services	39,616
Elementary and secondary regular instruction	139,396
Vocational education instruction	12,109
Special education instruction	5,548
Instructional support services	32,657
Pupil support services	427,730
Community service	6,300
Depreciation not allocated to other functions	6,209,276
Total depreciation expense	$ 6,900,896

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

The District currently has the following general obligation bonds payable outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
School building bonds	05/05/2016	2.00–5.00%	$ 75,000,000	02/01/2046	$ 73,545,000
School building bonds	12/15/2016	3.00–5.00%	$ 67,070,000	02/01/2046	65,575,000
Taxable OPEB refunding bonds	12/15/2016	1.25–3.35%	$ 5,365,000	02/01/2030	4,690,000
Facilities maintenance and tax abatement bonds	08/16/2018	3.00–5.00%	$ 8,250,000	02/01/2029	7,740,000
Facilities maintenance and capital facilities bonds	04/30/2020	2.00–4.00%	$ 9,610,000	02/01/2035	9,610,000
Total general obligation bonds payable					$ 161,160,000

These bonds were issued to finance acquisition, construction, and/or improvements of capital facilities; to finance the retirement (refunding) of prior bond issues; or to finance OPEB obligations. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

B. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
Certificates of participation	02/25/2014	1.20–5.35%	$ 3,000,000	02/01/2034	$ 2,305,000

On February 25, 2014, the District issued $3,000,000 of Certificates of Participation, Series 2014A. The proceeds were used to purchase the Forest Lake Area Athletic Association (FLAAA) Sports Center and Ice Arena. The District has a nominal ground lease agreement with the City of Forest Lake for the land where the FLAAA Sports Center and Ice Arena are located. The certificates of participation are paid by the General Fund.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including pensions, severance benefits, compensated absences, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund. The District has also established an Employee Benefits Trust Fund to finance OPEB obligations.

District employees participate in two state-wide, cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans for the current year:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	$ 11,350,577	$ 1,527,164	$ 3,200,130	$ 1,067,051
TRA	32,953,689	36,923,974	62,047,875	5,624,265
Total	$ 44,304,266	$ 38,451,138	$ 65,248,005	$ 6,691,316

D. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds and certificates of participation are as follows:

Year Ending	General Obligation Bonds		Certificates of Participation	
June 30,	Principal	Interest	Principal	Interest
2021	$ 4,195,000	$ 5,426,220	$ 125,000	$ 110,760
2022	4,705,000	5,311,093	125,000	106,573
2023	5,045,000	5,090,780	130,000	101,885
2024	5,255,000	4,921,123	140,000	96,685
2025	5,520,000	4,674,033	145,000	90,665
2026–2030	30,265,000	20,215,410	820,000	345,763
2031–2035	30,585,000	15,618,038	820,000	112,350
2036–2040	30,975,000	10,826,531	–	–
2041–2045	36,535,000	5,272,778	–	–
2046	8,080,000	281,450	–	–
	$ 161,160,000	$ 77,637,454	$ 2,305,000	$ 964,680

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

E. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General obligation bonds payable	$ 155,405,000	$ 9,610,000	$ 3,855,000	$ 161,160,000	$ 4,195,000
Certificates of participation payable	2,425,000	–	120,000	2,305,000	125,000
Unamortized premium/discount	3,639,955	388,922	191,818	3,837,059	–
Total bonds and certificates payable	161,469,955	9,998,922	4,166,818	167,302,059	4,320,000
Net pension liability	46,378,028	4,043,506	6,117,268	44,304,266	–
Net OPEB liability	7,012,087	1,391,467	210,518	8,193,036	–
Severance benefits payable	1,506,246	–	343,747	1,162,499	475,778
Compensated absences payable	956,468	765,348	771,250	950,566	771,250
	$ 217,322,784	$ 16,199,243	$ 11,609,601	$ 221,912,426	$ 5,567,028

NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds, which are defined earlier in the report. When applicable, certain restrictions, which have an accumulated deficit balance at June 30, are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

Classifications

At June 30, 2020, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	$ –	$ –	$ –	$ 129,240	$ 129,240
Prepaid items	37,519	–	–	860	38,379
Total nonspendable	37,519	–	–	130,100	167,619
Restricted					
Student activities	86,960	–	–	–	86,960
Achievement and integration	74,287	–	–	–	74,287
Long-term facilities maintenance	–	2,352,188	–	–	2,352,188
Capital projects	–	1,557,494	–	–	1,557,494
Debt service	–	–	1,286,532	–	1,286,532
Food service	–	–	–	88,003	88,003
Community education programs	–	–	–	586,470	586,470
Early childhood family education programs	–	–	–	40,000	40,000
School readiness	–	–	–	40,000	40,000
Community service	–	–	–	3,798	3,798
Total restricted	161,247	3,909,682	1,286,532	758,271	6,115,732
Assigned					
Severance	475,778	–	–	–	475,778
Unassigned					
Long-term facilities maintenance restricted account deficit	(978,498)	–	–	–	(978,498)
Unassigned	2,951,198	–	–	–	2,951,198
Total unassigned	1,972,700	–	–	–	1,972,700
Total	$ 2,647,244	$ 3,909,682	$ 1,286,532	$ 888,371	$ 8,731,829

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

The District participates in the following cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The PERA's and the TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. The PERA's and the TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code (IRC).

1. General Employees Retirement Fund (GERF)

The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

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

2. Teachers Retirement Association (TRA)

The 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. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

B. Benefits Provided

The PERA and the TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature.

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

1. GERF Benefits

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 the 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 Plan members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the post-retirement increase will be equal to 50.0 percent of the cost of living adjustment announced by the Social Security Administration, with the minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. For recipients receiving the annuity or benefit at least one month but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

2. TRA Benefits

The 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 Statutes 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 the 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

Step-Rate Formula	Percentage per Year
Basic Plan	
First 10 years of service	2.2 %
All years after	2.7 %
Coordinated Plan	
First 10 years if service years are up to July 1, 2006	1.2 %
First 10 years if service years are July 1, 2006 or after	1.4 %
All other years of service if service years are up to July 1, 2006	1.7 %
All other years of service if service years are up to July 1, 2006 or after	1.9 %

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) Three 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).

Tier II Benefits

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

Members first employed after June 30, 1989, receive only the Tier II benefit 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. Contributions

Minnesota Statutes set the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2020, were $1,116,340. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

Minnesota Statutes, Chapter 354 sets the rates for employer and employee contributions. Rates for each fiscal year were:

	Year Ended June 30,					
	2018		2019		2020	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic Plan	11.00 %	11.50 %	11.00 %	11.71 %	11.00 %	11.92 %
Coordinated Plan	7.50 %	7.50 %	7.50 %	7.71 %	7.50 %	7.92 %

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2020, were $2,593,206. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

The following is a reconciliation of employer contributions in the TRA's Comprehensive Annual Financial Report (CAFR) Statement of Changes in Fiduciary Net Position to the employer contributions used in the Schedule of Employer and Nonemployer Pension Allocations:

	in thousands
Employer contributions reported in the TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 403,300
Add employer contributions not related to future contribution efforts	(688)
Deduct the TRA's contributions not included in allocation	(486)
Total employer contributions	402,126
Total nonemployer contributions	35,588
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	$ 437,714

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. The TRA has rounded percentage amounts to the nearest ten thousandths.

D. Pension Costs

1. GERF Pension Costs

At June 30, 2020, the District reported a liability of $11,350,577 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.2053 percent at the end of the measurement period and 0.2176 percent for the beginning of the period.

The District's net pension liability reflected a reduction, due to the state of Minnesota's contribution of $16.0 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The amounts recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$ 11,350,577
State's proportionate share of the net pension liability associated with the District	$ 352,818

For the year ended June 30, 2020, the District recognized pension expense of $1,040,628 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $26,423 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $16.0 million to the GERF.

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

At June 30, 2020, the District reported its proportionate share of the GERF'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	$ 333,689	$ –
Changes in actuarial assumptions	–	964,821
Differences between projected and actual investment earnings	–	1,270,285
Changes in proportion	77,135	965,024
District's contributions to the GERF subsequent to the measurement date	1,116,340	–
Total	$ 1,527,164	$ 3,200,130

A total of $1,116,340 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2021	$ (990,816)
2022	$ (1,404,721)
2023	$ (412,061)
2024	$ 18,292

2. TRA Pension Costs

At June 30, 2020, the District reported a liability of $32,953,689 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.5170 percent at the end of the measurement period and 0.5462 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	$ 32,953,689
State's proportionate share of the net pension liability associated with the District	$ 2,916,546

For the year ended June 30, 2020, the District recognized pension expense of $5,402,573. It also recognized $221,692 as an increase to pension expense (and grant revenue) for the support provided by direct aid.

At June 30, 2020, the District reported its proportionate share of the TRA'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	$ –	$ 883,271
Changes in actuarial assumptions	30,812,541	47,288,805
Difference between projected and actual investment earnings	–	3,134,028
Changes in proportion	3,518,227	10,741,771
District's contributions to the TRA subsequent to the measurement date	2,593,206	–
Total	$ 36,923,974	$ 62,047,875

A total of $2,593,206 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2021	$ 572,071
2022	$ (1,315,147)
2023	$ (14,844,043)
2024	$ (11,763,224)
2025	$ (366,764)

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50%	2.50%
Wage growth rate		2.85% for 10 years, and 3.25% thereafter
Active member payroll	3.25%	2.85% to 8.85% for 10 years, and 3.25% to 9.25% thereafter
Investment rate of return	7.50%	7.50%

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. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the GERF and 1.00 percent for January 2019 through January 2023, then increasing by 0.10 percent each year, up to 1.50 percent annually for the TRA.

Actuarial assumptions used in the June 30, 2019 valuations were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF plan was completed in 2019. Economic assumptions were updated in 2018, based on a review of inflation and investment return assumptions. The most recent experience study in the TRA plan was completed in 2015, with economic assumptions updated in 2017.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

1. **GERF**

CHANGES IN ACTUARIAL ASSUMPTIONS

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

CHANGES IN PLAN PROVISIONS

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

2. **TRA**

CHANGES IN ACTUARIAL ASSUMPTIONS

- None.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.50 %	5.10 %
Private markets	25.00	5.90 %
Fixed income	20.00	0.75 %
International equity	17.50	5.30/5.90 %
Cash equivalents	2.00	– %
Total	100.00 %	

F. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2019 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 GERF 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.

2. TRA

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

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	$ 18,659,738	$ 11,350,577	$ 5,315,412
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	$ 52,536,237	$ 32,953,689	$ 16,808,166

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

H. Pension Plan Fiduciary Net Position

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

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

I. Subsequent Events and the COVID-19 Pandemic Subsequent to Year-End

The United States and global markets experienced declines in values, resulting from uncertainty caused by COVID-19. The resulting declines are expected to have a negative impact on the PERA's and the TRA's discount rate, as well as the value of each plan's investments. Any impact caused by the resulting declines have not been included in the schedules as of June 30, 2019.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

The District administers a defined benefit Post-Employment Benefits Trust Fund. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund, established by the District to finance these obligations. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

B. Benefits Provided

All retirees of the District upon retirement have the option under state law to continue their medical insurance coverage through the District. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical and/or dental insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has established the Post-Employment Benefits Trust Fund to finance these obligations.

D. Membership

Membership in the plan consisted of the following as of the most recent study:

Retirees and beneficiaries receiving benefits	81
Active plan members	721
Total members	802

E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	$ 9,879,300
Plan fiduciary net position	(1,686,264)
District's net OPEB liability	$ 8,193,036
Plan fiduciary net position as a percentage of the total OPEB liability	17.1%

F. Actuarial Method and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.40%
Expected long-term investment return	2.90% (net of investment expenses)
20-year municipal bond yield	2.40%
Inflation rate	2.50%
Salary increases	3.00%
Medical trend rate	6.25%, grading to 5.00% over 5 years
Dental trend rate	4.00%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The District's policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

The long-term expected rate of return on OPEB Plan investments was set based on the plan's target investment allocation described below, along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Fixed income	95.00 %	3.00 %
Cash	5.00	1.00 %
Total	100.00 %	2.90 %

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 2.9 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 2.40 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been taken into account. The District discount rate used in the prior measurement date was 3.10 percent.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

I. Changes in the Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	$ 8,855,859	$ 1,843,772	$ 7,012,087
Changes for the year			
Service cost	577,722	–	577,722
Interest	289,203	–	289,203
Assumption changes	367,034	–	367,034
Net investment income	–	53,470	(53,470)
Differences between expected and actual experience	–	(210)	210
Benefit payments	(210,518)	(210,518)	–
Administrative expenses	–	(250)	250
Total net changes	1,023,441	(157,508)	1,180,949
Ending balance	$ 9,879,300	$ 1,686,264	$ 8,193,036

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.10 percent to 2.40 percent.
- The expected long-term investment return was changed from 2.40 percent to 2.90 percent.

J. Net OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB discount rate	1.40%	2.40%	3.40%
Net OPEB liability	$ 8,836,370	$ 8,193,036	$ 7,580,712

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

	1% Decrease in Healthcare Trend Rate	Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
OPEB medical trend rate	5.25% decreasing to 4.00% over 5 years	6.25% decreasing to 5.00% over 5 years	7.25% decreasing to 6.00% over 5 years
OPEB dental trend rate	3.00%	4.00%	5.00%
Net OPEB liability	$ 7,239,285	$ 8,193,036	$ 9,323,955

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

K. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year ended, the District recognized OPEB expense of $803,760. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ –	$ 431,587
Changes in actuarial assumptions	508,049	193,509
Differences between projected and actual investment earnings	28,638	–
Total	$ 536,687	$ 625,096

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

Year Ending June 30,	OPEB Expense Amount
2021	$ (9,949)
2022	$ (18,992)
2023	$ (23,925)
2024	$ (27,112)
2025	$ (27,154)
Thereafter	$ 18,723

NOTE 8 – FLEXIBLE BENEFIT PLAN

The District has a cafeteria plan (the Plan) established under § 125 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits.

Before the beginning of the Plan year, which is from September 1 to August 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the Plan, whether or not such contributions have been made.

The Plan is administered by the District for child care, medical expense reimbursements, and health insurance premiums. The District withholds amounts from employee payroll checks equal to the amount of the health insurance premiums owing and makes the premium payments when due. These payments are recorded in the General Fund. The medical reimbursement and dependent care activity in the financial statements is accounted for in the General Fund.

NOTE 8 – FLEXIBLE BENEFIT PLAN (CONTINUED)

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

NOTE 9 – HEALTHCARE REIMBURSEMENT PLAN

The District also maintains a healthcare reimbursement plan (the Healthcare Plan) under § 105 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Participants may use the funds contributed by the District to be reimbursed for uninsured health expenses paid, additional costs associated with health insurance coverage, or insurance premiums paid under a spouse or dependent plan.

All assets of the Healthcare Plan are held by the District. The Healthcare Plan is administered by an independent contract administrator and is included in the financial statements in the various district funds.

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

NOTE 10 – INTERFUND TRANSACTIONS

A. Interfund Receivables and Payables

The District's General Fund has an interfund receivable from the fiduciary Post-Employment Benefits Trust Fund relating to post-employment benefit costs of $210,518 to be reimbursed as of June 30, 2020.

NOTE 11 – OPERATING LEASES

The District has operating bus leases for student transportation. The leases have monthly payments ranging from $1,120 to $31,940, and expire at various times through August 2024. Operating lease expenditures for the year ended June 30, 2020 were $978,810.

The District is currently utilizing space under an operating lease agreement for the Step Program. The lease has monthly payments ranging from $12,553 to $13,931, and will expire in November 2024. Operating lease expenditures for the year ended June 30, 2020 were $157,197.

Future commitments on these leases are as follows:

Year Ending June 30,	Bus Leases	Space Lease
2021	$ 1,901,941	$ 158,889
2022	671,216	161,272
2023	828,848	163,691
2024	778,928	166,145
2025	100,540	69,657
	$ 4,281,473	$ 719,654

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

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 that may be disallowed by the agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

B. Legal Claims

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. Although the outcomes of these claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

C. Construction Contracts

At June 30, 2020, the District had commitments totaling $14,308 under various construction contracts for which the work was not yet completed.

D. Guaranteed Energy Savings Commitment

During fiscal year 2016, the District entered into a guaranteed energy savings agreement with APEX under Minnesota Statutes, Section 471.345, Subd. 13, not to exceed 20 years. This agreement is for the purpose of implementing comprehensive utility cost-saving measures to improve the energy efficiency of school district facilities. As of June 30, 2020, the District has recorded $1,895,000 as an intangible asset related to this energy savings contract. Total accumulated depreciation on these intangible assets at year-end was $453,636. The District is also required to purchase the energy generated by the solar panels owned by the provider that are installed on various buildings of the District.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

E. Purchase Power Commitment

During fiscal year 2018, the District entered into five community solar garden subscription agreements with SoCore Sherburne LLC. The District is committed to purchasing up to 36.94 percent of the annual delivered energy of three solar systems, 29.77 percent of the annual delivered energy of one solar system, and 34.25 percent of the annual delivered energy of one solar system for a period of 25 years from the commercial operation starting date to receive bill credits associated with the energy production.

During fiscal year 2018, the District entered into two community solar garden subscription agreements with New Energy Equity LLC. The District is committed to purchasing up to 23.00 percent of the annual delivered energy for a period of 25 years from the commercial operation date of December 31, 2017 to receive bill credits associated with the energy production.

During fiscal year 2019, the District entered into one community solar garden subscription agreement with New Energy Equity LLC. The District is committed to purchasing up to 40.00 percent of the annual delivered energy for a period of 25 years from the commercial operation starting date to receive bill credits associated with the energy production.

During fiscal year 2019, the District entered into two community solar garden subscription agreements with WGL Energy Systems, Inc. The District is committed to purchasing up to 36.00 percent of the annual delivered energy for a period of 25 years from the commercial operation date of September 30, 2018 to receive bill credits associated with the energy production.

NOTE 13 – SUBSEQUENT EVENTS

The COVID-19 pandemic has caused economic and financial market volatility in the United States and around the world, along with significant business and operational disruptions for many organizations. Due to the unknown breadth and duration of this pandemic, any potential impact it may have on the District's future operations and financial condition cannot be determined at this time and has not been reflected in these financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 831

Public Employees Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2020

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.2504%	$ 11,762,537	$ –	$ 11,762,537	$ 13,148,109	89.46%	78.70%
06/30/2016	06/30/2015	0.2348%	$ 12,168,555	$ –	$ 12,168,555	$ 13,777,131	88.32%	78.20%
06/30/2017	06/30/2016	0.2280%	$ 18,512,470	$ 241,803	$ 18,754,273	$ 14,132,795	130.99%	68.90%
06/30/2018	06/30/2017	0.2318%	$ 14,797,960	$ 186,086	$ 14,984,046	$ 14,933,242	99.09%	75.90%
06/30/2019	06/30/2018	0.2176%	$ 12,071,556	$ 396,078	$ 12,467,634	$ 14,645,936	82.42%	79.50%
06/30/2020	06/30/2019	0.2053%	$ 11,350,577	$ 352,818	$ 11,703,395	$ 14,467,360	78.46%	80.20%

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2020

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 1,018,736	$ 1,018,736	$ –	$ 13,777,131	7.39%
06/30/2016	$ 1,060,550	$ 1,060,550	$ –	$ 14,132,795	7.50%
06/30/2017	$ 1,120,066	$ 1,120,066	$ –	$ 14,933,242	7.50%
06/30/2018	$ 1,096,981	$ 1,096,981	$ –	$ 14,645,936	7.49%
06/30/2019	$ 1,084,088	$ 1,084,088	$ –	$ 14,467,360	7.49%
06/30/2020	$ 1,116,340	$ 1,116,340	$ –	$ 14,891,478	7.50%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 831

Teachers Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2020

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.6615%	$ 30,481,444	$ 2,144,221	$ 32,625,665	$ 30,196,677	100.94%	81.50%
06/30/2016	06/30/2015	0.6052%	$ 37,437,605	$ 4,591,853	$ 42,029,458	$ 30,724,443	121.85%	76.80%
06/30/2017	06/30/2016	0.5824%	$138,916,297	$ 13,944,490	$152,860,787	$ 30,285,682	458.69%	44.88%
06/30/2018	06/30/2017	0.6119%	$122,146,340	$ 11,808,367	$133,954,707	$ 32,939,487	370.82%	51.57%
06/30/2019	06/30/2018	0.5462%	$ 34,306,472	$ 3,223,106	$ 37,529,578	$ 30,174,216	113.69%	78.07%
06/30/2020	06/30/2019	0.5170%	$ 32,953,689	$ 2,916,546	$ 35,870,235	$ 29,353,536	112.26%	78.21%

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2020

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 2,304,333	$ 2,304,333	$ –	$ 30,724,443	7.50%
06/30/2016	$ 2,271,426	$ 2,271,426	$ –	$ 30,285,682	7.50%
06/30/2017	$ 2,470,228	$ 2,470,228	$ –	$ 32,939,487	7.50%
06/30/2018	$ 2,267,163	$ 2,267,163	$ –	$ 30,174,216	7.51%
06/30/2019	$ 2,262,283	$ 2,262,283	$ –	$ 29,353,536	7.71%
06/30/2020	$ 2,593,206	$ 2,593,206	$ –	$ 32,746,274	7.92%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 831

Other Post-Employment Benefits Plan
Schedule of Changes in the District's Net
OPEB Liability and Related Ratios
Year Ended June 30, 2020

	District Fiscal Year-End Date			
	2017	2018	2019	2020
Total OPEB liability				
Service cost	$ 492,508	$ 458,783	$ 499,612	$ 577,722
Interest	245,576	257,179	315,686	289,203
Assumption changes	–	(290,265)	233,741	367,034
Plan changes	–	–	25,530	–
Differences between expected and actual experience	–	–	(554,899)	–
Benefit payments	(340,848)	(267,136)	(364,440)	(210,518)
Net change in total OPEB liability	397,236	158,561	155,230	1,023,441
Total OPEB liability – beginning of year	8,144,832	8,542,068	8,700,629	8,855,859
Total OPEB liability – end of year	8,542,068	8,700,629	8,855,859	9,879,300
Plan fiduciary net position				
Employer contributions	–	–	14,440	–
Net investment income	19,917	32,754	51,796	53,470
Differences between expected and actual experience	–	–	(15,935)	(210)
Benefit payments	(340,848)	(267,136)	(364,440)	(210,518)
Administrative expenses	(250)	(250)	(250)	(250)
Net change in plan fiduciary net position	(321,181)	(234,632)	(314,389)	(157,508)
Plan fiduciary net position – beginning of year	2,713,974	2,392,793	2,158,161	1,843,772
Plan fiduciary net position – end of year	2,392,793	2,158,161	1,843,772	1,686,264
Net OPEB liability	$ 6,149,275	$ 6,542,468	$ 7,012,087	$ 8,193,036
Fiduciary net position as a percentage of the total OPEB liability	28.0%	24.8%	20.8%	17.1%
Covered-employee payroll	$ 39,738,394	$ 40,930,546	$ 37,903,982	$ 39,041,102
Net OPEB liability as a percentage of covered-employee payroll	15.5%	16.0%	18.5%	21.0%

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 831

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2020

Year	Annual Money-Weighted Rate of Return Net of Investment Expense
2017	0.70%
2018	1.40%
2019	1.70%
2020	2.90%

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

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PERA – GENERAL EMPLOYEES RETIREMENT FUND

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero 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 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 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.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality 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 – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

- The state's contribution for the Minneapolis Employees Retirement Fund equals $16.0 million in 2017 and 2018, and $6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21.0 million to $31.0 million in calendar years 2019 to 2031. The state's contribution changed from $16.0 million to $6.0 million in calendar years 2019 to 2031.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent 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 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate changed from 5.12 percent to 7.50 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The single discount rate was changed from 8.00 percent to 4.66 percent.

2015 CHANGES IN PLAN PROVISIONS

- The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The annual COLA for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent, with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected long-term investment return was changed from 2.40 percent to 2.90 percent.
- The discount rate was changed from 3.10 percent to 2.40 percent.

2019 CHANGES IN PLAN PROVISIONS

- Unused sick days over 100 but limited to 50 days, times the daily rate of pay, is being held by the District to pay medical premiums for the superintendent, who retired during 2017. This benefit was not valued in the prior valuation.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.50 percent to 3.10 percent.
- The trend on estimated post-age 65 premiums, which are assumed to be withdrawn from unused sick leave balances held by the District, was changed from being the same as the healthcare trend rates noted above to, 4.00 percent per year.
- For current and future retirees, except directors, we previously assumed the full pre- and post-age 65 premium amounts would be withdrawn from unused sick leave balances each year. This valuation we are assuming 50.00 percent of these amounts will be withdrawn each year. For directors, we are assuming $5,000 (increasing 4.00 percent per year) will be withdrawn each year, starting after the 10 years of district-paid premiums ends. This is the same assumption used in the prior valuation.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.90 percent to 3.50 percent.

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SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 831

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2020

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 254,581	$ 1,141,495	$ 1,396,076
Receivables			
Current taxes	–	749,919	749,919
Delinquent taxes	–	18,937	18,937
Accounts and interest	–	7,561	7,561
Due from other governmental units	69,276	158,577	227,853
Inventory	129,240	–	129,240
Prepaid items	–	860	860
Total assets	$ 453,097	$ 2,077,349	$ 2,530,446
Liabilities			
Salaries payable	$ 15,784	$ 114,146	$ 129,930
Accounts and contracts payable	20,346	24,837	45,183
Due to other governmental units	–	321	321
Unearned revenue	199,724	6,456	206,180
Total liabilities	235,854	145,760	381,614
Deferred inflows of resources			
Property taxes levied for subsequent year	–	1,245,373	1,245,373
Unavailable revenue – delinquent taxes	–	15,088	15,088
Total deferred inflows of resources	–	1,260,461	1,260,461
Fund balances			
Nonspendable	129,240	860	130,100
Restricted	88,003	670,268	758,271
Total fund balances	217,243	671,128	888,371
Total liabilities, deferred inflows of resources, and fund balances	$ 453,097	$ 2,077,349	$ 2,530,446

INDEPENDENT SCHOOL DISTRICT NO. 831

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2020

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 1,202,192	$ 1,202,192
Investment earnings	11,310	24,797	36,107
Other	1,768,431	2,318,311	4,086,742
State sources	174,707	782,664	957,371
Federal sources	1,289,302	3,571	1,292,873
Total revenue	3,243,750	4,331,535	7,575,285
Expenditures			
Current			
Food service	3,510,116	–	3,510,116
Community service	–	4,748,616	4,748,616
Capital outlay	10,589	11,795	22,384
Total expenditures	3,520,705	4,760,411	8,281,116
Excess (deficiency) of revenue over expenditures	(276,955)	(428,876)	(705,831)
Other financing sources			
Sale of assets	11,575	–	11,575
Net change in fund balances	(265,380)	(428,876)	(694,256)
Fund balances			
Beginning of year	482,623	1,100,004	1,582,627
End of year	$ 217,243	$ 671,128	$ 888,371

INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund
Comparative Balance Sheet
as of June 30, 2020 and 2019

	2020	2019
Assets		
Cash and temporary investments	$ 10,715,425	$ 12,062,390
Receivables		
Current taxes	10,349,315	9,420,572
Delinquent taxes	250,528	216,750
Accounts and interest	226,881	172,361
Due from other governmental units	6,319,907	5,702,225
Due from other funds	210,518	350,000
Prepaid items	37,519	151,143
Total assets	$ 28,110,093	$ 28,075,441
Liabilities		
Salaries payable	$ 414,334	$ 565,924
Accounts and contracts payable	8,263,651	8,779,088
Due to other governmental units	397,486	133,892
Unearned revenue	1,000	2,089
Total liabilities	9,076,471	9,480,993
Deferred inflows of resources		
Property taxes levied for subsequent year	16,191,139	15,925,842
Unavailable revenue – delinquent taxes	195,239	166,011
Total deferred inflows of resources	16,386,378	16,091,853
Fund balances (deficits)		
Nonspendable for prepaid items	37,519	151,143
Restricted for student activities	86,960	–
Restricted for operating capital	–	397,938
Restricted for achievement and integration	74,287	–
Assigned for severance	475,778	583,713
Unassigned – long-term facilities maintenance restricted account deficit	(978,498)	(552,980)
Unassigned	2,951,198	1,922,781
Total fund balances	2,647,244	2,502,595
Total liabilities, deferred inflows of resources, and fund balances	$ 28,110,093	$ 28,075,441

INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 16,900,000	$ 16,942,049	$ 42,049	$ 11,976,441
Investment earnings	85,000	188,443	103,443	199,175
Other	2,563,900	2,372,320	(191,580)	2,911,436
State sources	57,251,100	57,199,212	(51,888)	58,120,768
Federal sources	1,750,000	2,119,589	369,589	1,943,362
Total revenue	78,550,000	78,821,613	271,613	75,151,182
Expenditures				
Current				
Administration				
Salaries	2,409,549	2,230,326	(179,223)	2,169,649
Employee benefits	1,044,133	1,049,777	5,644	978,479
Purchased services	40,600	32,356	(8,244)	25,005
Supplies and materials	16,071	8,965	(7,106)	8,574
Other expenditures	50,500	51,334	834	56,017
Total administration	3,560,853	3,372,758	(188,095)	3,237,724
District support services				
Salaries	1,064,263	1,327,397	263,134	1,247,231
Employee benefits	571,935	587,190	15,255	592,789
Purchased services	881,133	834,531	(46,602)	1,000,063
Supplies and materials	104,000	147,013	43,013	116,995
Other expenditures	7,000	10,206	3,206	10,675
Total district support services	2,628,331	2,906,337	278,006	2,967,753
Elementary and secondary regular instruction				
Salaries	19,066,246	17,843,907	(1,222,339)	17,144,774
Employee benefits	7,829,038	7,384,858	(444,180)	6,956,249
Purchased services	878,447	992,854	114,407	1,042,397
Supplies and materials	721,814	829,909	108,095	782,279
Capital expenditures	1,000	–	(1,000)	–
Other expenditures	10,300	140,328	130,028	138,695
Total elementary and secondary regular instruction	28,506,845	27,191,856	(1,314,989)	26,064,394

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	900,351	1,063,448	163,097	714,513
Employee benefits	327,521	395,819	68,298	276,522
Purchased services	28,300	36,311	8,011	28,973
Supplies and materials	43,450	52,792	9,342	32,566
Capital expenditures	20,000	1,994	(18,006)	1,970
Other expenditures	–	5,167	5,167	4,572
Total vocational education instruction	1,319,622	1,555,531	235,909	1,059,116
Special education instruction				
Salaries	9,486,792	9,368,808	(117,984)	8,330,262
Employee benefits	3,174,823	3,453,447	278,624	3,029,730
Purchased services	328,200	664,919	336,719	1,162,289
Supplies and materials	50,700	63,635	12,935	58,147
Capital expenditures	–	30,894	30,894	104,788
Other expenditures	45,391	55,477	10,086	56,319
Total special education instruction	13,085,906	13,637,180	551,274	12,741,535
Instructional support services				
Salaries	4,909,664	5,439,104	529,440	3,890,224
Employee benefits	1,238,980	1,607,240	368,260	1,024,298
Purchased services	199,400	284,021	84,621	233,504
Supplies and materials	91,613	103,999	12,386	108,184
Capital expenditures	1,000	–	(1,000)	–
Other expenditures	14,100	33,208	19,108	30,606
Total instructional support services	6,454,757	7,467,572	1,012,815	5,286,816
Pupil support services				
Salaries	4,891,996	5,009,748	117,752	4,951,046
Employee benefits	2,057,612	2,156,501	98,889	2,078,298
Purchased services	2,703,220	2,803,557	100,337	2,869,120
Supplies and materials	871,084	699,443	(171,641)	896,100
Capital expenditures	800,000	781,466	(18,534)	921,549
Other expenditures	–	21,225	21,225	20,380
Total pupil support services	11,323,912	11,471,940	148,028	11,736,493

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020 Budget	2020 Actual	2020 Over (Under) Budget	2019 Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	2,280,834	2,444,367	163,533	2,248,638
Employee benefits	1,146,758	1,141,889	(4,869)	1,122,459
Purchased services	2,555,400	2,778,762	223,362	2,967,737
Supplies and materials	220,623	55,541	(165,082)	411,245
Capital expenditures	4,009,950	3,895,898	(114,052)	4,105,027
Other expenditures	118,709	8,811	(109,898)	8,655
Total sites and buildings	10,332,274	10,325,268	(7,006)	10,863,761
Fiscal and other fixed cost programs				
Purchased services	650,000	650,000	–	520,000
Debt service				
Principal	115,000	120,000	5,000	189,234
Interest and fiscal charges	123,000	114,360	(8,640)	119,231
Total debt service	238,000	234,360	(3,640)	308,465
Total expenditures	78,100,500	78,812,802	712,302	74,786,057
Excess (deficiency) of revenue over expenditures	449,500	8,811	(440,689)	365,125
Other financing sources				
Sale of assets	–	14,000	14,000	–
Net change in fund balances	$ 449,500	22,811	$ (426,689)	365,125
Fund balances				
Beginning of year, as previously reported		2,502,595		2,137,470
Change in accounting principle		121,838		–
Beginning of year, as restated		2,624,433		2,137,470
End of year		$ 2,647,244		$ 2,502,595

INDEPENDENT SCHOOL DISTRICT NO. 831

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2020 and 2019

	2020	2019
Assets		
Cash and temporary investments	$ 254,581	$ 547,471
Receivables		
Accounts and interest	–	4,567
Due from other governmental units	69,276	38,703
Inventory	129,240	51,548
Prepaid items	–	9,083
Total assets	$ 453,097	$ 651,372
Liabilities		
Salaries payable	$ 15,784	$ 10,724
Accounts and contracts payable	20,346	21,995
Unearned revenue	199,724	136,030
Total liabilities	235,854	168,749
Fund balances		
Nonspendable for inventory	129,240	51,548
Nonspendable for prepaid items	–	9,083
Restricted for food service	88,003	421,992
Total fund balances	217,243	482,623
Total liabilities and fund balances	$ 453,097	$ 651,372

INDEPENDENT SCHOOL DISTRICT NO. 831

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020 Budget	2020 Actual	2020 Over (Under) Budget	2019 Actual
Revenue				
Local sources				
Investment earnings	$ –	$ 11,310	$ 11,310	$ 8,935
Other – primarily meal sales	1,962,973	1,768,431	(194,542)	2,368,921
State sources	127,980	174,707	46,727	218,130
Federal sources	670,242	1,289,302	619,060	1,299,070
Total revenue	2,761,195	3,243,750	482,555	3,895,056
Expenditures				
Current				
Salaries	1,345,893	1,368,593	22,700	1,306,059
Employee benefits	441,456	533,592	92,136	441,026
Purchased services	152,171	125,805	(26,366)	157,924
Supplies and materials	1,346,640	1,480,466	133,826	1,764,567
Other expenditures	2,119	1,660	(459)	1,590
Capital outlay	56,688	10,589	(46,099)	34,210
Total expenditures	3,344,967	3,520,705	175,738	3,705,376
Excess (deficiency) of revenue over expenditures	(583,772)	(276,955)	306,817	189,680
Other financing sources				
Sale of assets	–	11,575	11,575	–
Net change in fund balances	$ (583,772)	(265,380)	$ 318,392	189,680
Fund balances				
Beginning of year		482,623		292,943
End of year		$ 217,243		$ 482,623

INDEPENDENT SCHOOL DISTRICT NO. 831

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2020 and 2019

	2020	2019
Assets		
Cash and temporary investments	$ 1,141,495	$ 1,590,519
Receivables		
Current taxes	749,919	690,311
Delinquent taxes	18,937	19,590
Accounts and interest	7,561	74,055
Due from other governmental units	158,577	120,996
Prepaid items	860	2,690
Total assets	$ 2,077,349	$ 2,498,161
Liabilities		
Salaries payable	$ 114,146	$ 106,271
Accounts and contracts payable	24,837	59,906
Due to other governmental units	321	891
Unearned revenue	6,456	3,910
Total liabilities	145,760	170,978
Deferred inflows of resources		
Property taxes levied for subsequent year	1,245,373	1,212,469
Unavailable revenue – delinquent taxes	15,088	14,710
Total deferred inflows of resources	1,260,461	1,227,179
Fund balances		
Nonspendable for prepaid items	860	2,690
Restricted for community education programs	586,470	273,851
Restricted for early childhood family education programs	40,000	353,549
Restricted for school readiness	40,000	445,714
Restricted for community service	3,798	24,200
Total fund balances	671,128	1,100,004
Total liabilities, deferred inflows of resources, and fund balances	$ 2,077,349	$ 2,498,161

INDEPENDENT SCHOOL DISTRICT NO. 831

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 1,089,099	$ 1,202,192	$ 113,093	$ 1,134,571
Investment earnings	–	24,797	24,797	26,256
Other – primarily tuition and fees	2,030,065	2,318,311	288,246	3,197,747
State sources	707,472	782,664	75,192	755,943
Federal sources	1,703	3,571	1,868	2,874
Total revenue	3,828,339	4,331,535	503,196	5,117,391
Expenditures				
Current				
Salaries	3,149,248	3,105,909	(43,339)	3,081,461
Employee benefits	997,683	1,032,900	35,217	974,919
Purchased services	468,638	455,514	(13,124)	527,322
Supplies and materials	48,620	149,636	101,016	189,194
Other expenditures	10,750	4,657	(6,093)	3,534
Capital outlay	3,400	11,795	8,395	62,752
Total expenditures	4,678,339	4,760,411	82,072	4,839,182
Net change in fund balances	$ (850,000)	(428,876)	$ 421,124	278,209
Fund balances				
Beginning of year		1,100,004		821,795
End of year		$ 671,128		$ 1,100,004

INDEPENDENT SCHOOL DISTRICT NO. 831

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2020 and 2019

	2020	2019
Assets		
Cash and temporary investments	$ 4,412,320	$ 9,830,683
Receivables		
Accounts and interest	1,702	90,718
Total assets	$ 4,414,022	$ 9,921,401
Liabilities		
Accounts and contracts payable	$ 504,340	$ 4,986,759
Fund balances		
Restricted for long-term facilities maintenance	2,352,188	–
Restricted for capital projects	1,557,494	4,934,642
Total fund balances	3,909,682	4,934,642
Total liabilities and fund balances	$ 4,414,022	$ 9,921,401

INDEPENDENT SCHOOL DISTRICT NO. 831

Capital Projects – Building Construction Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 50,000	$ 54,393	$ 4,393	$ 652,976
Expenditures				
Capital outlay				
Salaries	–	47,238	47,238	82,846
Employee benefits	–	20,140	20,140	39,174
Purchased services	1,000,000	1,287,987	287,987	4,654,903
Capital expenditures	8,100,000	9,456,634	1,356,634	37,345,933
Debt service				
Fiscal charges and other	–	173,692	173,692	–
Total expenditures	9,100,000	10,985,691	1,885,691	42,122,856
Excess (deficiency) of revenue over expenditures	(9,050,000)	(10,931,298)	(1,881,298)	(41,469,880)
Other financing sources				
Debt issued	9,700,000	9,610,000	(90,000)	8,175,000
Premium on debt issued	–	296,338	296,338	866,758
Total other financing sources	9,700,000	9,906,338	206,338	9,041,758
Net change in fund balances	$ 650,000	(1,024,960)	$ (1,674,960)	(32,428,122)
Fund balances				
Beginning of year		4,934,642		37,362,764
End of year		$ 3,909,682		$ 4,934,642

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INDEPENDENT SCHOOL DISTRICT NO. 831

Debt Service Fund
Balance Sheet by Account
as of June 30, 2020
(With Comparative Totals as of June 30, 2019)

	Regular Debt Service Account	OPEB Debt Service Account	Totals 2020	Totals 2019
Assets				
Cash and temporary investments	$ 4,771,968	$ 324,446	$ 5,096,414	$ 5,319,269
Receivables				
Current taxes	5,622,263	315,571	5,937,834	5,161,727
Delinquent taxes	126,939	7,429	134,368	143,647
Due from other governmental units	19,990	85	20,075	10,735
Total assets	$ 10,541,160	$ 647,531	$ 11,188,691	$ 10,635,378
Liabilities				
Due to other governmental units	$ 1,813	$ –	$ 1,813	$ –
Deferred inflows of resources				
Property taxes levied for subsequent year	9,269,507	524,061	9,793,568	9,005,584
Unavailable revenue – delinquent taxes	100,713	6,065	106,778	105,293
Total deferred inflows of resources	9,370,220	530,126	9,900,346	9,110,877
Fund balances				
Restricted for debt service	1,169,127	117,405	1,286,532	1,524,501
Total liabilities, deferred inflows of resources, and fund balances	$ 10,541,160	$ 647,531	$ 11,188,691	$ 10,635,378

INDEPENDENT SCHOOL DISTRICT NO. 831

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Budget and Actual
Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

		2020 Actual	
	Budget	Regular Debt Service Account	OPEB Debt Service Account
Revenue			
Local sources			
Property taxes	$ 9,000,000	$ 8,449,615	$ 406,676
Investment earnings	10,000	53,006	2,015
State sources	–	199,718	856
Total revenue	9,010,000	8,702,339	409,547
Expenditures			
Debt service			
Principal	4,305,000	3,460,000	395,000
Interest	5,100,000	5,434,732	138,810
Fiscal charges and other	30,000	13,897	–
Total expenditures	9,435,000	8,908,629	533,810
Excess (deficiency) of revenue over expenditures	(425,000)	(206,290)	(124,263)
Other financing sources			
Premium on debt issued	–	92,584	–
Net change in fund balances	$ (425,000)	(113,706)	(124,263)
Fund balances			
Beginning of year		1,282,833	241,668
End of year		$ 1,169,127	$ 117,405

		2019
Total	Over (Under) Budget	Actual
$ 8,856,291	$ (143,709)	$ 9,200,169
55,021	45,021	42,662
200,574	200,574	107,239
9,111,886	101,886	9,350,070
3,855,000	(450,000)	3,845,000
5,573,542	473,542	5,216,154
13,897	(16,103)	14,021
9,442,439	7,439	9,075,175
(330,553)	94,447	274,895
92,584	92,584	75,000
(237,969)	$ 187,031	349,895
1,524,501		1,174,606
$ 1,286,532		$ 1,524,501

INDEPENDENT SCHOOL DISTRICT NO. 831

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2020
(With Comparative Totals as of June 30, 2019)

	Health Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals 2020	Totals 2019
Assets				
Current assets				
Cash and temporary investments	$ 5,951,500	$ 596,176	$ 6,547,676	$ 5,966,448
Receivables				
Accounts and interest	23,240	1,504	24,744	35,685
Total current assets	5,974,740	597,680	6,572,420	6,002,133
Liabilities				
Current liabilities				
Accounts and contracts payable	147,325	19,975	167,300	202,637
Unearned revenue	1,880,244	117,563	1,997,807	1,713,602
Claims incurred, but not reported	791,970	10,000	801,970	621,496
Total current liabilities	2,819,539	147,538	2,967,077	2,537,735
Net position				
Unrestricted	$ 3,155,201	$ 450,142	$ 3,605,343	$ 3,464,398

INDEPENDENT SCHOOL DISTRICT NO. 831

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Health Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals 2020	Totals 2019
Operating revenue				
Charges for services				
Contributions from governmental funds	$ 9,544,987	$ 588,422	$ 10,133,409	$ 9,381,054
Operating expenses				
Health benefit claims	9,586,574	–	9,586,574	9,181,479
Dental benefit claims	–	496,953	496,953	503,254
Total operating expenses	9,586,574	496,953	10,083,527	9,684,733
Operating income (loss)	(41,587)	91,469	49,882	(303,679)
Nonoperating revenue				
Investment earnings	83,393	7,670	91,063	89,169
Change in net position	41,806	99,139	140,945	(214,510)
Net position				
Beginning of year	3,113,395	351,003	3,464,398	3,678,908
End of year	$ 3,155,201	$ 450,142	$ 3,605,343	$ 3,464,398

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INDEPENDENT SCHOOL DISTRICT NO. 831

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Health Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals 2020	Totals 2019
Cash flows from operating activities				
Contributions from governmental funds	$ 9,825,494	$ 603,061	$ 10,428,555	$ 9,318,572
Payment for health claims	(9,450,506)	–	(9,450,506)	(9,200,838)
Payment for dental claims	–	(487,884)	(487,884)	(504,769)
Net cash flows from operating activities	374,988	115,177	490,165	(387,035)
Cash flows from investing activities				
Investment income received	83,393	7,670	91,063	89,169
Net change in cash and cash equivalents	458,381	122,847	581,228	(297,866)
Cash and cash equivalents				
Beginning of year	5,493,119	473,329	5,966,448	6,264,314
End of year	$ 5,951,500	$ 596,176	$ 6,547,676	$ 5,966,448
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	$ (41,587)	$ 91,469	$ 49,882	$ (303,679)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts and interest receivable	10,421	520	10,941	(24,290)
Accounts and contracts payable	(45,071)	9,734	(35,337)	(113,719)
Unearned revenue	270,086	14,119	284,205	(38,192)
Claims incurred, but not reported	181,139	(665)	180,474	92,845
Net cash flows from operating activities	$ 374,988	$ 115,177	$ 490,165	$ (387,035)

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OTHER DISTRICT INFORMATION

(UNAUDITED)

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INDEPENDENT SCHOOL DISTRICT NO. 831

Government-Wide Revenue by Type
Last Ten Fiscal Years

Year Ended June 30,	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	General Revenues: Property Taxes	General Revenues: General Grants and Aids	General Revenues: Investment Earnings and Other	Total
2011	$ 6,370,292	$ 10,511,839	$ 20,845,675	$ 38,446,379	$ 645,610	$ 76,819,795
	8%	14%	27%	50%	1%	100%
2012	6,148,601	11,485,954	15,230,036	44,173,101	591,559	77,629,251
	8%	14%	20%	57%	1%	100%
2013	6,115,186	11,490,994	16,176,424	43,429,388	553,293	77,765,285
	8%	14%	21%	56%	1%	100%
2014	5,954,935	12,220,938	11,742,462	50,084,696	855,420	80,858,451
	7%	15%	15%	62%	1%	100%
2015	6,423,354	11,968,641	17,571,864	49,259,872	1,193,682	86,417,413
	7%	14%	21%	57%	1%	100%
2016	6,847,529	12,672,382	17,057,514	49,382,999	629,701	86,590,125
	8%	14%	20%	57%	1%	100%
2017	6,437,175	13,194,175	19,430,966	50,352,014	1,585,486	90,999,816
	7%	15%	21%	55%	2%	100%
2018	6,697,514	13,334,671	23,571,789	48,177,917	1,955,966	93,737,857
	7%	14%	25%	52%	2%	100%
2019	6,891,345	13,306,489	22,372,109	46,735,121	2,605,932	91,910,996
	8%	14%	24%	51%	3%	100%
2020	5,313,535	13,010,160	27,031,623	48,773,418	1,570,554	95,699,290
	5%	14%	28%	51%	2%	100%

Note: The change in "tax shift," as approved in legislation, impacted the amount of tax revenue recognized in fiscal years 2011 and 2014. Changes in the amount of revenue recognized, due to the tax shift, are offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 831

Government-Wide Expenses by Function
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services	Pupil Support Services
2011	$ 3,111,531	$ 2,164,587	$ 30,673,422	$ 920,206	$ 10,368,127	$ 1,598,026	$ 8,948,191
	4%	3%	40%	1%	14%	2%	12%
2012	3,100,536	2,197,394	25,576,188	810,798	10,620,873	2,077,860	9,731,943
	4%	3%	35%	1%	15%	3%	13%
2013	3,201,925	2,254,471	27,594,183	781,880	10,918,573	2,369,743	9,928,802
	4%	3%	36%	1%	14%	3%	13%
2014	3,323,552	2,417,192	29,596,211	758,648	11,736,976	3,541,782	10,017,084
	4%	3%	37%	1%	15%	4%	12%
2015	3,226,706	3,072,069	29,472,957	863,577	12,018,150	5,120,151	10,278,319
	4%	4%	36%	1%	14%	6%	12%
2016	3,796,645	2,322,473	29,008,857	954,911	12,558,342	4,610,217	11,046,015
	4%	3%	33%	1%	14%	5%	13%
2017	4,923,047	2,052,095	39,074,208	1,727,610	17,305,271	6,333,778	12,344,131
	4%	2%	35%	1%	16%	6%	11%
2018	3,618,600	2,774,376	36,792,292	1,604,135	16,690,659	6,380,709	11,308,606
	3%	3%	34%	1%	16%	6%	11%
2019	2,404,931	2,914,489	15,406,822	551,470	9,188,795	3,770,996	9,919,553
	3%	4%	22%	1%	13%	5%	14%
2020	3,527,550	2,825,243	29,013,805	1,647,733	14,352,862	7,738,382	11,321,031
	4%	3%	29%	2%	14%	8%	11%

Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Depreciation Not Allocated to Other Functions	Interest and Fiscal Charges	Total
$ 7,157,893	$ 281,925	$ 3,888,660	$ 4,073,291	$ 2,194,397	$ 1,565,753	$ 76,946,009
9%	–	5%	5%	3%	2%	100%
6,538,037	296,349	4,037,265	4,085,559	2,126,662	1,428,442	72,627,906
9%	–	6%	6%	3%	2%	100%
7,684,483	317,174	3,891,749	4,113,757	2,098,391	1,275,898	76,431,029
10%	1%	5%	5%	3%	2%	100%
7,639,633	351,205	3,959,013	4,007,281	2,535,075	1,158,034	81,041,686
9%	1%	5%	5%	3%	1%	100%
7,444,141	379,529	4,138,798	4,321,014	2,488,510	1,019,716	83,843,637
9%	–	5%	5%	3%	1%	100%
8,776,019	526,412	4,276,582	4,531,548	2,545,922	2,243,227	87,197,170
10%	1%	5%	5%	3%	3%	100%
8,490,188	574,212	3,957,910	4,990,631	2,835,218	5,475,005	110,083,304
8%	1%	4%	4%	3%	5%	100%
10,704,394	635,768	3,775,043	4,956,962	2,946,179	4,860,767	107,048,490
10%	1%	3%	5%	3%	4%	100%
9,509,308	520,000	3,642,072	4,447,056	4,393,215	5,170,398	71,839,105
13%	1%	5%	6%	6%	7%	100%
7,648,115	650,000	3,526,004	4,855,822	6,209,276	5,489,519	98,805,342
8%	1%	4%	5%	6%	5%	100%

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INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund Revenue by Source
Last Ten Fiscal Years

Year Ended June 30,	Local Property Tax Levies	State Revenue	Federal Revenue	Other Local and Miscellaneous	Total
2011	$ 15,333,557 24%	$ 44,072,843 68%	$ 3,300,695 5%	$ 1,734,346 3%	$ 64,441,441 100%
2012	10,361,414 16%	50,606,450 77%	2,975,539 5%	1,531,090 2%	65,474,493 100%
2013	10,599,904 16%	50,759,534 78%	2,183,794 4%	1,616,894 2%	65,160,126 100%
2014	5,017,095 7%	57,937,865 87%	1,944,413 3%	2,032,995 3%	66,932,368 100%
2015	10,566,174 14%	56,971,250 79%	2,000,562 3%	2,639,541 4%	72,177,527 100%
2016	10,143,433 14%	57,995,977 80%	1,833,859 3%	2,255,801 3%	72,229,070 100%
2017	12,003,610 16%	57,412,440 78%	1,902,513 3%	2,374,673 3%	73,693,236 100%
2018	13,421,398 18%	57,201,749 76%	1,953,798 3%	2,589,135 3%	75,166,080 100%
2019	11,976,441 16%	58,120,768 77%	1,943,362 3%	3,110,611 4%	75,151,182 100%
2020	16,942,049 21%	57,199,212 73%	2,119,589 3%	2,560,763 3%	78,821,613 100%

Note: The change in "tax shift," as approved in legislation, impacted the amount of tax revenue recognized in fiscal years 2011 and 2014. Changes in the amount of revenue recognized, due to the tax shift, are offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund Expenditures by Function
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction
2011	$ 3,051,637 5%	$ 2,147,647 3%	$ 29,779,750 46%	$ 917,836 1%	$ 10,293,896 16%
2012	3,112,219 5%	2,178,896 4%	26,302,525 42%	808,428 1%	10,542,937 17%
2013	3,159,778 5%	2,232,860 3%	27,755,921 43%	779,510 1%	10,809,283 17%
2014	3,364,983 5%	2,434,106 3%	30,818,312 43%	764,300 1%	11,842,041 16%
2015	3,298,590 5%	3,085,780 4%	29,877,813 40%	872,825 1%	12,139,538 16%
2016	3,654,157 5%	2,299,936 3%	28,929,355 41%	942,709 1%	12,427,639 18%
2017	3,706,541 5%	1,981,718 3%	27,796,600 38%	1,331,649 2%	13,191,811 18%
2018	3,305,470 4%	2,794,017 4%	27,505,436 37%	1,228,503 2%	12,505,873 17%
2019	3,237,724 4%	2,967,753 4%	26,064,394 35%	1,059,116 1%	12,741,535 17%
2020	3,372,758 4%	2,906,337 4%	27,191,856 35%	1,555,531 2%	13,637,180 17%

Instructional Support Services	Pupil Support Services	Sites and Buildings	Other Programs	Total
$ 1,581,361	$ 8,661,991	$ 8,023,299	$ 342,586	$ 64,800,003
2%	14%	12%	1%	100%
2,058,433	9,481,775	7,526,899	355,588	62,367,700
3%	15%	12%	1%	100%
2,345,242	9,699,810	8,058,856	394,099	65,235,359
3%	15%	12%	1%	100%
3,560,499	9,949,597	8,718,984	412,317	71,865,139
5%	14%	12%	1%	100%
5,312,438	10,214,856	8,657,555	692,148	74,151,543
7%	14%	12%	1%	100%
4,571,268	11,113,359	7,306,746	842,963	72,088,132
6%	15%	10%	1%	100%
4,875,659	11,214,282	8,252,564	899,378	73,250,202
7%	15%	11%	1%	100%
5,258,752	10,874,254	10,193,913	946,706	74,612,924
7%	14%	14%	1%	100%
5,286,816	11,736,493	10,863,761	828,465	74,786,057
7%	16%	15%	1%	100%
7,467,572	11,471,940	10,325,268	884,360	78,812,802
9%	15%	13%	1%	100%

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INDEPENDENT SCHOOL DISTRICT NO. 831

School Tax Levies and Tax Rates by Fund
Last Ten Fiscal Years

	Year Collectible	General Fund	Community Service Special Revenue Fund	Debt Service Fund	Total All Funds
Levies					
	2011	$ 10,432,345	$ 877,092	$ 4,315,521	$ 15,624,958
	2012	9,886,190	903,832	4,750,683	15,540,705
	2013	11,377,392	882,776	4,755,527	17,015,695
	2014	11,573,258	927,114	4,637,561	17,137,933
	2015	11,337,029	915,154	4,658,652	16,910,835
	2016	11,996,073	986,419	6,482,348	19,464,840
	2017	12,927,090	1,057,994	9,197,425	23,182,509
	2018	11,282,541	1,137,354	9,300,188	21,720,083
	2019	16,981,566	1,212,469	9,005,584	27,199,619
	2020	17,087,846	1,245,373	9,793,569	28,126,788
Tax rates					
Tax capacity rates					
	2011	5.497	1.676	8.238	15.411
	2012	5.458	1.901	9.972	17.331
	2013	8.949	2.050	11.020	22.019
	2014	11.328	2.097	10.471	23.896
	2015	9.898	1.849	9.398	21.145
	2016	10.145	1.952	12.806	24.903
	2017	11.781	2.005	17.427	31.213
	2018	8.426	1.940	15.864	26.230
	2019	8.625	1.926	14.306	24.857
	2020	8.641	1.857	14.599	25.097
Market value rates					
	2011	0.15293	–	–	0.15293
	2012	0.15390	–	–	0.15390
	2013	0.17389	–	–	0.17389
	2014	0.14626	–	–	0.14626
	2015	0.13351	–	–	0.13351
	2016	0.13979	–	–	0.13979
	2017	0.12865	–	–	0.12865
	2018	0.11395	–	–	0.11395
	2019	0.20186	–	–	0.20186
	2020	0.17344	–	–	0.17344

Note: A tax rate based on market value is used primarily for the District's referendum, equity, and transition levies.

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 831

Tax Capacities and Market Values
Last Ten Fiscal Years

For Taxes Collectible	Net Tax Capacities				
				Fiscal Disparities	
	Agricultural	Nonagricultural	Tax Increment	Contribution	Distribution
2011	$ 1,892,928	$ 51,378,555	$ (1,383,497)	$ (3,871,485)	$ 4,938,071
2012	1,739,170	46,408,764	(1,294,513)	(3,580,022)	4,830,499
2013	1,741,624	42,273,461	(1,232,190)	(3,176,279)	4,443,326
2014	1,798,181	42,261,513	(858,721)	(3,136,170)	4,528,567
2015	1,947,446	46,296,615	(828,748)	(3,089,582)	4,621,327
2016	1,958,007	48,029,784	(197,609)	(3,149,763)	4,689,654
2017	2,010,419	50,174,007	(316,163)	(3,216,864)	5,264,712
2018	2,083,679	53,722,499	(327,428)	(3,169,145)	5,521,366
2019	2,127,411	58,412,990	(437,588)	(3,258,899)	5,834,684
2020	2,241,354	63,039,694	(761,940)	(3,495,850)	6,144,151

Note: Market value is used primarily for extension of the District's referendum levy.

Source: State of Minnesota School Tax Report

Total Taxable	Market Value
$ 52,954,572	$ 4,505,366,200
48,103,898	4,290,135,700
44,049,942	3,939,600,600
44,593,370	3,956,177,800
48,947,058	4,328,284,000
51,330,073	4,484,223,100
53,916,111	4,672,890,900
57,830,971	4,992,499,000
62,678,598	5,413,348,800
67,167,409	5,831,765,400

INDEPENDENT SCHOOL DISTRICT NO. 831

Property Tax Levies and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy			
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread
2011	$ 13,968,510	$ 1,265,177	$ 391,271	$ 15,624,958
2012	14,095,828	1,444,877	–	15,540,705
2013	15,567,747	1,447,948	–	17,015,695
2014	15,357,515	1,780,418	–	17,137,933
2015	15,139,104	1,771,731	–	16,910,835
2016	17,861,854	1,602,986	–	19,464,840
2017	21,163,913	2,018,596	–	23,182,509
2018	19,314,437	2,405,646	–	21,720,083
2019	24,932,058	2,164,987	102,574	27,199,619
2020	25,294,660	2,708,298	123,830	28,126,788

Note 1: A portion of the total spread levy is paid through various property tax credits, which are paid through state aids. Legislative changes, beginning with taxes collectible in 2012, significantly changed the calculation of tax credits applied and paid through state aids.

Note 2: Delinquent taxes are written off after seven years.

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2020			
Delinquent		Current	
Amount	Percent	Amount	Percent
$ –	– %	$ –	– %
–	–	–	–
–	–	–	–
47,405	0.28	–	–
13,515	0.08	–	–
19,306	0.10	–	–
25,456	0.11	–	–
47,074	0.22	–	–
251,077	0.92	–	–
–	–	17,037,068	60.57
$ 403,833		$ 17,037,068	

INDEPENDENT SCHOOL DISTRICT NO. 831

Student Enrollment
Last Ten Fiscal Years

	Adjusted Average Daily Membership (ADM)					
Year Ended June 30,	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	Total Pupil Units
2011	94.25	467.22	2,980.06	3,209.66	6,751.19	7,808.82
2012	95.96	401.75	2,980.94	3,214.68	6,693.33	7,779.21
2013	102.14	394.47	2,962.30	3,202.66	6,661.57	7,741.35
2014	107.06	429.29	2,969.74	3,102.01	6,608.10	7,642.50
2015	116.37	384.90	2,960.46	3,164.73	6,626.46	7,259.42
2016	111.89	351.77	2,814.95	3,173.63	6,452.24	7,086.98
2017	109.78	389.39	2,701.60	3,091.89	6,292.66	6,911.03
2018	113.01	361.39	2,620.92	3,028.80	6,124.12	6,729.89
2019	109.07	342.53	2,609.78	2,997.49	6,058.87	6,658.37
2020	111.64	337.05	2,474.70	2,980.02	5,903.41	6,499.41

Note 1: Student enrollment numbers are estimated for the most recent fiscal year.

Note 2: ADM is weighted as follows in computing pupil units:

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2011 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2020	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

SINGLE AUDIT AND OTHER REQUIRED REPORTS

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INDEPENDENT SCHOOL DISTRICT NO. 831

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures		Noncash Assistance
U.S. Department of Agriculture				
Passed through Minnesota Department of Education				
Child nutrition cluster				
School Breakfast Program	10.553	$ 138,764		
National School Lunch Program	10.555	929,079		$ 307,478
COVID-19 – Summer Food Service Program for Children	10.559	221,460		
Total child nutrition cluster			$ 1,289,303	
U.S. Department of Education				
Direct				
Indian Education Grants to Local Educational Agencies	84.060		15,323	
Passed through Minnesota Association for Children's Mental Health				
Special education cluster				
Special Education Grants to States	84.027	2,000		
Passed through Minnesota Department of Education				
Special education cluster				
Special Education Grants to States	84.027	1,629,142		
Total CFDA No. 84.027		1,631,142		
Special Education Preschool Grants	84.173	36,657		
Total special education cluster			1,667,799	
Passed through Minnesota Department of Education				
Title I Grants to Local Educational Agencies	84.010		250,330	
Special Education – Grants for Infants and Families	84.181		21,491	
English Language Acquisition State Grants	84.365		8,617	
Supporting Effective Instruction State Grants	84.367		110,846	
Passed through Independent School District No. 622				
Adult Education – Basic Grants to States	84.002		2,071	
Passed through Northeast Metropolitan Intermediate School District No. 916				
Career and Technical Education – Basic Grants to States	84.048		45,227	
Total federal awards			$ 3,411,007	

Note 1: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the District's basic financial statements.

Note 2: All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

Note 3: The District did not elect to use the 10 percent de minimis indirect cost rate.

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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

To the School Board and Management of
Independent School District No. 831
Forest Lake, 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. 831 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 18, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(continued)

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Compliance and Other Matters

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

Purpose of This Report

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

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 18, 2020

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CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the School Board and Management of
Independent School District No. 831
Forest Lake, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Independent School District No. 831's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

(continued)

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

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

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 18, 2020

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 831
Forest Lake, 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. 831 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 18, 2020.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

PURPOSE OF THIS REPORT

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 report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 18, 2020

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INDEPENDENT SCHOOL DISTRICT NO. 831

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

A. SUMMARY OF AUDIT RESULTS

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

Financial Statements

What type of auditor's report is issued?		X Unmodified ___ Qualified ___ Adverse ___ Disclaimer
Internal control over financial reporting:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiencies identified?	___ Yes	X None reported
Noncompliance material to the financial statements noted?	___ Yes	X No

Federal Awards

Internal controls over major federal award programs:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiencies identified?	___ Yes	X None reported
Type of auditor's report issued on compliance for major programs?		
U.S. Department of Agriculture – child nutrition cluster		Unmodified
U.S. Department of Education – special education cluster		Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	X No

Programs tested as major programs:

Program or Cluster	CFDA No.
The U.S. Department of Agriculture – child nutrition cluster consisting of:	
– School Breakfast Program	10.553
– National School Lunch Program	10.555
– Summer Food Service Program for Children	10.559
The U.S. Department of Education – special education cluster consisting of:	
– Special Education Grants to States	84.027
– Special Education Preschool Grants	84.173

Threshold for distinguishing between type A and B programs.	$ 750,000	
Does the auditee qualify as a low-risk auditee?	___ Yes	X No

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INDEPENDENT SCHOOL DISTRICT NO. 831

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2020

B. FINANCIAL STATEMENT FINDINGS

None.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

INDEPENDENT SCHOOL DISTRICT NO. 831

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2020

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 78,821,613	$ 78,821,613	$ –
Total expenditures		$ 78,812,802	$ 78,812,800	$ 2
Nonspendable				
460	Nonspendable fund balance	$ 37,519	$ 37,519	$ –
Restricted				
401	Student activities	$ 86,960	$ 86,960	$ –
402	Scholarships	$ –	$ –	$ –
403	Staff development	$ –	$ –	$ –
407	Capital projects levy	$ –	$ –	$ –
408	Cooperative revenue	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
414	Operating debt	$ –	$ –	$ –
416	Levy reduction	$ –	$ –	$ –
417	Taconite building maintenance	$ –	$ –	$ –
424	Operating capital	$ –	$ –	$ –
426	$25 taconite	$ –	$ –	$ –
427	Disabled accessibility	$ –	$ –	$ –
428	Learning and development	$ –	$ –	$ –
434	Area learning center	$ –	$ –	$ –
435	Contracted alternative programs	$ –	$ –	$ –
436	State approved alternative programs	$ –	$ –	$ –
438	Gifted and talented	$ –	$ –	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
441	Basic skills programs	$ –	$ –	$ –
448	Achievement and integration	$ 74,287	$ 74,287	$ –
449	Safe schools levy	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
453	Unfunded severance and retirement levy	$ –	$ –	$ –
459	Basic skills extended time	$ –	$ –	$ –
467	Long-term facilities maintenance	$ (978,498)	$ (978,498)	$ –
472	Medical Assistance	$ –	$ –	$ –
473	PPP loans	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
475	Title VII – Impact Aid	$ –	$ –	$ –
476	PILT	$ –	$ –	$ –
Committed				
418	Committed for separation	$ –	$ –	$ –
461	Committed fund balance	$ –	$ –	$ –
Assigned				
462	Assigned fund balance	$ 475,778	$ 475,778	$ –
Unassigned				
422	Unassigned fund balance	$ 2,951,198	$ 2,951,200	$ (2)
Food Service				
Total revenue		$ 3,243,750	$ 3,243,750	$ –
Total expenditures		$ 3,520,705	$ 3,520,705	$ –
Nonspendable				
460	Nonspendable fund balance	$ 129,240	$ 129,240	$ –
Restricted				
452	OPEB liability not in trust	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ 88,003	$ 88,004	$ (1)
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Community Service				
Total revenue		$ 4,331,535	$ 4,331,535	$ –
Total expenditures		$ 4,760,411	$ 4,760,411	$ –
Nonspendable				
460	Nonspendable fund balance	$ 860	$ 860	$ –
Restricted				
426	$25 taconite	$ –	$ –	$ –
431	Community education	$ 586,470	$ 586,471	$ (1)
432	ECFE	$ 40,000	$ 40,000	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
444	School readiness	$ 40,000	$ 40,000	$ –
447	Adult basic education	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
473	PPP loans	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ 3,798	$ 3,798	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

INDEPENDENT SCHOOL DISTRICT NO. 831

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2020

	Audit	UFARS	Audit – UFARS
Building Construction			
Total revenue	$ 54,393	$ 54,393	$ –
Total expenditures	$ 10,985,691	$ 10,985,692	$ (1)
Nonspendable			
460 Nonspendable fund balance	$ –	$ –	$ –
Restricted			
407 Capital projects levy	$ –	$ –	$ –
413 Projects funded by COP	$ –	$ –	$ –
467 Long-term facilities maintenance	$ 2,352,188	$ 2,352,188	$ –
464 Restricted fund balance	$ 1,557,494	$ 1,557,494	$ –
Unassigned			
463 Unassigned fund balance	$ –	$ –	$ –
Debt Service			
Total revenue	$ 8,702,339	$ 8,702,340	$ (1)
Total expenditures	$ 8,908,629	$ 8,908,630	$ (1)
Nonspendable			
460 Nonspendable fund balance	$ –	$ –	$ –
Restricted			
425 Bond refundings	$ –	$ –	$ –
433 Maximum effort loan	$ –	$ –	$ –
451 QZAB payments	$ –	$ –	$ –
467 Long-term facilities maintenance	$ –	$ –	$ –
464 Restricted fund balance	$ 1,169,127	$ 1,169,127	$ –
Unassigned			
463 Unassigned fund balance	$ –	$ –	$ –
Trust			
Total revenue	$ –	$ –	$ –
Total expenditures	$ –	$ –	$ –
401 Student activities	$ –	$ –	$ –
402 Scholarships	$ –	$ –	$ –
422 Net position	$ –	$ –	$ –
Custodial Fund			
Total revenue	$ –	$ –	$ –
Total expenditures	$ –	$ –	$ –
401 Student activities	$ –	$ –	$ –
402 Scholarships	$ –	$ –	$ –
448 Achievement and integration	$ –	$ –	$ –
464 Restricted fund balance	$ –	$ –	$ –
Internal Service			
Total revenue	$ 10,224,472	$ 10,224,472	$ –
Total expenditures	$ 10,083,527	$ 10,083,527	$ –
422 Net position	$ 3,605,343	$ 3,605,343	$ –
OPEB Revocable Trust Fund			
Total revenue	$ –	$ –	$ –
Total expenditures	$ –	$ –	$ –
422 Net position	$ –	$ –	$ –
OPEB Irrevocable Trust Fund			
Total revenue	$ 53,260	$ 53,259	$ 1
Total expenditures	$ 210,768	$ 210,768	$ –
422 Net position	$ 1,686,264	$ 1,686,264	$ –
OPEB Debt Service Fund			
Total revenue	$ 409,547	$ 409,547	$ –
Total expenditures	$ 533,810	$ 533,810	$ –
Nonspendable			
460 Nonspendable fund balance	$ –	$ –	$ –
Restricted			
425 Bond refundings	$ –	$ –	$ –
464 Restricted fund balance	$ 117,405	$ 117,405	$ –
Unassigned			
463 Unassigned fund balance	$ –	$ –	$ –

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

Independent School District No. 831
(Forest Lake Area Schools), Minnesota
Forest Lake, Minnesota

[Purchaser]

Re: Lease-Purchase Agreement dated as of February 1, 2021, between Associated Trust Company, as trustee, and Independent School District No. 831 (Forest Lake Area Schools), Minnesota and $[PAR] Certificates of Participation, Series 2021A

Ladies and Gentlemen:

We have acted as counsel to Independent School District No. 831 (Forest Lake Area Schools), Minnesota, Minnesota (the "Lessee") with respect to the Lease-Purchase Agreement described above (the "Lease"). In that capacity we have reviewed certified records of proceedings of the governing body of the Lessee relating to the Lease; copies of a Ground Lease Agreement dated as of February 1, 2021, between the Lessee, as lessor, and Associated Trust Company, as trustee (the "Trustee"), as lessee (the "Ground Lease"); the Lease and the exhibits attached thereto; a Trust Agreement dated as of February 1, 2021, between the Lessee and the Trustee, including the form of Certificate of Participation, Series 2021A (the "Certificates"), attached thereto (the "Trust Agreement"); and a Tax Certificate of the Lessee dated as of the date hereof.

Under the Lease, the Project (as defined therein) is being leased to the Lessee with an option to purchase, and the Lessee has undertaken to pay rental payments with respect thereto (the "Rental Payments") aggregating $[_______] composed of principal payments of $[_______] and interest on deferred principal payments of $[_______]. The Rental Payments are payable at the times and in the amounts as set forth in Exhibit B to the Lease. The Rental Payments are payable exclusively from moneys to be legally appropriated and provided therefor by the Lessee. In the sole event that moneys are not so appropriated and provided, the Lessee may, by written notice to the Trustee, as lessor, discontinue the Lease at the end of any fiscal year of the Lessee (July 1 through June 30) then in effect. If the Lessee discontinues the Lease at the end of any such fiscal year in the manner provided therein, the Lease is terminated without penalty or liability on the part of the Lessee to pay any Rental Payments coming due after the fiscal year then in effect, but in such event, the Lessee has the obligation to surrender the Project for the remaining term of the Ground Lease, as described in the Lease and the Ground Lease. In the event the Lessee does not discontinue the Lease and pays all Rental Payments due in accordance therewith, the rights of the Trustee and the registered owners of the Certificates in the Project are terminated. Under the Trust Agreement, the Trustee has executed and delivered the Certificates evidencing the right of the registered owners thereof to the portion of the Rental Payments described therein.

In delivering our opinion, we have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures and the conformity to authentic originals of all documents submitted to us as copies. We have also assumed, with respect to all parties to agreements or instruments relevant hereto other than the Lessee, that such parties had the requisite power and authority to execute, deliver and perform such agreements or instruments, that such agreements or instruments have been duly authorized by all requisite action, executed and delivered by such parties and that all such agreements or instruments are the valid, binding and enforceable obligations of such parties.

As to questions of fact material to our opinions, we have relied upon (a) the representations made in the Lease, and upon the representations of the Lessee and other parties made to us as to (i) the intended application of the proceeds of the Lease and the Certificates, (ii) the nature, use, cost, and economic life of the property refinanced with proceeds the Lease and the Certificates, and (iii) other matters relating to the exemption of the interest on the Lease from federal income taxation; and (b) the opinions, of even date herewith, of Timothy Paul Brausen, esq., counsel to The Forest Lake Athletic Association ("FLAA"), and Legal for Good PLLC, counsel to the Forest Lake Hockey Association ("FLHA"), as to (i) the due and valid incorporation and valid existence of FLAA and FLHA, respectively, (ii) the status of FLAA and FLHA, respectively, as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") and exempt from federal income tax under Section 501(a) of the Code, and (iii) the characterization of the activities of FLAA and FLHA, respectively, in connection with the use of the facilities financed by the Certificates.

Based on our examination of the above-described documents and such other documents as we deem relevant, subject to the exceptions and limitations set forth herein, it is our opinion that:

1. The Lessee is an independent school district and political subdivision of the State of Minnesota (the "State"), duly organized, existing and operating under the Constitution and laws of the State.

2. The Lessee is authorized and has power under State law to enter into the Ground Lease, the Lease and the Trust Agreement and to carry out its obligations thereunder and the transactions contemplated thereby.

3. The Ground Lease, the Lease and the Trust Agreement have been duly authorized, approved, executed and delivered by and on behalf of the Lessee, and the same are valid and binding contracts of the Lessee enforceable against the Lessee in accordance with their terms.

4. The Lease and the obligations of the Lessee thereunder are special, limited obligations of the Lessee payable in each fiscal year from amounts appropriated for such purpose in the annual budget of the Lessee, provided that the Lessee is not obligated to make any such appropriation. The full faith and credit and ability of the Lessee to levy ad valorem taxes without limitation as to rate or amount are not pledged to the payment of the Lease, any obligation of the Lessee thereunder, or any amounts paid with respect to the Certificates issued under the Trust Agreement.

5. The amount of each Rental Payment designated as and comprising interest as set forth in Exhibit B to the Lease and received by the registered owners of the Certificates (a) is excluded from gross income for federal income tax purposes under Section 103 of the Code, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.

6. The amount of each Rental Payment designated as and comprising interest as set forth in Exhibit B to the Lease and received by the registered owners of the Certificates (a) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, estates, and trusts.

7. The Lease and the Certificates are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

The opinions expressed in paragraphs (5), (6) and (7) above are subject to the compliance by the Lessee with certain requirements of the Code that must be satisfied subsequent to the execution of the Lease and issuance of the Certificates. Noncompliance with these requirements could result in the inclusion of interest on the amount of each Rental Payment designated as and comprising interest as set forth in Exhibit B to the Lease and received by the registered owners of the Certificates in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, or the Lease and Certificates ceasing to be qualified tax-exempt obligations, retroactive to the date of the Lease and the Certificates.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences related to the Lease or the Certificates. We note, however, that notwithstanding the opinions expressed in paragraph (6) above, the amount of each Rental Payment designated as and comprising interest as set forth in Exhibit B to the Lease and received by the registered owners of the Certificates is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

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

1. Our opinions expressed above are limited to and assume the application of the laws of the State and the federal laws of the United States of America, including the provisions of the Code, the Treasury Regulations promulgated under the Code, administrative provisions of the Internal Revenue Service contained in revenue rulings, revenue procedures and private letter rulings and court decisions, in each case, as in effect on the date of this opinion and subject to change, possibly with retroactive effect.

2. Our opinions are subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or other similar law of general application affecting creditors' rights.

3. Our opinions are subject to the effect of general principles of equity, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing, and other

similar doctrines affecting the enforceability of agreements generally (regardless of whether considered in a proceeding in equity or at law).

4. Our opinions are subject to possible judicial action giving effect to governmental actions or foreign laws affecting creditors' rights.

5. We have not reviewed and do not opine as to compliance of the Lessee or the Project with applicable zoning, health, safety, building, environmental, land use or subdivision laws, ordinances, codes, rules or regulations.

6. No opinion is expressed as to title matters of any nature whatsoever, including all matters within the scope of any title commitment or title policy.

7. We express no opinion as to compliance with state or federal securities laws and regulations applicable to disposition of the Certificates or rights under the Lease to any investor, including, without limitation, any opinion as to the accuracy, completeness or sufficiency of any offering materials relating to Lessee, the Lease, the Ground Lease, the Trust Agreement or the Certificates.

8. We express no conclusions, nor are any conclusions intended, regarding any matters not specifically identified herein.

The opinions expressed herein are given as of the date hereof, and we assume no obligation to revise or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may occur after the date hereof.

Dated: _____________, 2021

Very truly yours,

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE COVENANTS
(EXCERPTS FROM SALE RESOLUTION)

(See following pages)

FORM OF CONTINUING DISCLOSURE

(a) Definitions. The following capitalized terms shall have the following meanings for purposes of this section.

"*Annual Report*" means any annual report provided by the District pursuant to, and as described in, subsection (c) of this section.

"*Beneficial Owner*" means any person which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (ii) is treated as the owner of any Certificates for federal income tax purposes.

"*EMMA*" means the MSRB's Electronic Municipal Market Access system available at http://emma.msrb.org.

"*Holders*" means the registered holders of the Certificates, as recorded in the registration books of the Registrar (as defined in the Trust Agreement).

"*Listed Events*" means the events listed in subsection (d) of this section.

"*MSRB*" means the Municipal Securities Rulemaking Board, 1300 I Street NW, Suite 1000, Washington, DC 20005.

"*Participating Underwriter*" means any of the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"*Rule*" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

(b) Purpose and Beneficiaries. The District makes the following covenants for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriters in complying with the Rule.

(c) Provision of Annual Reports.

(i) Not later than 12 months after the end of each fiscal year of the District (the "Submission Deadline") (the first report being due not later than 12 months after June 30, 2021), the District shall, either directly or indirectly through an agent designated by the District, file on EMMA an electronic copy of its Annual Report in a format and accompanied by such identifying information as prescribed by the MSRB. If the District's fiscal year changes, it shall, either directly or indirectly through an agent designated by the District, give notice of such change in the same manner as for a Listed Event under subsection (d), and the Submission Deadline beginning with the subsequent fiscal year will become one year following the end of the new fiscal year. If the District is unable to provide an Annual Report by the Submission Deadline, in a timely manner thereafter, the District shall, either directly or indirectly through an agent designated by the District, file a notice on EMMA stating that there has been a failure to provide an Annual Report on or before the Submission Deadline.

(ii) The Annual Report must contain or include by reference the following:

(1) The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota state law, as in effect from time to time, or, if and to the extent such audited financial statements have not been prepared in accordance with generally accepted accounting principles, noting the discrepancies therefrom and the effect thereof. If the District's audited financial statements are not available by the Submission Deadline, the Annual Report shall contain unaudited financial information (which may include any annual filing information required by Minnesota state law) accompanied by a notice that the audited financial statements are not yet available, and the audited financial statements shall be filed on EMMA within 10 days of when they become available.

(2) To the extent not included in the financial statements provided as part of the Annual Report, tables, schedules or other information of the type contained in the Official Statement for the Certificates under the following headings or captions, which information may be unaudited:

(A) Current Property Valuations
(B) Direct Debt
(C) Tax Levies and Collections
(D) Student Body
(E) Employment / Unemployment Data

(iii) The Annual Report may be submitted as a single document or as separate documents comprising a package. The contents of the Annual Report may be included in the Annual Report by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available on EMMA or are filed with the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available on EMMA. The Annual Report shall clearly identify each such other document so included by reference. The audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the Submission Deadline if they are not available by that date.

(d) Reporting of Significant Events.

(i) The District shall, either directly or indirectly through an agent designated by the District, give notice of the occurrence of any of the following events with respect to the Certificates, all pursuant to the provisions of this subsection (d):

(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.

For the purposes of the event identified in this subparagraph (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

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

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

(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.

For purposes of the events identified in subparagraph (15) and (16) above, the term "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of either (i) or (ii). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

(ii) If a Listed Event described in subparagraph (2), (7), (8) (but only with respect to bond calls under (8)), (10), (13), (14) or (15) has occurred <u>and the District has determined that such Listed Event is material under applicable federal securities laws</u>, the District shall, either directly or indirectly through an agent designated by the District, in a timely manner but not later than 10 business days after the occurrence of such Listed Event, promptly file a notice of such occurrence on EMMA, with such notice in a format and accompanied by such identifying information as prescribed by the MSRB.

(iii) If a Listed Event described in subparagraph (1), (3), (4), (5), (6), (8) (but only with respect to tender offers under (8)), (9), (11), (12) or (16) above has occurred the District shall, either directly or indirectly through an agent designated by the District, in a timely manner but not later than 10 business days after the occurrence of such Listed Event, promptly file a notice of such occurrence on EMMA, with such notice in a format and accompanied by such identifying information as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subparagraphs (8) and (9) need not be given under this subsection (d) any earlier than the notice (if any) of the underlying event is given to Holders of affected Certificates pursuant to the Trust Agreement.

(e) <u>Termination of Reporting Obligation</u>. The District's obligations under this section will terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates or upon the District's receipt of an opinion of nationally recognized bond counsel to the effect that, because of legislative action or final judicial action or administrative actions or proceedings, the failure of the District to comply with the terms hereof will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended.

(f) <u>Dissemination Agent</u>. The District may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this section, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent. The dissemination agent will not be responsible in any manner for the content of any notice or Annual Report prepared by the District pursuant to this section.

(g) <u>Amendment; Waiver</u>. Notwithstanding any other provision of this section, the District may amend the covenants contained in this section, and any provision of this section may be waived, if

(i) (1) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Certificates, or the type of business conducted; (2) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (3) the amendment or waiver either (A) is approved by a majority of the Holders, or (B) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners; or

(ii) the amendment or waiver is necessary to comply with modifications to or interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission.

In the event of any amendment or waiver of a provision of this section, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing audited financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under subsection (d), and (ii) the Annual Report for the year in which the change is made will present a comparison or other discussion in narrative form (and also, if feasible, in quantitative form) describing or illustrating the material differences between the audited financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

(i) Default. In the event of a failure of the District to comply with any provision of this section, any Holder 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 section. Direct, indirect, consequential and punitive damages will not be recoverable by any person for any default hereunder and are hereby waived to the extent permitted by law. A default under this section will not be deemed an event of default under the Lease, the Trust Agreement or this resolution, and the sole remedy under this section in the event of any failure of the District to comply with this section will be an action to compel performance.

APPENDIX E

TERMS OF PROPOSAL

$6,830,000* CERTIFICATES OF PARTICIPATION, SERIES 2021A
INDEPENDENT SCHOOL DISTRICT NO. 831 (FOREST LAKE AREA SCHOOLS), MINNESOTA

Proposals for the purchase of $6,830,000* Certificates of Participation, Series 2021A (the "Certificates") of Independent School District No. 831 (Forest Lake Area Schools), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 10:00 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 May 20, 2021, at which time they will be opened, read and tabulated. On April 15, 2021, the School Board adopted a resolution which authorizes designated officials of the District to accept proposals on the Certificates on May 20, 2021. The School Board will meet on May 20, 2021 at 8:00 P.M. to ratify and approve the sale of the Certificates. The proposal offering to purchase the Certificates upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

PURPOSE

The Certificates are being issued pursuant to Minnesota Statutes, Section 465.71, by the District, for the purposes of financing the reconstruction and construction of outdoor physical education track and fields; and a current refunding of certain outstanding special obligations of the District as more fully described herein. The Certificates will be special, limited obligations of the District payable from and secured of leased payment required to be made by the District to the Trustee pursuant to the Trust Agreement to be entered into between the District and Trustee and the Ratifying Resolution. The District will pledge the receipt of certain taxes levied pursuant to Minnesota Statutes, Section 126C.40, with the approval of the Commissioner of Education, to the payment of the Rental Payments due under the Lease. **THE CERTIFICATES DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE DISTRICT AND ARE NOT A CHARGE AGAINST THE GENERAL OBLIGATION CREDIT OF THE DISTRICT.**

DATES AND MATURITIES

The Certificates will be dated June 17, 2021, will be issued as fully registered Certificates in the denomination of $5,000 each, or any integral multiple thereof, and will mature on April 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2022	$635,000	2026	$670,000	2030	$745,000
2023	610,000	2027	690,000	2031	765,000
2024	630,000	2028	710,000		
2025	650,000	2029	725,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on April 1 and October 1 of each year, commencing April 1, 2022, to the registered owners of the Certificates appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Certificates of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT/ESCROW AGENT/TRUSTEE

The District has selected Associated Trust Company, N.A., Green Bay, Wisconsin, to act as paying agent (the "Paying Agent"), escrow agent (the “Escrow Agent”) and trustee (the “Trustee”). The District will pay the charges for Paying Agent/Escrow Agent/Trustee services. The District reserves the right to remove the Paying Agent/Escrow Agent/Trustee and/or to appoint a successor.

OPTIONAL REDEMPTION AND EXTRAORDINARY REDEMPTION

On any date on or after April 1, 2028, the principal portion of the Rental Payments may be prepaid under the Lease, in whole or in part, at a price of par plus accrued interest, and upon such prepayment, the Certificates maturing on or after April 1, 2029, will be subject to optional redemption in whole or in part, and if in part, in multiples of $5,000, at a price of par plus accrued interest to the date of redemption.

The Certificates shall be subject to extraordinary redemption, in whole but not in part, at the option of the District on any date upon the conditions and terms set forth herein if there occurs an event of damage, destruction or condemnation relating to the Project and the District elects to exercise its extraordinary prepayment option under the Lease. Such extraordinary optional redemption shall be at a price equal to the principal amount to be redeemed plus accrued interest to the redemption date without premium.

The Certificates may be subject to mandatory sinking fund redemption. See “Term Bond Option.”

The Certificates shall be called for redemption in such order as the District shall determine and within a maturity by lot. If less than all Certificates maturing on the same dates are to be redeemed, the Certificates shall be selected by lot by the Trustee in accordance with its standard practices; provided, however, that the portion of any Certificate to be redeemed shall be in the principal amount of $5,000 or any multiple thereof, and that in selecting portions of Certificates for redemption, the Trustee shall treat each such Certificate as representing that number of Certificates which is obtained by dividing the principal amount of such Certificate by $5,000. When redemption is authorized or required pursuant to the provisions of the Trust Agreement, the Trustee shall give notice of the redemption of the Certificates to the Certificate Owners, at the expense of the District. Notice of such redemption shall be given by Trustee not less than 30 days prior to the redemption date by mailing a copy of the redemption notice by first class, postage prepaid, to the Owners whose Certificates are to be redeemed; provided that notice shall be given to any securities depository in accordance with its operational arrangements including by electronic means. Any notice of redemption may be made conditional on receipt of moneys sufficient to redeem the Certificates called for redemption

DELIVERY

On or about June 17, 2021, the Certificates will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Certificates is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Certificates must be received by the District at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

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

SUBMISSION OF PROPOSALS

Proposals must not be for less than $6,761,700 plus accrued interest on the principal sum of $6,830,000 from date of original issue of the Certificates to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

1) Electronically to bondsale@ehlers-inc.com; 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 $136,600 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Certificates to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Certificates to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will designate the Certificates as Qualified Tax-Exempt Obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Certificates to the extent permitted under prior law.

CONTINUING DISCLOSURE

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

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

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

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

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

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

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

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

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

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

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Certificates 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 School Board

Independent School District No. 831
(Forest Lake Area Schools), Minnesota

APPENDIX F

SUMMARY OF GROUND LEASE AGREEMENT

Document summaries do not purport to be comprehensive or definitive.

SUMMARY OF GROUND LEASE AGREEMENT

Ground Lease and Term. The District leases the Land to the Trustee, and the Trustee leases the Land from the District for good and valuable consideration for a term commencing on the date on which the Ground Lease is executed, and ending on April 1, 2041, unless the term of the Ground Lease is terminated earlier in accordance with the provisions thereof.

Access and Related Rights. The Land leased under the Ground Lease is deemed to include the following non-exclusive rights:

(a) the right to use the driveways and sidewalks located on the District Land for access to and from the Improvements;

(b) the right to use the parking lots located on the District Land for parking of the number of cars required under the applicable zoning code for use of the Improvements for school purposes;

(c) the right to use utility lines located on the District Land for the purpose of serving the Improvements with utilities, together with the right of access thereto for repair and maintenance; and

(d) to the extent necessary to meet applicable governmental laws and codes, the right to use the hallways, stairs, elevators and/or exits (collectively, the "Access Routes") in the existing and any future buildings owned by the District on the District Land (the "District Buildings") for access to and egress from the Improvements, if no other reasonable access is available.

The District may not modify the District Land or the District Buildings in any manner which interferes with access to the Improvements unless alternate Access Routes are provided to the Improvements which meet all applicable governmental laws and codes; nor may the District make any other change to the District Land or the District Buildings which would result in the Improvements becoming out of compliance with applicable governmental laws and codes. All rights granted in the Ground Lease are subject to such reasonable rules and regulations as the District may from time to time promulgate. The District reserves the right, from time to time, to reasonably relocate the Access Routes, utility lines, driveways, sidewalks or parking areas located on the District Land and in the District Buildings, but prior to any such relocation the District shall designate in writing the areas to be used by Trustee.

Reserved Access Rights. The Land leased hereunder is leased subject to the following non-exclusive rights (the "Reserved Rights"), which rights are reserved to the District and the from-time-to-time owners and occupiers of the District Land and the District Buildings:

(e) the right to use all portions of the Land not occupied by the Improvements for ingress to and egress from the District Buildings; and

(f) the right to use the Access Routes from time to time located in the District Buildings and any other improvements from time to time located on the Land for access to and egress from the District Buildings.

Services. To the extent that, from time to time, the Improvements are served by elevators, heating, air conditioning and ventilation facilities, water, gas or electric services, or other utility services which are located in the District Buildings or are otherwise dependent upon elements within the District Buildings, the District shall supply the Improvements with elevator service, heat and air conditioning (if applicable) and ventilation facilities appropriate to the season during normal business hours, and water, gas and electricity in reasonable amounts for ordinary school purposes (the "Provided Services"). Notwithstanding the rights of the Trustee hereunder, to the extent that, from time to time, the Improvements service or are otherwise required for the proper and continued operation of the District Buildings, such services will be deemed Provided Services hereunder and may not be discontinued or adversely effected. The cost of all such Provided Services will be a part of operating costs of the District. Neither the District nor the Trustee (in the event it takes possession) will be liable for any loss or damage to the Project, the District Land or the District Buildings resulting from any temporary interruption of these services due to repairs, alterations or improvements, or any variation, interruption or failure of these services due to governmental controls, unavailability of energy, or any other cause beyond District's or the Trustee's reasonable control.

Termination Events. Subject to the other provisions of the Ground Lease, the Ground Lease shall terminate prior to the Expected Termination Date, upon the occurrence of any one of the following events:

(a) payment or prepayment by the District of all Rental Payments (as defined in the Lease) or discharge of the obligation to make Rental Payments and other amounts owing to the Trustee under the Lease;

(b) termination of the Lease by the District by Nonappropriation (as defined in the Lease), and the receipt by the Trustee of amounts from the sublease and/or lease of the Trustee's leasehold interest in the Land and its interest in the Improvements sufficient to

i. reimburse the Trustee for all administrative costs and expenses, including reasonable attorneys' fees, incurred by the Trustee as a result of the termination of the Lease and the exercise of the Trustee's remedies thereunder;

ii. reimburse the Trustee for all capital costs and expenses in any manner incurred by the Trustee with respect to the Project reasonably necessary in order to render the Project suitable for sublease and/or lease for commercial or other lawful purpose; and

iii. pay to the Trustee an amount which will equal the outstanding principal amount unpaid under the Lease as of the last day of the fiscal year of the District for which the Lease last remains in effect; or

(c) termination of the Lease by the Trustee upon the occurrence of an event of default by the District thereunder, and the receipt by the Trustee of amounts from the sublease and/or lease of the Trustee's leasehold interest in the Land and interest in the Improvements sufficient to

i. reimburse the Trustee for all administrative costs and expenses, including reasonable attorneys' fees, incurred by the Trustee as a result of the event of default and termination of the Lease and the exercise of the Trustee's remedies thereunder;

ii. reimburse the Trustee for all capital costs and expenses in any manner incurred by the Trustee with respect to the Project reasonably necessary in order to render the Project suitable for sublease and/or lease for commercial or other lawful purposes;

iii. pay to the Trustee an amount which will equal the outstanding principal amount under the Lease applicable on the last day of the fiscal year of the Lessee in effect when the event of default occurs; and

iv. pay to the Trustee an amount which will equal all Rental Payments due under the Lease through the end of the fiscal year of the Lessee in effect when the event of default occurred and which remain unpaid by the Lessee, as well as any other amounts owing under the Lease and unpaid by the Lessee as of the end of such fiscal year.

Use of Sublease and/or Lease Rentals. The amounts referred to in paragraphs (b) and (c) above, respectively, shall be known as the "Reimbursement Amount." The Reimbursement Amount will be recovered by allowing the Trustee first to retain from any sublease and/or lease rentals an amount equal to 5% thereof to allow for ongoing administrative costs and thereafter, the Trustee will be entitled to interest on the outstanding Reimbursement Amount at the rates per annum then applicable to the Lease. Any amounts of sublease rentals distributed to Trustee after payment of administrative costs and interest shall be credited to the payment of the Reimbursement Amount.

Use of the Improvements by Trustee or any subsidiary or affiliate of Trustee, other than for the purpose of assuming control, making necessary changes in the Project, and the initial sublease and/or lease thereof, will be treated as the sublease and/or lease thereof on a monthly basis at the then-prevailing fair market value. In the event the Lease is terminated by the District by Nonappropriation, or terminated by the Trustee upon the occurrence of an event of default by the District thereunder, the District may subsequently pay the Reimbursement Amount.

Surrender of Project. The Trustee agrees that upon the termination of the Ground Lease it will surrender the Project to the District free and clear of all liens and encumbrances created by or arising under Trustee or any assignee of Trustee, except Permitted Encumbrances; provided, however, that in the event that the Project is subject to the rights of any sublessee and/or lessee of the Trustee granted under any sublease and/or lease entered into in accordance with the terms of the Ground Lease after the termination of the Lease by the District by Nonappropriation or by the Trustee upon the occurrence of an event of default by the District thereunder, the Trustee agrees to assign and set over to the District the Trustee's entire interest in the Project granted under the Ground Lease, subject only to Permitted Encumbrances and the rights of such sublessees and/or lessees under any such subleases or leases. The Trustee's costs of such assigning and setting over will be included in the Reimbursement Amount.

Return of Project Subject to Sublease or Lease. In the event the Reimbursement Amount is received by Trustee in full, and Trustee's interest in the Project has been subleased and/or leased to any sublessee and/or lessee, as the case may be, pursuant to any subleases and/or leases that are still in effect, the Ground Lease shall not terminate but the Trustee shall assign and set over to the District all of Trustee's interests in the Project granted under the Ground Lease, subject to all existing rights created in such sublessees and/or lessees of the Project by any such subleases and/or leases.

Use of Project. Except in the event the Lease is terminated by the District by Nonappropriation or by the Trustee upon the occurrence of an event of default by the District thereunder, in which case the Trustee may possess and use the Project in accordance with the provisions of the Lease and the Trust Agreement, the Trustee shall use the Land solely for the purpose of subleasing it to the District pursuant to the Lease and for the acquisition, construction and operation, and the leasing of the Improvements to the District. The Trustee will not use the Land or knowingly permit the Land to be used for any unlawful purpose.

SUMMARY OF LEASE-PURCHASE AGREEMENT

Payment of Costs. In order to ensure that moneys sufficient to pay all costs of the New Money Project and the Refunding Project are available when required, the District shall cause the Trustee to deposit (in the Trust Fund) on the Closing Date, the proceeds of the Certificates, which amounts will be held, invested and disbursed as provided therein. District reserves the right to modify the scope of the Improvements. No such change in the Improvements, however, will increase the amount of moneys required to be deposited by Trustee pursuant to this Section or alter the Rental Payments or Prepayment Price, but if any such change increases the Construction Costs beyond the amount available to pay it, the District shall be solely responsible for paying such excess Construction Costs. If moneys on hand in the Construction Account (as defined in the Trust Agreement) are not sufficient to pay all Construction Costs and complete the Improvements as planned, the Trustee is not required to provide additional moneys. In such event, the District shall, without altering the Rental Payments or Prepayment Price, provide additional moneys, or reduce the size or the scope of the Improvements so that the moneys in the Construction Account are sufficient to complete the Improvements without impairing the use or marketability thereof.

District to Act as Agent; Acquisition and Construction of Improvements. The Trustee hereby irrevocably appoints the District as its agent in connection with the acquisition and construction of the Improvements. The District, as agent of the Trustee, has or will enter into all contracts with the Contractors providing for the acquisition and construction of the Improvements in accordance with District's specifications. The Trustee shall have no obligation whatsoever with respect to the design, acquisition, construction, installation or operation of the Improvements and no obligation whatsoever with respect to the Improvements other than the obligations set forth in the Lease. Upon completion of the Improvements, the District shall execute and deliver to the Trustee a Certificate of Acceptance.

Sublease of Land; Lease of Improvements. The Trustee hereby subleases the Land and leases the Improvements to the District, and the District hereby subleases the Land and leases the Improvements from the Trustee, upon the terms and conditions set forth in the Lease. The Land is subleased, and the Improvements are leased, in its/their present condition, without representation or warranty of any kind by the Trustee, and subject to (a) the rights of parties in possession, (b) the existing state of title, (c) all applicable legal requirements now or hereafter in effect and (d) Permitted Encumbrances.

Possession and Enjoyment. The Trustee shall provide District with quiet use and enjoyment of the Project during the Lease Term and the District shall peaceably and quietly have and hold and enjoy the Project during the Lease Term, without suit, trouble or hindrance from the Trustee, except as expressly set forth in the Lease and the Ground Lease. The Trustee will, at the request and cost of the District, join in any legal action in which the District asserts its right to such possession and enjoyment, to the extent the Trustee may lawfully do so.

Trustee Access to Project. The Trustee will have the right at all reasonable times to examine and inspect the Project and such rights of access to the Project as may be reasonably necessary to cause the proper maintenance thereof in the event of failure by the District to perform its obligations hereunder. Notwithstanding the foregoing, the Trustee will not be required to access the Project or cause the proper maintenance thereof.

Payment and Performance Bonds. To the extent required by law, the District shall cause each Contractor to provide a payment bond or bonds and a performance bond or bonds, or another form of financial guaranty covering performance of all contracts and payment for labor and materials.

District Liability. As between Trustee and District, District assumes liability for all risk of loss during the acquisition, construction, installation and operation of the Improvements. District shall require that each Contractor maintain in force during the entire acquisition, construction and installation period of the Improvements, builder's risk or property damage insurance in an amount at least equal to the full value of all work done and materials and equipment provided or delivered by the Contractor, as well as comprehensive liability insurance, worker's compensation insurance and other insurance required by law or customarily maintained with respect to like projects.

Default in Contractor Performance. In the event a Contractor defaults under any contract related to the construction of the Improvements, the District will promptly proceed, either separately or in conjunction with others, to exhaust the remedies of the District against such Contractor. The District agrees to advise the Trustee, in writing, of the steps it intends to take in connection with any such default. If the District so notifies the Trustee, the District may, in good faith, in its own name or in the name of the Trustee, with notice to the Trustee, prosecute or defend any action or proceeding or take other action involving the Contractor or surety which the District deems reasonable. In such event, the Trustee shall cooperate fully with the District, but at the expense of the District. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing, are to be paid into the Construction Account.

Lease Term. The Lease shall be in effect for a term commencing upon the execution and delivery hereof and ending upon the occurrence of the first of the following events:

a) payment by the District of all Rental Payments due hereunder;

b) prepayment by the District of all Rental Payments due hereunder or discharge of such obligation pursuant hereto;

c) termination of the Lease by the District by Nonappropriation; or

d) default by the District and election by the Trustee to terminate the Lease.

Transfer of Project to the District . Upon termination of the Lease pursuant to clauses (a) or (b) above, and payment of all amounts owed to Trustee under the Trust Agreement, full and unencumbered legal title to the Project will pass to the District, and the Trustee will have no further interest therein. In such event, the Trustee and its officers shall, at the expense of the District, take all actions necessary to authorize, execute and deliver to the District such documents as the District shall reasonably require to evidence the transfer of legal title to the Project to the District.

Surrender of Project to the Trustee. Upon termination of the Lease pursuant to clauses (c) or (d) above, the District shall surrender possession of the Project to the Trustee in the condition in which it was originally received from the Trustee, except as improved, repaired, rebuilt, restored, altered or added to as permitted or required hereby, ordinary wear and tear excepted. The District may, in such event, remove from the Project all personal property not financed with proceeds of the Lease or otherwise a part of the Project by operation of the Lease; provided, however, that the District shall repair any damage caused by such removal.

Termination by the District. Upon the occurrence of an event of Nonappropriation, the District may terminate the Lease, in whole but not in part, at the end of any Fiscal Year of the District, in the manner and subject to the terms specified in the Lease. The District may effect such termination by giving the Trustee a written notice of termination and paying to the Trustee any Rental Payments which are due and have not been paid at or before the end of its then-current Fiscal Year.

Effect of Nonappropriation. In the event of termination of the Lease by the District by Nonappropration, the District shall surrender possession of the Project for the term of the Ground Lease to the Trustee and convey to the Trustee or release its interest in the Project under the Lease within 10 days after the expiration of the Lease Term, and the District will not be responsible for the payment of any additional Rental Payments coming due with respect to succeeding Fiscal Years; provided, however, that if the District has not delivered possession of the Project to the Trustee and conveyed to the Trustee or released its interest in the Project within 10 days after the expiration of the Lease Term, the Lease termination will nevertheless be effective, but the District will be responsible for the payment of damages in an amount equal to the amount of the Rental Payments thereafter coming due which are attributable to the number of days during which the District fails to take such actions and for any other loss suffered by the Trustee as a result of the District’s failure to take such actions as required.

Rental Payments. The District shall pay Rental Payments during the Lease Term. All Rental Payments will be paid to the Trustee at its offices at the address specified the Lease, or to such other person or entity to which the Trustee has assigned such Rental Payments pursuant to the Lease, at such place as such assignee may from time to time designate by written notice to the

District. The District shall pay the Rental Payments exclusively from moneys legally available therefor, in lawful money of the United States of America, to the Trustee or, in the event of assignment of the right to receive Rental Payments by the Trustee, to its assignee.

Current Expense. The obligations of the District under the Lease, including its obligation to pay the Rental Payments in any Fiscal Year for which the Lease is in effect, constitute a current expense of the District for such Fiscal Year and do not constitute an indebtedness of the District within the meaning of the Constitution and laws of the State, except as provided by Minnesota Statutes, Section 465.71. Nothing in the Lease shall constitute a pledge by the District of any taxes or other moneys, other than moneys lawfully appropriated from time to time by or for the benefit of the District in the annual budget of the District and the proceeds or Net Proceeds of the Project to the payment of any Rental Payment or other amount coming due hereunder.

Interest Component. A portion of each Rental Payment is paid as and represents the payment of interest. Exhibit B sets forth the interest component of each Rental Payment.

Rental Payments to be Unconditional. Except as provided in the Lease (granting the District's right to terminate the Lease by Nonappropriation), the obligation of the District to make Rental Payments or any other payments required hereunder shall be absolute and unconditional in all events. Notwithstanding any dispute between the District and the Trustee, or any other person, the District shall make all Rental Payments and other payments required hereunder when due and shall not withhold any Rental Payment or other payment pending final resolution of such dispute nor shall the District assert any right of set-off or counterclaim against its obligation to make such Rental Payments or other payments required under the Lease. The District's obligation to make Rental Payments or other payments during the Lease Term shall not be abated through accident or unforeseen circumstances (including, without limitation, the occurrence of any environmental liability). However, nothing in the Lease shall be construed to release the Trustee from the performance of its obligations hereunder; and if the Trustee should fail to perform any such obligation, the District may institute such legal action against the Trustee as the District may deem necessary to compel the performance of such obligation or to recover damages therefor.

Liability Insurance. Unless self-insurance is provided by the District, as evidenced by a written certificate specifying the terms and amounts thereof and subject further to the annual verification of the adequacy of the amount of such self-insurance by an independent actuary, the District shall take such measures as may be necessary to insure that any liability for injuries to or death of any person or damage to or loss of property arising out of or in any way relating to the condition, maintenance, use or operation of the Project or any part thereof, is covered by a blanket or other general liability insurance policy maintained by the District. The Net Proceeds of all such insurance must be applied toward extinguishment or satisfaction of the liability with respect to which any Net Proceeds may be paid. All insurance policies or riders required by this Section must name the District and the Trustee as insured parties.

Property Insurance. Unless self-insurance is provided by the District, as evidenced by a written certificate specifying the terms and amounts thereof and subject further to the annual verification of the adequacy of the amount of such self-insurance by an independent actuary, the District shall procure and maintain continuously in effect during the Lease Term, all-risk insurance, subject only to the standard exclusions contained in the policy, in such amount as will be at least sufficient so that a claim may be made for the full replacement cost of any part of the Project damaged or destroyed. Such insurance may be provided by a rider to an existing policy or under a separate policy. Such insurance may be written with customary deductible amounts and need not cover land and building foundations. The Net Proceeds of insurance required by this Section will be applied to the prompt repair, restoration or replacement of the Project or to the prepayment of Rental Payments as provided in the Lease. Any Net Proceeds not needed for those purposes shall be paid to the District. All insurance policies or riders required by this Section must name the District and the Trustee as insured parties.

Worker's Compensation Insurance. If required by State law, and unless self-insurance is provided by the District, as evidenced by a written certificate specifying the terms and amounts thereof and subject further to the annual verification of the adequacy of the amount of such self-insurance by an independent actuary, the District shall carry worker's compensation insurance covering all employees on, in, near or about the Project. Any insurance policy or rider required by this Section must name the District as insured party.

Requirements for All Insurance; Reporting. Unless self-insurance is provided by the District, all insurance policies (or riders) required by this Article are to be taken out and maintained with responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State. Insurance policies must contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to the insured parties at least 10 days before the cancellation or revision becomes effective. The District shall furnish to the Trustee certificates evidencing insurance coverage as required in the Lease throughout the Lease Term from time to time upon request of the Trustee. The Trustee may rely on such certificates and will have no duty or obligation to determine the sufficiency of such insurance certificates or the insurance coverage described therein.

Risk of Loss; District Negligence. As between the Trustee and the District, the District assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to the Project and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of the District, the Trustee or of third parties, and whether such property damage be to the District or the Trustee's property or the property of others, which is proximately caused by the negligent conduct of the District, its officers, employees, agents and lessees, or arising out of the operation, maintenance or use of the Project by the District, its officers, employees, agents and lessees. To the extent permitted by law, the District hereby assumes responsibility for and agrees to indemnify, defend and hold harmless the Trustee, its directors, officers, employees and agents, and any assignee of the Trustee, without payment being made by the Trustee, from and against all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorney's fees) of whatsoever kind and nature, imposed on, incurred by or asserted against the Trustee or its directors, officers, employees, agents or assignees that in any way relate to or arise out of a claim, suit or proceeding based in whole or in part on the foregoing or the acceptance or administration of the Lease, the Ground Lease or the Trust Agreement, to the maximum extent permitted by law. The obligations of the District under this Section will survive the termination of the Lease and any resignation or removal of the Trustee.

Use; Permits. The District shall exercise due care in the use, operation and maintenance of the Project, and shall not use, operate or maintain the Project improperly, carelessly, in violation of any State and federal law or for a purpose or in a manner contrary to that contemplated by the Lease. The District shall obtain all permits and licenses necessary for the construction, installation, operation, possession and use of the Project. The District shall comply with all State and federal laws applicable to the construction, installation, operation, possession and use of the Project, and if compliance with any such State and federal law requires changes or additions to be made to the Project, such changes or addition are to be made by the District at its expense.

Maintenance and Modification of Project by District. The District may, at its expense, remodel the Project and make repairs, replacements, substitutes, additions, modifications and improvements thereto. All additions, modifications and improvements will comprise part of the Project and be subject to the provisions of the Lease; provided, however, that any addition to the Project constructed on District Land will not become part of the Project. Permitted additions, modifications and improvements may not in any way damage the Project, and the Project, upon completion of any additions, modifications and improvements made pursuant to this Section, shall be of a value not less than the value of the Project immediately prior to the making of such additions, modifications and improvements. Any property for which a substitution or replacement is made pursuant to this Section may be disposed of by the District in such manner and on such terms as are determined by the District. The District will not permit any mechanic's or other lien to be established or remain against the Project for labor or materials furnished in connection with any additions, modifications or improvements made by the District pursuant to this Section; provided, however, that if any such lien is established and the District shall first notify the Trustee of the District's intention to do so, the District may in good faith contest any lien filed or established against the Project, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Trustee notifies the District that, in the opinion of Independent Counsel, by non-payment of any such item, the interest of the Trustee in the Project will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture. If the Trustee provides the District with such opinion of Independent Counsel, the District shall promptly pay and cause to be satisfied and discharged all such unpaid items or provide the Trustee with full security against any such loss or forfeiture, in form satisfactory to the Trustee. The Trustee will cooperate fully with the District in any such contest, upon the request and at the expense of the District.

Title. During the Lease Term, legal title to the Improvements and any and all repairs, replacements, substitutions, additions, modifications and improvements thereto (except to the extent the same are not deemed part of the Project pursuant to Article VII) will be in the Trustee, subject to the District's interests under this Lease; and legal title to the Land shall be in the District or the City, subject to the Trustee's interests under the Ground Lease.

Liens. During the Lease Term, the District will not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Project, other than the respective rights of the Trustee and the District as provided in the Lease and Permitted Encumbrances. Except as expressly provided in Article VII and this Article, the District shall promptly, at its expense, take such action as may be duly necessary to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim if the same shall arise at any time. The District shall reimburse the Trustee for any expense incurred by the Trustee in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim. The Trustee, however, does not have any obligation to incur any expense or take any action in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Installation of Personal Property. The District may, at any time and from time to time, in its sole discretion and at its own expense, install items of personal property in or upon the Project, which items shall be identified by tags or other symbols affixed thereto as property of the District. All such items so identified shall remain the sole property of the District, in which the Trustee shall have no interest, and may be modified or removed by the District at any time provided that the District shall repair and restore any and all damage to the Project resulting from the installation, modification or removal of any such items. Nothing in this Lease shall prevent the District from purchasing items to be installed pursuant to this Section under a conditional sale or lease with option to purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Project.

Personal Property. The Improvements are and shall at all times be and remain personal property notwithstanding that the Improvements or any part thereof may be or hereafter become in any manner affixed or attached to or embedded in or permanently rested upon real property or any building thereon or attached in any manner to what is permanent by means of cement, plaster, nails, bolts, screws or otherwise.

Exercise of Option to Prepay. The District shall give written notice to the Trustee of its intention to prepay and exercise its purchase option under the Lease not less than 45 days in advance of the date of prepayment, and shall pay to the Trustee on the date of prepayment, the Prepayment Price, less any Net Proceeds to be applied to the amount to be so paid in accordance with the Lease. The District shall also pay any Rental Payments and other amounts then due hereunder and unpaid.

Discharge of District's Obligation. The District may, at any time, discharge its obligation to pay the Rental Payments due under this Lease by depositing irrevocably into escrow, for the benefit of the Trustee, cash or securities sufficient to pay or prepay all unpaid Rental Payments on the dates when they are due or subject to prepayment. The District shall provide Trustee, if such escrow deposit is net funded, computations of a verification agent showing and attesting to the sufficiency of such cash and securities for this purpose.

SUMMARY OF TRUST AGREEMENT

Creation of Trust. The Trustee, at the request of the District, hereby creates a trust for the benefit of the Owners from time to time of the Certificates issued hereunder. The trust created hereunder shall be irrevocable while any Certificates are Outstanding hereunder. The corpus of the trust shall consist of the following:

(d) all of the Trustee's right, title and interest in and to the Lease, including, without limitation, its right to receive Rental Payments, which are to be distributed to the Owners of the Certificates, and other amounts due thereunder, except the rights of the Trustee to compensation, reimbursement or indemnity from the District thereunder, which rights are specifically reserved by the Trustee;

(e) all of the Trustee's right, title and interest in and to the Ground Lease, including, without limitation, all of Trustee's right to reenter and sublease the Project or any portion thereof in the event of a default by District under the Lease or Ground Lease or a termination of the Lease for Nonappropriation of funds under the Lease;

(f) the Trust Fund, including all money and securities held in the accounts created therein (other than the Rebate Account); and

(g) any other property or rights hereafter assigned or contributed to the trust by the District or the Trustee by amendment or supplement hereto.

Preparation of Certificates. The Trustee is directed by the District to execute and deliver to the Original Purchaser or the registered Owner, in exchange for the purchase price thereof, Certificates evidencing undivided ownership interests in the Rental Payments to be paid by the District to the Trustee under the Lease.

Form; Denominations; Medium of Payment. The Certificates shall be delivered in fully registered form substantially in the form set forth in the Trust Agreement, without coupons, in denominations of $5,000 each or any integral multiple thereof, with such further appropriate particular designation added to or incorporated in such title for the Certificates as may be set forth in the provisions of the Trust Agreement. The Certificates shall be payable in any lawful money of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

Interchangeability of Certificates. Certificates, upon surrender thereof at the Principal Office of the Trustee with a written instrument of transfer satisfactory to the Registrar, duly executed by the Owner or the Owner's attorney duly authorized in writing, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of Certificates of the same maturity of other authorized denominations.

Negotiability, Transfer and Registry. All the Certificates issued pursuant to the Trust Agreement shall be negotiable as provided by law, subject to the provisions for registration and transfer contained in this Article and in the Certificates.

Transfer of Certificates. The registration of each Certificate shall be transferable only upon the Register, which shall be kept for that purpose at the Principal Office of the Registrar, upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the Owner or the Owner's duly authorized attorney. Upon the registration of the transfer and the surrender of any such Certificate, the Registrar shall provide, in the name of the transferee, a new Certificate or Certificates of the same aggregate principal amount and maturity as the surrendered Certificates. The transferor shall also provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including, without limitation, any cost basis reporting obligations under Section 6045 of the Internal Revenue Code of 1986, as amended. The Trustee may rely on the information provided to it and will have no responsibility to verify or ensure the accuracy of such information.

The Registrar shall deem and treat the person in whose name any Outstanding Certificate shall be registered upon the Register as the absolute Owner of such Certificate, whether such

Certificate shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and interest payments with respect to such Certificate and for all other purposes, and all such payments so made to any such Owner or upon the Owner's order shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and neither the Registrar, the District nor the Trustee shall be affected by any notice to the contrary.

Regulations with Respect to Exchange and Transfer. In all cases in which the privilege of exchanging or transferring Certificates is exercised, the Registrar shall execute and deliver Certificates in accordance with the provisions of this Article. All Certificates surrendered in any such exchanges or transfers shall forthwith be canceled by the Registrar and destroyed pursuant to its retention policy then in effect. For every such exchange or transfer of Certificates, whether temporary or definitive, the Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge, required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The cost of transfers and exchanges of Certificates shall be charged to the person requesting them.

Each holder of a Certificate agrees to indemnify the District and the Trustee against any liability that may result from the transfer, exchange, or assignment of such holder's certificate in violation of any provision of the Trust Agreement and/or applicable United States federal or state securities law.

Neither the Trustee nor any agent shall have any responsibility for or liability for any actions taken or not taken by DTC.

Register. The Registrar shall keep or cause to be kept at its Principal Office a Register, which shall at all times be open to inspection by the Original Purchaser and the District; and, upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Register, Certificates as hereinbefore provided.

Temporary Certificates. Pending preparation of the definitive Certificates, any Certificates delivered under the Trust Agreement may be initially delivered in temporary form exchangeable for definitive Certificates when ready for delivery. The temporary Certificates may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the District, shall be without coupons and may contain such reference to any of the provisions of the Trust Agreement as may be appropriate. Every temporary Certificate shall be executed by the Registrar and be delivered by the Registrar upon the same conditions and in substantially the same manner as definitive Certificates. If the Registrar delivers temporary Certificates, it shall execute and furnish definitive Certificates without delay and, thereupon, the temporary Certificates shall be surrendered for cancellation at the Principal Office of the Registrar and the Registrar shall deliver in exchange for such temporary Certificates an equal aggregate principal amount of definitive Certificates of authorized denominations and of the same maturity and interest rate or rates. Until so exchanged, the temporary Certificates shall be entitled to the same benefits under the Trust Agreement as definitive Certificates delivered pursuant hereto.

Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Registrar, at the expense of the Owner of said Certificate shall execute and deliver a new Certificate of like tenor, maturity and number in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Registrar of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Registrar shall be canceled by it and either destroyed pursuant to its retention policy then in effect or delivered upon the order of the District. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Registrar, and, if such evidence is satisfactory to the Registrar and if an indemnity satisfactory to the Registrar shall be given, the Registrar, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor and maturity and numbered as the Registrar shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Registrar may require payment of an appropriate fee for each new Certificate delivered under this Section and of the expenses which may be incurred by the Registrar in carrying out the duties under this Section, from the person requesting the same. Any Certificate issued under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of the Trust Agreement with all other Certificates secured by the Trust Agreement. The Registrar shall not be required to treat both the original Certificate and any duplicate Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be issued hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and duplicate Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Certificate for a Certificate which has been mutilated, lost, destroyed or stolen and which has matured, the Registrar may make payment of such Certificate.

Place of Payment. The Trustee is hereby appointed as the paying agent for the Certificates. The principal of all Certificates shall be payable at the Principal Office of the Trustee. Interest with respect to Certificates shall be payable to the Owner of record as of the Record Date either (i) by check or draft of the Trustee mailed on the Certificate Payment Date to the address shown on the Register or (ii) at the option of an Owner of record of not less than $1,000,000 in aggregate principal amount of Certificates, by wire transfer to an account within the United States pursuant to written instructions provided to the Trustee not later than the Record Date for such payment. Notwithstanding the provisions hereinabove contained, while DTC’s nominee is the Owner of the Certificates, payments of principal of and interest on the Certificates shall be made in accordance with existing arrangements between the Trustee and DTC.

Additional Certificates.

(a) Additional Certificates may be issued under and be equally and ratably secured by the Trust Agreement on a parity with the Certificates and any other Additional Certificates Outstanding, at any time and from time to time, upon compliance with the provisions of this Section, for any of the following purposes:

i. To provide funds to pay all or any part of the Construction Costs (as defined in the Lease); or

ii. To provide funds to pay all or any part of the costs of repairing, replacing or restoring the Improvements in the event of damage, destruction or condemnation thereto or thereof, but only to the extent that such costs exceed the Net Proceeds of the insurance or condemnation awards out of which such costs are to be paid pursuant to Article VI of the Lease.

(b) Before any Additional Certificates shall be issued under the provisions of this Section, the District shall adopt a resolution authorizing or approving (i) the issuance of such Additional Certificates; (ii) the execution of a Supplemental Trust Agreement for the purpose of issuing such Additional Certificates and fixing the amount and terms thereof and describing the purpose or purposes for which such Additional Certificates are being issued; and, if required, (iii) the execution of an amendment to the Lease to provide for Rental Payments at least sufficient to pay, on any Rental Payment Date, amounts representing principal, premium, if any, and interest with respect to the Certificates then to be Outstanding (including the Additional Certificates to be issued) as the same become due on such Rental Payment Date.

(c) Such Additional Certificates shall have the same designation as the Certificates, shall be dated, shall mature on April 1 or October 1 in such year or years, shall provide for amounts representing interest at such rate or rates not exceeding the maximum rate then permitted by law, and shall be redeemable at such times and prices (subject to the provisions of Article III of the Trust Agreement), all as may be provided by the Supplemental Trust Agreement authorizing the issuance of such Additional Certificates. Except as to any difference in date, maturity, interest rate or redemption provisions, such Additional Certificates shall be on a parity with and shall be entitled to the same benefit and security of the Trust Agreement as the Certificates and any other Additional Certificates Outstanding after the issuance of such Additional Certificates.

(d) Such Additional Certificates shall be executed substantially in the form and manner set forth in Exhibit A hereto, but prior to or simultaneously with the execution of such Additional Certificates there shall be filed with the Trustee the following:

i. An original or certified copy of a resolution adopted by the governing body of the District authorizing or approving the issuance of such Additional Certificates and the execution of such Supplemental Trust Agreement;

ii. An original executed counterpart of the Supplemental Trust Agreement providing for the issuance of such Additional Certificates;

iii. An original executed counterpart of the amendment to the Lease, if required, which amendment shall clearly establish that the District has agreed that the Additional Certificates shall constitute Certificates for the purpose of computing the required Rental Payments;

iv. A request and authorization to the Trustee, on behalf of the District, executed by an Authorized Officer, to execute the Additional Certificates and to deliver them to the purchaser or registered owner thereof upon payment of the purchase price thereof to the Trustee (the Trustee shall be entitled to rely conclusively upon such request and authorization as to the name of the purchaser or registered owner and the amount of such purchase price); and

v. An opinion of counsel nationally recognized in the area of municipal finance to the effect that the issuance of such Additional Certificates will not result in amounts representing interest payable with respect to any Certificates then Outstanding becoming includable in gross income for federal income tax purposes.

(e) When the documents described in subsection (d) of this Section have been filed with the Trustee, and when such Additional Certificates have been executed as required by the Trust Agreement, the Trustee shall deliver such Additional Certificates to or upon the order of the purchaser thereof upon payment to the Trustee of the purchase price of such Additional Certificates as specified by the request and authorization of the Authorized Officer of the District. The proceeds of the sale of such Additional Certificates, including any accrued interest and premium thereon paid over to the Trustee, will be deposited in accordance with Article IV hereof and the provisions of the Supplemental Trust Agreement authorizing the issuance of such Additional Certificates.

(f) Except as provided in this Section, no obligations payable from the sources pledged for payment or security of the Certificates shall be issued.

Action on Default, Nonappropriation or Termination.

(a) Upon the occurrence of an event of default by the District under certain provisions of the Lease, and in each and every such case during the continuance of such event of default, or the termination of the Lease by the District by Nonappropriation, the Trustee or, pursuant to other provisions of the Lease, the Owners of not less than a majority in aggregate principal amount of Certificates at the time Outstanding, shall be entitled, upon notice in writing to the District and the Original Purchaser, to enforce the rights and exercise the remedies provided to the Trustee in the Lease and the Ground Lease, as appropriate. In such event the Trustee may require a satisfactory indemnity bond be furnished to it by or on behalf of the Owners for the reimbursement of reasonable expenses that it may incur and to protect it against all liability by reason of any action so taken that does not violate the standard of care set forth in the Lease.

(b) Upon the failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Trust Agreement, other than as such failure may constitute a default under the Lease, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the defaulting party by any other party hereto or the Owners of not less than 5% in aggregate principal amount of Certificates then Outstanding, the Trustee or the Owners of not less than a majority in aggregate principal amount of Certificates at the time Outstanding shall be entitled, upon notice in writing to the District and the Original Purchaser to take whatever action at law or in equity may appear necessary or desirable to protect and enforce any of the rights vested in the Trustee or the Owners of Certificates by the Trust Agreement or by the Certificates, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in the Trust Agreement or in aid of the exercise of any power granted in the Trust Agreement or for the enforcement of any other legal or equitable right vested in the Trustee by the Trust Agreement or by law.

(c) Upon termination of the Lease by the Trustee pursuant to certain provision of the Lease, or by the District by Nonappropriation, the Trustee shall take whatever actions are reasonably necessary to lease or sell its interest in the Project pursuant to the terms of the Lease and the Ground Lease and shall apply the proceeds of such lease or sale to the redemption of Certificates as soon as reasonably practicable. In such event the Trustee may require a satisfactory indemnity bond be furnished to it by or on behalf of the Owners for the reimbursement of reasonable expenses that it may incur and to protect it against all liability by reason of any action so taken that does not violate the standard of care set forth in the Lease.

No Remedy Exclusive. No remedy in the Trust Agreement conferred upon or reserved to the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or under the Lease to the Trustee, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it, it shall not be necessary to give any notice other than such notice as may be required in this Article or by law.

Agreement to Pay Attorney's Fees and Expenses. In the event the District shall default under or otherwise breach any of the provisions contained in the Trust Agreement, in the Lease or in the Ground Lease and the Trustee should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the District, the District agrees that it will on demand therefor pay to the Trustee the reasonable fees of such attorneys and such other related expenses incurred by the Trustee.

No Additional Waiver Implied by One Waiver. In the event any agreement contained in the Trust Agreement should be breached by a party and thereafter waived by another party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Application of Moneys Upon Default or Nonappropriation. If at any time after termination of the Lease by the District by Nonappropriation, or after an event of default has occurred under the Lease, the moneys in the Trust Fund, together with any other moneys available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in the Trust Agreement or otherwise, shall be applied by the Trustee as follows:

(a) First, to the payment of costs, expenses and fees, and reasonable compensation of the Trustee, its agents, accountants and attorneys, and all expenses and liabilities incurred and advances made by the Trustee under the Trust Agreement, the Lease or the Ground Lease;

(b) Second, to the payment to the persons entitled thereto of all interest components of Rental Payments with respect to Certificates as they become due, in the order of the maturity of such Certificates and, if the amount available shall not be sufficient to pay in full any particular interest component of a Rental Payment when due, then to the payment ratably, according to the amounts due on such interest component, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Certificates;

(c) Third, to the payment to the persons entitled thereto of all principal components of Rental Payments with respect to Certificates as they become due, in the order of the maturity of such Certificates, and, if the amount available shall not be sufficient to pay in full any particular principal component of a Rental Payment due, then to the payment ratably, according to the amounts due on such principal component, to the persons entitled thereto, without any discrimination or preference; and

(d) Fourth, to the District.

Collection of Rental Payments. Upon written request and authorization by the Owners of a majority in aggregate principal amount of the Certificates then Outstanding and unpaid, and upon being satisfactorily indemnified by such Owners against any expense and liability with respect thereto, the Trustee shall take any and all appropriate action to collect any Rental Payment not paid when due.

Amendment. The Trust Agreement, the Lease and the Ground Lease may be amended in writing by agreement by the parties hereto or thereto, as the case may be, but notwithstanding the amendment provisions in the respective documents, except as provided in the Lease, no such amendment will become effective without the prior written consent of two-thirds in aggregate principal amount of the Owners of the Certificates then Outstanding, and no amendment may impair the right of any Owner to receive the Owner's proportionate share of any Rental Payment in accordance with the Owner's Certificate or Certificates. The Trustee is not obligated to enter into any supplement or amendment that adversely impacts its right, duties or immunities. The Trustee is entitled to receive and may conclusively rely on an opinion of counsel that a supplement or amendment is authorized or permitted hereunder or under the applicable document that all conditions to such supplement or amendment have been satisfied and that such supplement or amendment does not adversely impact the tax-exempt status of the Outstanding Certificates.

Amendment to Trust Agreement or Lease Not Requiring Consent of Certificate Owners. The District and the Trustee may, without the consent of or notice to any of the Owners of the Certificates, enter into one or more amendments to the Trust Agreement, the Lease, or the Ground Lease for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission or to correct or supplement any provision which may be inconsistent with any other provision, or to make provisions with respect to matters or questions arising provided such action shall not materially adversely affect the interests of the Owners of the Certificates;

(b) To grant or confer upon the Owners of the Certificates any additional rights, remedies, power or authority that may lawfully be granted or conferred upon them;

(c) To comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder;

(d) To provide for the appointment of a successor trustee or co-trustee pursuant to the terms hereof;

(e) To subject to the Trust Agreement additional revenues, properties or collateral; or

(f) To provide for the issuance of Additional Certificates.

Defeasance. If and when (a)(i) the Certificates delivered pursuant hereto have become due and payable in accordance with their terms, or have become subject to redemption and have been called for redemption, and the whole amount of the principal and interest due and payable upon all of the Certificates has been paid, or (ii) provision has been made for the payment of the Certificates delivered pursuant hereto by deposit with the Trustee, or in escrow for the benefit of the Trustee, of cash or Permitted Investments or investments of the type described in the Trust Agreement, in an amount sufficient (together with interest earnings thereon), in the opinion of a verification agent if the escrow is net funded or expected to remain in effect for more than 90 days, to provide for payment of the principal of and interest on the Certificates to maturity or the earliest optional redemption date of the Certificates, and notice of redemption of all of Outstanding Certificates subject to call has been given or arrangements satisfactory to the Trustee have been made ensuring that such notice will be given or waived, and (b) all administrative expenses shall have been paid or provided for; then and in that case, the right, title and interest of the District and the Trustee in the Project and under the Trust Agreement will thereupon cease, terminate and become void, and the Trustee shall assign and transfer to or upon the order of the District all property, money (including all balances in any fund or account created under the Trust Agreement except for amounts, if any, credited to the Rental Payment Account and the Rebate Account or another account for payment of the Certificates as provided in the Trust Agreement), investments and rights in the Project, the Ground Lease, the Lease and Rental Payments and other amounts due thereunder, and the Trustee shall execute such documents as may be reasonably required by the District in this regard. Notwithstanding the foregoing, the Trust Agreement shall survive defeasance solely for the purpose of applying amounts held by the Trustee or amounts held in escrow for the benefit of the Trustee to the payment of the principal of and interest on the Certificates as provided for in this Section and the Trust Agreement will thereafter terminate. All investments made pursuant to this Section shall be made in a manner which will comply with applicable covenants made by the District in the Trust Agreement.

PROPOSAL FORM

The School Board **May 20, 2021**
Independent School District No. 831 (Forest Lake Area Schools), Minnesota

RE: $6,830,000* Certificates of Participation, Series 2021A (the "Certificates")
DATED: June 17, 2021

For all or none of the above Certificates, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you $__________________ (not less than $6,761,700) plus accrued interest to date of delivery for fully registered Certificates bearing interest rates and maturing in the stated years as follows:

________	% due	2022	________	% due	2026	________	% due	2030
________	% due	2023	________	% due	2027	________	% due	2031
________	% due	2024	________	% due	2028			
________	% due	2025	________	% due	2029			

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

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Certificates of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of $136,600 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Certificates to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Certificates to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Certificates to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about June 17, 2021.

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

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

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

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

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

Account Manager: ______________________________ By: ______________________________
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from June 17, 2021 of the above proposal is $_______________and the true interest cost (TIC) is __________%.

The foregoing offer is hereby accepted by and on behalf of the School Board of Independent School District No. 831 (Forest Lake Area Schools), Minnesota, on May 20, 2021.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________