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

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 8, 2020

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

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

New Issue **Rating Application Made: S&P Global Ratings**

INDEPENDENT SCHOOL DISTRICT NO. 181 (BRAINERD PUBLIC SCHOOLS), MINNESOTA

(Crow Wing, Cass, and Morrison Counties)

(Minnesota School District Credit Enhancement Program)

$15,030,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2020A

PROPOSAL OPENING: October 21, 2020, 11:00 A.M., C.T.
CONSIDERATION: Not later than 11:59 P.M., C.T. on October 21, 2020 (PARAMETERS RESOLUTION)

PURPOSE/AUTHORITY/SECURITY: The $15,030,000* General Obligation Facilities Maintenance Bonds, Series 2020A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 123B.595 (long-term facilities maintenance revenue) by Independent School District No. 181 (Brainerd Public Schools), Minnesota (the "District") to provide funds for facility maintenance projects included in the ten-year facility plan of the District and approved by the Commissioner of Education. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Knutson, Flynn & Deans, P.A., Mendota Heights, Minnesota.

DATE OF BONDS: November 12, 2020

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2022	$660,000	2029	$745,000	2036	$695,000
2023	580,000	2030	780,000	2037	730,000
2024	550,000	2031	795,000	2038	840,000
2025	620,000	2032	805,000	2039	860,000
2026	650,000	2033	825,000	2040	890,000
2027	685,000	2034	840,000	2041	910,000
2028	715,000	2035	855,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2021 and semiannually thereafter.

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

MINIMUM PROPOSAL: $14,879,700.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $300,600 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

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

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

TABLE OF CONTENTS

INTRODUCTORY STATEMENT 1

THE BONDS 1
- GENERAL 1
- OPTIONAL REDEMPTION 2
- AUTHORITY; PURPOSE 2
- ESTIMATED SOURCES AND USES 2
- SECURITY 2
- RATING 3
- STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS 3
- CONTINUING DISCLOSURE 4
- LEGAL OPINION 5
- TAX EXEMPTION AND RELATED CONSIDERATIONS . 5
- NON-QUALIFIED TAX-EXEMPT OBLIGATIONS 6
- MUNICIPAL ADVISOR 6
- MUNICIPAL ADVISOR AFFILIATED COMPANIES 6
- INDEPENDENT AUDITORS 6
- RISK FACTORS 6

VALUATIONS 9
- OVERVIEW 9
- CURRENT PROPERTY VALUATIONS 10
- 2019/20 NET TAX CAPACITY BY CLASSIFICATION . . . 11
- TREND OF VALUATIONS 11
- LARGER TAXPAYERS 12

DEBT 13
- DIRECT DEBT 13
- STATE AID FOR DEBT SERVICE 13
- SCHEDULE OF BONDED INDEBTEDNESS 15
- BONDED DEBT LIMIT 20
- OVERLAPPING DEBT 21
- DEBT PAYMENT HISTORY 21
- DEBT RATIOS 22
- FUTURE FINANCING 22
- LEVY LIMITS 22

TAX RATES, LEVIES AND COLLECTIONS 23
- TAX LEVIES AND COLLECTIONS 23
- TAX CAPACITY RATES 24

THE ISSUER 25
- EMPLOYEES 25
- PENSIONS; UNIONS 25
- POST EMPLOYMENT BENEFITS 26
- STUDENT BODY 26
- SCHOOL BUILDINGS 27
- FUNDS ON HAND 27
- LITIGATION 27
- MUNICIPAL BANKRUPTCY 28
- SUMMARY GENERAL FUND INFORMATION 29

GENERAL INFORMATION 30
- LOCATION 30
- LARGER EMPLOYERS 30
- U.S. CENSUS DATA 31
- EMPLOYMENT/UNEMPLOYMENT DATA 31

FINANCIAL STATEMENTS A-1

FORM OF LEGAL OPINION B-1

BOOK-ENTRY-ONLY SYSTEM C-1

FORM OF CONTINUING DISCLOSURE CERTIFICATE . . D-1

TERMS OF PROPOSAL E-1

BRAINERD PUBLIC SCHOOLS
SCHOOL BOARD

		Term Expires
Tom Haglin	Chairperson	January 2023
Robert Nystrom	Vice Chairperson	January 2021
Ruth Nelson	Clerk	January 2023
Charles Black Lance	Treasurer	January 2023
Reed Campbell	Member	January 2021
Sue Kern	Member	January 2021

ADMINISTRATION

Laine Larson, Superintendent of Schools
Marci Lord, Director of Business Services

PROFESSIONAL SERVICES

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

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 181 (Brainerd Public Schools), Minnesota (the "District") and the issuance of its $15,030,000* General Obligation Facilities Maintenance Bonds, Series 2020A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and ratifying the sale of the Bonds ("Ratifying Resolution") to be adopted by the Board of Education.

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

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of $5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of November 12, 2020. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2021, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **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 Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

*Preliminary, subject to change

OPTIONAL REDEMPTION

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

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

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

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 123B.595 (long-term facilities maintenance revenue) by the District, to provide funds for facility maintenance projects included in the ten-year facility plan of the District and approved by the Commissioner of Education.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	$15,030,000	
Reoffering Premium	805,812	
Total Sources		**$15,835,812**
Uses		
Total Underwriter's Discount (1.000%)	$150,300	
Costs of Issuance	95,000	
Deposit to Project Construction Fund	15,590,512	
Total Uses		**$15,835,812**

*Preliminary, subject to change.

SECURITY

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

RATING

The District will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a rating from S&P Global Ratings ("S&P"). S&P has a policy which assigns a minimum rating of "AAA" to issuers participating in the MNCEP. The "AAA" rating is based on the State of Minnesota's current "AAA" rating from S&P. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS" for further details.

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

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

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on September 28, 2020 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

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

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

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

In its Official Statement dated August 11, 2020, for General Obligation State Bonds, Series 2020A, 2020B, 2020C, 2020D, 2020E, 2020F, and 2020G, the State of Minnesota disclosed the following information about the State Credit Enhancement Program for School Districts.

> "As the date of this Official Statement, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2050, is approximately $17.35 billion. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of the date of this Official Statement is currently estimated at $1.26 billion, with the maximum amount of principal and interest payable in any one month being $975.9 million. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.
>
> The State has not had to make any debt service payments on behalf of school districts or intermediate school districts under the program and does not expect to make any payments in the future. If such payments are made the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the school districts and intermediate school districts."

CONTINUING DISCLOSURE

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

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

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

Prior continuing disclosure undertakings entered into by the District included language stating that the annual report including audited financial statements and operating data would be filed “as soon as available.” Although the District did not always comply with this requirement, the audited financial statements were timely filed within the required 365 days after the end of the fiscal year timeframe as provided for in each undertaking. Except to the extent that the preceding is deemed to be material, the District believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The District has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the District.

LEGAL OPINION

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

TAX EXEMPTION AND RELATED CONSIDERATIONS

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

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

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

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2019, have been audited by CliftonLarsonAllen LLP, Brainerd, 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 Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

Type of Property	2017/18	2018/19	2019/20
Residential homestead[1]	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%
Agricultural homestead[1]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,940,000 - 0.50% [2] Over $1,940,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,900,000 - 0.50% [2] Over $1,900,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,880,000 - 0.50% [2] Over $1,880,000 - 1.00% [2]
Agricultural non-homestead	Land - 1.00% [2]	Land - 1.00% [2]	Land - 1.00% [2]
Seasonal recreational residential	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]
Residential non-homestead:	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $121,000 - .75% Over $121,000 - .25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $139,000 - .75% Over $139,000 - .25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $150,000 - .75% Over $150,000 - .25%
Industrial/Commercial/Utility[5]	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%

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

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

[3] Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2019/20 Economic Market Value $6,328,153,119[1]

2019/20 Assessor's Estimated Market Value

	Crow Wing County	Cass County	Morrison County	Total
Real Estate	$5,056,548,700	$843,802,100	$1,345,000	$5,901,695,800
Personal Property	31,593,700	3,659,100	0	35,252,800
Total Valuation	$5,088,142,400	$847,461,200	$1,345,000	$5,936,948,600

2019/20 Net Tax Capacity

	Crow Wing County	Cass County	Morrison County	Total
Real Estate	$53,127,231	$8,943,453	$7,189	$62,077,873
Personal Property	621,580	72,407	0	693,987
Net Tax Capacity	$53,748,811	$9,015,860	$7,189	$62,771,860
Less: Captured Tax Increment Tax Capacity[2]	(862,063)	0	0	(862,063)
Power Line Adjustment[3]	(221)	0	0	(221)
Taxable Net Tax Capacity	$52,886,527	$9,015,860	$7,189	$61,909,576

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1 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") the District is about 93.86% 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 $6,328,153,119.

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

3 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.

2019/20 NET TAX CAPACITY BY CLASSIFICATION

	2019/20 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$30,549,010	48.67%
Agricultural	2,044,360	3.26%
Commercial/industrial	11,841,472	18.86%
Public utility	192,454	0.31%
Railroad operating property	286,094	0.46%
Other	206	0.00%
Non-homestead residential	2,390,282	3.81%
Commercial & residential seasonal/rec.	14,773,995	23.54%
Personal property	693,987	1.11%
Total	$62,771,860	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Taxable Net Tax Capacity[2]	Percent +/- in Estimated Market Value
2015/16	$5,176,416,600	$4,876,828,800	$59,731,678	$58,737,146	+ 3.35%
2016/17	5,358,833,200	5,064,962,660	56,908,093	56,091,403	+ 3.52%
2017/18	5,481,416,600	5,180,997,841	57,985,802	56,835,037	+ 2.29%
2018/19	5,703,065,826	5,405,010,736	60,356,473	59,427,089	+ 4.04%
2019/20	5,936,948,600	5,639,101,762	62,771,860	61,909,576	+ 4.10%

[1] Net Tax Capacity includes tax increment and power line values.

[2] Taxable Net Tax Capacity does not include tax increment or power line values.

LARGER TAXPAYERS[1]

Taxpayer	Type of Property	2019/20 Net Tax Capacity	Percent of District's Total Net Tax Capacity
ETOC Co., Inc. dba Grand View Lodge	Seasonal Commercial	$ 407,021	0.65%
Brainerd Lakes Integrated Health	Commercial	360,233	0.57%
Mills Property Investments, LLC	Commercial	330,059	0.53%
Burlington Northern Railroad	Railroad/Commercial	296,179	0.47%
Suso 2 Brainerd, LP	Commercial	251,264	0.40%
Mills Properties, LLC	Commercial	212,282	0.34%
Minnesota Power and Light	Utility	206,588	0.33%
Individuals	Residential/Apartment	188,996	0.30%
T & E Properties, LLC	Commercial/Industrial	161,887	0.26%
Walmart	Commercial	159,506	0.25%
Total		$ 2,574,015	4.10%

District's Total 2019/20 Net Tax Capacity $62,771,860

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Crow Wing, Cass and Morrison Counties.

[1] In 2019, the estimated median commercial and industrial sales ratio used to equalize utility values in Morrison County dropped below 90% to 80.31%, thereby resulting in lower valuations for this classification of property. Depreciation may also have affected the decrease in valuations.

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by tax abatement revenues and state aids[2]	$ 4,715,000
Total G.O. debt secured by taxes and state aids[2] (includes the Bonds)*	215,035,000
Total General Obligation Debt*	$219,750,000

Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations[3]	$12,664,293
Total lease purchase obligations paid by annual appropriations (Brainerd HRA)[3]	$ 520,000

Lease Obligations

Date of Issue	Original Amount	Purpose	Final Maturity	Principal Outstanding
7/5/17	$153,109	Mowing Equipment	7/5/22	$53,294

*Preliminary, subject to change.

STATE AID FOR DEBT SERVICE

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

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

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

[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.

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

Some Districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to Districts to offset a portion of certain bond levies (Minn. Stat. Section 273.1387). The reimbursement percentages are 40% for taxes payable in 2018 and 2019, 50% for 2020, 55% for 2021, 60% for 2022, and 70% for 2023 and thereafter. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, rural vacant land and managed forestland. The amount of agricultural credit received in the debt service fund for taxes payable 2021 is approximately 2.2% of total annual debt service levies, based on the District's 2019/20 qualifying agricultural land valuation. Although the District expects to receive some 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. 181 (Brainerd Public Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 11/12/2020)

	Tax Abatement Bonds 1) Series 2019A							
Dated	05/16/2019							
Amount	$4,715,000							
Maturity	02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2021	225,000	93,850	225,000	93,850	318,850	4,490,000	4.77%	**2021**
2022	235,000	176,450	235,000	176,450	411,450	4,255,000	9.76%	**2022**
2023	250,000	164,700	250,000	164,700	414,700	4,005,000	15.06%	**2023**
2024	260,000	152,200	260,000	152,200	412,200	3,745,000	20.57%	**2024**
2025	275,000	139,200	275,000	139,200	414,200	3,470,000	26.41%	**2025**
2026	285,000	125,450	285,000	125,450	410,450	3,185,000	32.45%	**2026**
2027	300,000	111,200	300,000	111,200	411,200	2,885,000	38.81%	**2027**
2028	315,000	96,200	315,000	96,200	411,200	2,570,000	45.49%	**2028**
2029	335,000	80,450	335,000	80,450	415,450	2,235,000	52.60%	**2029**
2030	345,000	67,050	345,000	67,050	412,050	1,890,000	59.92%	**2030**
2031	355,000	56,700	355,000	56,700	411,700	1,535,000	67.44%	**2031**
2032	365,000	46,050	365,000	46,050	411,050	1,170,000	75.19%	**2032**
2033	380,000	35,100	380,000	35,100	415,100	790,000	83.24%	**2033**
2034	390,000	23,700	390,000	23,700	413,700	400,000	91.52%	**2034**
2035	400,000	12,000	400,000	12,000	412,000	0	100.00%	**2035**
	4,715,000	1,380,300	4,715,000	1,380,300	6,095,300			

1) This represents the $4,715,000 Tax Abatement Bonds portion of the $20,255,000 General Obligation Facilities Maintenance and Tax Abatement Bonds, Series 2019A.

Independent School District No. 181 (Brainerd Public Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 11/12/2020)

	Capital Facilities Bonds Series 2013A		Alternative Facilities Bonds Series 2013B		School Building Bonds Series 2018A		Taxable OPEB Refundung Bonds 1) Series 2018B		School Building Refunding Bonds Series 2018C	
Dated	03/19/2013		06/11/2013		06/27/2018		12/06/2018		12/06/2018	
Amount	$1,240,000		$2,120,000		$143,110,000		$9,290,000		$20,325,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2021	125,000	4,513	0	21,200	345,000	2,820,650	2,290,000	121,780	880,000	448,750
2022	130,000	7,150	0	42,400	570,000	5,624,050	2,380,000	172,570	905,000	853,500
2023	130,000	4,940	0	42,400	820,000	5,595,550	2,440,000	97,600	955,000	808,250
2024	130,000	2,535	2,120,000	42,400	905,000	5,554,550			1,305,000	760,500
2025					880,000	5,509,300			3,225,000	695,250
2026					920,000	5,465,300			3,385,000	534,000
2027					965,000	5,419,300			3,560,000	364,750
2028					1,040,000	5,371,050			3,735,000	186,750
2029					4,335,000	5,319,050				
2030					4,740,000	5,145,650				
2031					4,925,000	4,956,050				
2032					5,120,000	4,759,050				
2033					5,315,000	4,554,250				
2034					5,530,000	4,341,650				
2035					6,645,000	4,120,450				
2036					9,480,000	3,854,650				
2037					9,800,000	3,546,550				
2038					10,190,000	3,154,550				
2039					10,600,000	2,746,950				
2040					11,020,000	2,322,950				
2041					11,460,000	1,882,150				
2042					11,920,000	1,423,750				
2043					12,395,000	946,950				
2044					12,890,000	451,150				
	515,000	19,138	2,120,000	148,400	142,810,000	94,885,550	7,110,000	391,950	17,950,000	4,651,750

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

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Independent School District No. 181 (Brainerd Public Schools), Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 11/12/2020)

	Facilities Maintenance Bonds Series 2018D		Facilities Maintenance Bonds 2) Series 2019A		Facilities Maintenance Bonds Series 2020A							
Dated	12/06/2018		05/16/2019		11/12/2020							
Amount	$14,200,000		$15,540,000		$15,030,000*							
Maturity	02/01		02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2021	410,000	305,250	635,000	283,600	0	0	4,685,000	4,005,743	8,690,743	210,350,000	2.18%	**2021**
2022	435,000	590,000	330,000	535,450	660,000	545,061	5,410,000	8,370,181	13,780,181	204,940,000	4.69%	**2022**
2023	485,000	568,250	190,000	518,950	580,000	420,575	5,600,000	8,056,515	13,656,515	199,340,000	7.30%	**2023**
2024	525,000	544,000	280,000	509,450	550,000	397,375	5,815,000	7,810,810	13,625,810	193,525,000	10.00%	**2024**
2025	570,000	517,750	665,000	495,450	620,000	369,875	5,960,000	7,587,625	13,547,625	187,565,000	12.77%	**2025**
2026	610,000	489,250	705,000	462,200	650,000	338,875	6,270,000	7,289,625	13,559,625	181,295,000	15.69%	**2026**
2027	640,000	458,750	740,000	426,950	685,000	306,375	6,590,000	6,976,125	13,566,125	174,705,000	18.76%	**2027**
2028	675,000	426,750	760,000	389,950	715,000	272,125	6,925,000	6,646,625	13,571,625	167,780,000	21.98%	**2028**
2029	705,000	393,000	1,490,000	351,950	745,000	243,525	7,275,000	6,307,525	13,582,525	160,505,000	25.36%	**2029**
2030	740,000	357,750	1,325,000	292,350	780,000	213,725	7,585,000	6,009,475	13,594,475	152,920,000	28.89%	**2030**
2031	780,000	320,750	1,625,000	252,600	795,000	198,125	8,125,000	5,727,525	13,852,525	144,795,000	32.66%	**2031**
2032	805,000	295,400	1,830,000	203,850	805,000	182,225	8,560,000	5,440,525	14,000,525	136,235,000	36.65%	**2032**
2033	835,000	263,200	1,895,000	148,950	825,000	166,125	8,870,000	5,132,525	14,002,525	127,365,000	40.77%	**2033**
2034	865,000	229,800	1,950,000	92,100	840,000	149,625	9,185,000	4,813,175	13,998,175	118,180,000	45.04%	**2034**
2035	900,000	195,200	1,120,000	33,600	855,000	132,825	9,520,000	4,482,075	14,002,075	108,660,000	49.47%	**2035**
2036	935,000	159,200			695,000	115,725	11,110,000	4,129,575	15,239,575	97,550,000	54.64%	**2036**
2037	975,000	121,800			730,000	101,825	11,505,000	3,770,175	15,275,175	86,045,000	59.99%	**2037**
2038	1,015,000	82,800			840,000	85,400	12,045,000	3,322,750	15,367,750	74,000,000	65.59%	**2038**
2039	1,055,000	42,200			860,000	66,500	12,515,000	2,855,650	15,370,650	61,485,000	71.41%	**2039**
2040					890,000	45,000	11,910,000	2,367,950	14,277,950	49,575,000	76.95%	**2040**
2041					910,000	22,750	12,370,000	1,904,900	14,274,900	37,205,000	82.70%	**2041**
2042							11,920,000	1,423,750	13,343,750	25,285,000	88.24%	**2042**
2043							12,395,000	946,950	13,341,950	12,890,000	94.01%	**2043**
2044							12,890,000	451,150	13,341,150	0	100.00%	**2044**
	13,960,000	6,361,100	15,540,000	4,997,400	15,030,000	4,373,636	215,035,000	115,828,924	330,863,924			

* Preliminary, subject to change.

2) This represents the $15,540,000 Facilities Maintenance Portion of the $20,255,000 General Obligation Facilities Maintenance and Tax Abatement Bonds, Series 2019A.

Independent School District No. 181 (Brainerd Public Schools), Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 11/12/2020)

	Lease Purchase - Gymnasium 1) 2008		Lease Purchase- Athletic Facility 2014		Lease Purchase - Classroom Addition 2015		Lease Purchase - Elevator 1) 2015		Certificates of Participation Series 2019B							
Dated	02/15/2008		03/13/2014		05/19/2015		07/13/2015		05/22/2019							
Amount	$718,553		$3,020,702		$1,835,000		$400,000		$9,485,000							
Maturity	Monthly		02/01 & 08/01		02/01 & 08/01		02/01 & 08/01		04/01							
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**
2021	15,218	6,587	96,026	36,984	57,270	17,805	30,038	1,312	315,000	182,925	513,552	245,614	759,166	12,150,741	4.06%	**2021**
2022	27,172	10,208	197,663	68,359	117,017	33,133	61,376	1,324	515,000	350,100	918,228	463,124	1,381,352	11,232,513	11.31%	**2022**
2023	28,605	8,775	205,387	60,635	120,400	29,750			535,000	324,350	889,392	423,510	1,312,902	10,343,121	18.33%	**2023**
2024	30,114	7,266	213,412	52,610	123,880	26,270			565,000	297,600	932,406	383,746	1,316,152	9,410,716	25.69%	**2024**
2025	31,702	5,678	221,751	44,271	127,461	22,689			595,000	269,350	975,913	341,988	1,317,902	8,434,802	33.40%	**2025**
2026	33,373	4,007	230,416	35,606	131,145	19,005			620,000	239,600	1,014,934	298,218	1,313,152	7,419,868	41.41%	**2026**
2027	35,133	2,247	239,419	26,603	134,936	15,214			660,000	208,600	1,069,488	252,663	1,322,152	6,350,380	49.86%	**2027**
2028	24,446	474	248,774	17,248	138,836	11,314			695,000	175,600	1,107,056	204,636	1,311,692	5,243,323	58.60%	**2028**
2029			258,495	7,527	142,850	7,300			725,000	140,850	1,126,345	155,677	1,282,022	4,116,979	67.49%	**2029**
2030					146,979	3,171			745,000	119,100	891,979	122,271	1,014,250	3,225,000	74.53%	**2030**
2031									770,000	96,750	770,000	96,750	866,750	2,455,000	80.61%	**2031**
2032									795,000	73,650	795,000	73,650	868,650	1,660,000	86.89%	**2032**
2033									820,000	49,800	820,000	49,800	869,800	840,000	93.37%	**2033**
2034									840,000	25,200	840,000	25,200	865,200	0	100.00%	**2034**
	225,763	45,242	1,911,343	349,842	1,240,773	185,652	91,414	2,636	9,195,000	2,553,475	12,664,293	3,136,848	15,801,141			

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

Brainerd Housing and Redevelopment Authority, Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 11/12/2020)

	Lease Revenue Refunding Bonds Series 2014A							
Dated	07/02/2014							
Amount	$2,175,000							
Maturity	02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2022	520,000	11,225	520,000	11,225	531,225	0	100.00%	**2022**
	520,000	11,225	520,000	11,225	531,225			

BONDED DEBT LIMIT

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

2019/20 Economic Market Value	$6,328,153,119
Multiply by 15%	0.15
Statutory Debt Limit	$ 949,222,968
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes[1] (includes the Bonds)*	(207,925,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations (applies to issues in excess of $1,000,000 originally issued after 6/1/97 which do not have revenues pledged)	(12,347,116)
Unused Debt Limit*	$ 728,950,852

*Preliminary, subject to change.

[1] Does not include the $9,290,000 General Obligation Taxable OPEB Refunding Bonds, Series 2018B, as they are not subject to the debt limit calculation.

OVERLAPPING DEBT[1]

Taxing District	2019/20 Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Cass County	$ 74,389,987	12.1197%	$ 47,095	$ 5,708
Crow Wing County	118,423,492	44.6590%	182,500	81,503
Morrison County	35,224,143	0.0204%	15,445,000	3,151
City of Baxter	12,314,471	100.0000%	16,970,000	16,970,000
City of Brainerd	7,707,579	100.0000%	7,132,500	7,132,500
City of East Gull Lake	6,031,305	65.2556%	1,320,000	861,374
City of Garrison	281,532	100.0000%	122,000	122,000
City of Nisswa	7,788,028	97.1810%	4,028,000	3,914,451
Town of Center	1,528,224	55.9091%	575,000	321,477
Town of Roosevelt	1,345,501	33.4513%	500,000	167,257
District's Share of Total Overlapping Debt				$29,579,420

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value ($6,328,153,119)	Debt/ Current Population Estimate (43,250)
Direct G.O. Debt Secured By:			
Tax Abatement Revenues	$ 4,715,000		
Taxes and State Aids*	215,035,000		
Total General Obligation Debt (includes the Bonds)*	$219,750,000	3.40%	$4,971.91
District's Share of Total Overlapping Debt	$ 29,579,420	0.47%	$683.92
Total*	$249,329,420	3.87%	$5,655.82

*Preliminary, subject to change.

FUTURE FINANCING

The District plans to issue approximately $1,000,000 General Obligation Tax Abatement Bonds and approximately $4,000,000 General Obligation Facilities Maintenance Bonds 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
2015/16	$18,446,598	$18,167,918	$18,395,738	99.72%
2016/17	18,619,109	18,360,998	18,582,253	99.80%
2017/18	18,961,114	18,714,978	18,911,139	99.74%
2018/19	19,886,377	19,629,201	19,786,186	99.50%
2019/20	23,047,659	In process of collection		

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

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

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

[2] Collections are through March 31, 2020 for Crow Wing County, and through December 31, 2019 for Cass and Morrison Counties.

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

TAX CAPACITY RATES[1]

	2015/16	2016/17	2017/18	2018/19	2019/20
I.S.D. No. 181 (Brainerd Public Schools)	25.443%	27.739%	24.833%	29.988%	29.058%
Cass County	31.441%	31.761%	31.869%	30.957%	30.522%
Crow Wing County	33.574%	32.308%	31.741%	32.689%	33.154%
Morrison County	59.460%	59.934%	59.269%	56.224%	54.208%
City of Baxter	53.426%	50.313%	51.423%	52.949%	55.788%
City of Brainerd	74.579%	75.058%	77.420%	52.949%	79.332%
City of East Gull Lake	13.110%	13.510%	13.401%	13.171%	13.354%
City of Fort Ripley	26.339%	27.830%	27.577%	29.068%	11.366%
City of Garrison	69.215%	71.537%	70.426%	71.531%	75.015%
City of Nisswa	30.778%	30.428%	31.577%	33.215%	31.642%
City of Lake Shore	14.895%	13.899%	14.973%	18.151%	21.911%
Town of Crow Wing[2]	20.152%	30.875%	29.795%	27.252%	25.590%
City of Brainerd HRA	1.669%	1.687%	1.725%	1.719%	1.692%
Crow Wing County HRA	0.062%	0.103%	0.101%	0.098%	0.687%
Cuyuna Range Hospital	1.141%	1.114%	1.083%	1.052%	0.993%
Garrison-Kathio-West Mille Lacs SD	23.062%	22.968%	22.593%	22.025%	21.923%
Morrison County HRA	0.102%	0.108%	0.104%	0.097%	0.114%
Region 5	0.131%	0.131%	0.134%	0.133%	0.130%
Rural Development Authority	0.289%	0.283%	0.273%	0.268%	0.256%
Referendum Market Value Rates:					
I.S.D. No. 181 (Brainerd Public Schools)	0.13881%	0.13566%	0.14002%	0.13880%	0.13747%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Crow Wing, Cass and Morrison Counties.

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

[2] Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 881, including 362 non-licensed employees and 519 licensed employees (493 of whom are teachers). The District provides education for 6,344 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, Chapter 354 and 356.

Public Employees' Retirement Association (PERA)

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

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Education Minnesota Brainerd	June 30, 2021
Education Minnesota -Food Service	June 30, 2021
Education Minnesota- Educational Assistants	June 30, 2021
AFSCME Local #65 - Secretarial/Clerical	June 30, 2021
AFSCME Local #65 - Educational Interpreters	June 30, 2021
IUOE Local #49 - Custodial	June 30, 2021
Principal and Assistant Principal	June 30, 2021
Director, Assistant Director and Dean	June 30, 2021

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District 's most recent Audited Financial Statements show a total OPEB liability of $19,967,323 as of June 30, 2019. In June of 2009, the District issued $22,915,000 in OPEB Bonds to fund an irrevocable trust. The net position of the trust was $22,646,217 as of June 30, 2019. Future OPEB costs will be paid partially from the trust and partially from operating funds.

Source: The District's most recent audited financial statements.

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2016/17	471	3,015	2,932	6,418
2017/18	497	2,973	2,976	6,446
2018/19	434	3,010	3,056	6,500
2019/20	448	2,889	3,041	6,378
2020/21	449	2,860	3,035	6,344

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2021/22	442	2,820	3,073	6,335
2022/23	412	2,780	3,072	6,264
2023/24	401	2,715	3,057	6,173

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Baxter Elementary	2020	
Garfield Elementary	1955	1961, 1988, 1992
Harrison Elementary	1938	1991, 2020
Lowell Elementary	1938	--
Nisswa Elementary	1952	1963, 1971, 2020
Riverside Elementary	1955	1962, 1970, 1985, 1986, 1989, 1995, 2015
Forestview Middle School	2003	2013, 2019
Brainerd North Campus Senior High	1968	1995, 2004
Brainerd South Campus Senior High	1965	1970, 1971, 1978, 1984, 1997
Lincoln Education Center	1938	--
Washington Education Service Center	1929	1929, 1937, 1960
Brainerd Learning Center (Leased)		--
Franklin Arts Center (Leased)		--

FUNDS ON HAND (as of May 31, 2020)

Fund	Total Cash and Investments
General	$ 15,668,447
Food Service	667,802
Community Service	1,763,419
Debt Service	2,544,912
Building/Construction	126,163,165
Trust & Agency	22,889,876
Internal Service	7,284,313
Total Funds on Hand	$176,981,933

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

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

SUMMARY GENERAL FUND INFORMATION

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

	FISCAL YEAR ENDING JUNE 30				
COMBINED STATEMENT	**2017 Audit**	**2018 Audit**	**2019 Audit**	**2019/20 Revised Budget 1)**	**2020/21 Adopted Budget 2)**
Revenues					
Local property taxes	$9,325,208	$9,638,318	$10,377,299	$10,040,684	$10,494,322
Earnings on investments	78,904	148,374	267,069	200,000	150,000
Other local and county revenues	2,668,977	3,284,951	2,782,663	$2,318,390	$2,344,137
Revenues from state sources	65,099,985	67,329,738	68,852,909	71,590,374	72,117,620
Revenues from federal sources	2,252,790	1,976,646	2,150,513	2,084,527	2,525,506
Total Revenues	$79,425,864	$82,378,027	$84,430,453	$86,233,975	$87,631,585
Expenditures					
Current:					
Administration	$2,957,644	$3,219,892	$3,259,447	$3,322,599	$3,202,949
District support services	1,581,627	1,966,406	1,847,323	1,907,305	1,931,287
Elementary & secondary regular instruction	32,109,384	32,889,198	33,634,806	35,206,691	34,558,571
Vocational education instruction	1,222,789	1,175,540	1,101,965	1,275,200	1,191,317
Special education instruction	18,601,516	20,282,134	20,941,686	21,275,509	21,964,175
Instructional support services	4,241,555	4,710,682	4,395,562	4,966,461	5,481,610
Pupil support services	6,264,039	6,684,405	7,052,106	7,515,486	7,787,754
Sites and buildings	7,270,652	7,931,389	7,909,368	7,895,768	7,634,976
Fiscal and other fixed cost programs	325,399	304,200	322,495	320,000	305,000
Community service	38,848	32,016	0	0	0
Capital Outlay	2,485,379	2,276,841	1,909,696	1,689,912	2,968,206
Debt Service	1,027,547	1,052,706	1,079,522	2,041,890	2,136,742
Total Expenditures	$78,126,379	$82,525,409	$83,453,976	$87,416,821	$89,162,587
Excess of revenues over (under) expenditures	$1,299,485	($147,382)	$976,477	($1,182,846)	($1,531,002)
Other Financing Sources (Uses)					
Operating transfers in	$0	$0	$0	$0	$0
Operating transfers out	(24,302)	(24,578)	(25,940)	0	0
Proceeds from sale of capital assets	0	19,255	700	0	0
Proceeds from capital leases	0	153,109	1,099,531	0	0
Total Other Financing Sources (Uses)	(24,302)	147,786	1,074,291	0	0
Net changes in Fund Balances	$1,275,183	$404	$2,050,768	($1,182,846)	($1,531,002)
General Fund Balance July 1	$10,544,933	$11,820,116	$11,820,520	$13,871,288	$12,688,442
Prior Period Adjustment	0	0	0	0	0
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance June 30	$11,820,116	$11,820,520	$13,871,288	$12,688,442	$11,157,440
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$185,592	$271,867	$387,953		
Restricted	3,117,808	3,507,057	5,225,574		
Assigned	499,611	636,606	751,621		
Unassigned	8,017,105	7,404,990	7,506,140		
Total	$11,820,116	$11,820,520	$13,871,288		

1) The 2019/20 Revised Budget was adopted on January 27, 2020.The budgeted excess of expenditures over revenues includes approximately $235,000 of one time capital expenses for facilities maintenance projects. District administration anticipates that audited results for 2019/20 will show better results than budgeted.

2) The 2020/21 Budget was adopted on June 25, 2020.The budgeted excess of expenditures over revenues includes approximately $936,000 of one time capital expenses for facilities maintenance projects.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 42,628 and a current population estimate of 43,250, and comprising an area of 539 square miles, is located approximately 140 miles northwest 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
Essentia Health	Hospitals and clinics	1,486
I.S.D. No. 181 (Brainerd Public Schools)	Elementary and secondary education	924
Grand View Lodge	Resorts, golf courses restaurant and spa	800
Ascensus	Insurance	500
Walmart Supercenter	Department store	500
Crow Wing County	County government and services	481
Good Samaritan Society	Nursing care and assisted living facility	415
Central Lakes College	Post-secondary education	350
Anderson Brothers Construction	General contractors	250
Lodge Grill & Bar	Full-service restaurant	200

Source: *ReferenceUSA, written and telephone survey (March 2020), and the Minnesota Department of Employment and Economic Development.*

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

U.S. CENSUS DATA

Population Trend: The District

2000 U.S. Census population	38,431
2010 U.S. Census population	42,628
2018 Population Estimate	43,250
Percent of Change 2000 - 2010	+ 10.92%

Income and Age Statistics

	The District	Crow Wing County	State of Minnesota	United States
2018 per capita income	$30,476	$30,900	$36,245	$32,621
2018 median household income	$55,821	$54,508	$68,411	$60,293
2018 median family income	$69,126	$67,751	$86,204	$73,965
2018 median gross rent	$787	$780	$944	$1,023
2018 median value owner occupied units	$191,000	$194,400	$211,800	$204,900
2018 median age	40.5 yrs.	44 yrs.	37 yrs.	37.9 yrs.

	State of Minnesota	United States
District % of 2018 per capita income	84.08%	93.42%
District % of 2018 median family income	80.19%	93.46%

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

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	Average Unemployment	
Year	**Crow Wing County**	**Crow Wing County**	**State of Minnesota**
2016	30,302	5.1%	3.9%
2017	30,791	4.4%	3.4%
2018	30,968	3.9%	2.9%
2019	31,474	4.3%	3.3%
2020, August	30,946	6.6%	7.1%

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 Bonds, the District represents that there have been no material adverse change in the financial position or results of operations of the District, nor has the District incurred any material liabilities, which would make such financial statements misleading.

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

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2019

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
TABLE OF CONTENTS
JUNE 30, 2019

INTRODUCTORY SECTION
- BOARD OF EDUCATION AND ADMINISTRATION

FINANCIAL SECTION
- INDEPENDENT AUDITORS' REPORT
- REQUIRED SUPPLEMENTARY INFORMATION
  - MANAGEMENT'S DISCUSSION AND ANALYSIS
- BASIC FINANCIAL STATEMENTS
  - STATEMENT OF NET POSITION
  - STATEMENT OF ACTIVITIES
  - BALANCE SHEET — GOVERNMENTAL FUNDS
  - RECONCILIATION OF THE BALANCE SHEET— GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
  - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
  - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES — GOVERNMENTAL ACTIVITIES
  - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — BUDGET AND ACTUAL — GENERAL FUND
  - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE — BUDGET AND ACTUAL — FOOD SERVICE FUND
  - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE — BUDGET AND ACTUAL — COMMUNITY SERVICE FUND
  - STATEMENT OF NET POSITION — INTERNAL SERVICE FUND
  - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION — INTERNAL SERVICE FUND
  - STATEMENT OF CASH FLOWS — INTERNAL SERVICE FUND
  - STATEMENT OF FIDUCIARY NET POSITION — FIDUCIARY FUNDS
  - STATEMENT OF CHANGES IN FIDUCIARY NET POSITION — POSTEMPLOYMENT BENEFITS IRREVOCABLE TRUST FUND
  - NOTES TO FINANCIAL STATEMENTS

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
TABLE OF CONTENTS (CONTINUED)
JUNE 30, 2019

FINANCIAL SECTION (CONTINUED)
- REQUIRED SUPPLEMENTARY INFORMATION
  - SCHEDULE OF CHANGES IN THE DISTRICT'S SUPPLEMENTAL PENSION LIABILITY AND RELATED RATIOS
  - SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
  - SCHEDULE OF MONEY WEIGHTED RATE OF RETURN ON PLAN ASSETS
  - SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
  - SCHEDULE OF DISTRICT CONTRIBUTIONS
- SUPPLEMENTARY INFORMATION
  - GENERAL FUND
    - BALANCE SHEET
    - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
  - FOOD SERVICE FUND
    - BALANCE SHEET
    - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
  - COMMUNITY SERVICE FUND
    - BALANCE SHEET
    - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
  - BUILDING CONSTRUCTION FUND
    - BALANCE SHEET
    - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
  - DEBT SERVICE FUNDS
    - BALANCE SHEET
    - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
  - UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
TABLE OF CONTENTS (CONTINUED)
JUNE 30, 2019

SINGLE AUDIT AND OTHER REQUIRED REPORTS

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

INTRODUCTORY SECTION

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2019

BOARD OF EDUCATION

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Sue Kern	December 31, 2020	Chairperson
Tom Haglin	December 31, 2022	Vice-Chairperson
Bob Nystrom	December 31, 2020	Treasurer
Reed Campbell	December 31, 2020	Clerk
Charles Black Lance	December 31, 2022	Director
Ruth Nelson	December 31, 2022	Director

ADMINISTRATION

Laine Larson	Superintendent
Heidi Hahn	Assistant Superintedent
Marci Lord	Director of Business Services
Tim Murtha	Director of Teaching and Learning
Cori Reynolds	Director of Community Education
Jennifer Johnson	Director of Special Education
Sarah Porisch	Director of Media Services
Alissa Thompson	Director of Food Services
Earl Wolleat	Director of Building and Grounds
District Offices	Independent School District No. 181 Brainerd Public Schools 804 Oak Street Brainerd, MN 56401 (218) 454-6900

FINANCIAL SECTION

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Education
Independent School District No. 181
Brainerd Public Schools
Brainerd, 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 181 (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

A member of Nexia International

Opinions

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

Other Matters

Report on Summarized Comparative Information

We have previously audited the District's 2018 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and we expressed unmodified audit opinions on those audited financial statements in our report dated December 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

Other Matters (Continued)

Supplementary Information (Continued)

The individual fund financial statements, the Uniform Financial Accounting and Reporting Standards Compliance Table and the schedule of expenditures of federal awards 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
December 18, 2019

REQUIRED SUPPLEMENTARY INFORMATION

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

This section of Brainerd Public Schools – Independent School District No. 181's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2018 - 2019 fiscal years include the following:

- District-wide, accrual basis net position increased by approximately $18,598,000, on revenues of $102,045,000 compared to expenses of $83,447,000.
- Total General Fund revenues were approximately $84,430,000 as compared to $83,454,000 of expenditures.
- The fund balance of the General Fund increased by approximately $2,051,000 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
    - The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
    - Proprietary funds statements (the District's health insurance internal service fund) offer short-term and long-term financial information about the activities the District operates like businesses.
    - Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

District-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

The District has three kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional reconciling information within the governmental funds statements to explain the relationship (or differences) between the funds.
- Proprietary funds – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
  - The District uses the internal service fund to report activities that provide services for the District's other programs and activities. The District currently has one internal service fund for its self-insured health insurance fund.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the District's Postemployment Benefits Irrevocable Trust Fund and the amounts reported for the special education cooperative. 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. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was a deficit of $25,346,321 on June 30, 2019. This was an increase from prior year net position deficit balance of $43,944,819 (see Table A-1).

Table A-1
The District's Net Position

	Governmental Activities as of June 30, 2019	Governmental Activities as of June 30, 2018	Percentage Change
Current and Other Assets	$ 237,006,636	$ 200,821,820	18.0 %
Capital and Noncurrent Assets	82,251,858	65,161,251	26.2
Total Assets	319,258,494	265,983,071	20.0
Deferred Outflows of Resources	60,408,795	77,659,486	(22.2)
Current Liabilities	23,007,729	14,930,095	54.1
Long-Term Liabilities	281,428,798	330,223,321	(14.8)
Total Liabilities	304,436,527	345,153,416	(11.8)
Deferred Inflows of Resources	100,577,083	42,433,960	137.0
Net Position			
Net Investment in Capital Assets	28,834,415	22,317,549	29.2
Restricted	15,739,711	17,248,869	(8.7)
Unrestricted	(69,920,447)	(83,511,237)	(16.3)
Total Net Position	$ (25,346,321)	$ (43,944,819)	(42.3)

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's total revenues were $102,045,231 for the year ended June 30, 2019. Property taxes and state aid formula accounted for 67% of total revenue for the year. Another 27% came from other program-specific federal and state aid.

Table A-2
Change in Net Position

	Governmental Activities for the Fiscal Year Ended June 30, 2019	Governmental Activities for the Fiscal Year Ended June 30, 2018	Total % Change
Revenues			
Program Revenues			
Charges for Services	$ 4,784,162	$ 5,342,490	(10.5)%
Operating Grants and Contributions	26,544,882	23,804,938	11.5
Capital Grants and Contributions	1,095,609	1,009,284	8.6
General Revenues			
Property Taxes	19,826,338	19,531,871	1.5
Unrestricted Federal and State Aid	48,249,115	47,595,311	1.4
Investment Earnings	560,939	297,778	88.4
Other	984,186	1,071,866	(8.2)
Total Revenues	102,045,231	98,653,538	3.4
Expenses			
Administration	2,562,249	4,130,856	(38.0)
District Support Services	1,801,170	2,096,830	(14.1)
Regular Instruction	23,775,607	46,224,788	(48.6)
Vocational Education Instruction	827,972	1,723,794	(52.0)
Special Education Instruction	17,634,324	25,987,972	(32.1)
Instructional Support Services	4,539,229	6,288,889	(27.8)
Pupil Support Services	7,150,417	7,452,556	(4.1)
Sites and Buildings	9,276,311	9,857,181	(5.9)
Fiscal and Other Fixed Cost Programs	322,495	304,200	6.0
Food Service	3,499,133	3,537,373	(1.1)
Community Service	3,069,624	3,781,143	(18.8)
Interest and Fiscal Charges on Long-Term Liabilities	8,988,202	1,586,686	466.5
Total Expenses	83,446,733	112,972,268	(26.1)
Increase (Decrease) in Net Position	18,598,498	(14,318,730)	
Net Position - Beginning of Year	(43,944,819)	(29,626,089)	
Net Position - End of Year	$ (25,346,321)	$ (43,944,819)	

Revenues increased in 2019 primarily in investment earnings due to the additional cash held in the capital projects fund. Expenses decreased during fiscal year 2019 due to the decrease in the net pension liability and the change in deferred inflows and outflows of resources.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

The cost of all governmental activities this year was $83,447,000.

- Some of the cost was paid by the users of the District's programs ($4,784,162).
- The federal and state governments subsidized certain programs with grants and contributions ($27,640,491).
- The rest of the remaining District's costs, however, were paid by District taxpayers and the taxpayers of our state in property taxes and state aid based on the statewide education aid formula and other miscellaneous revenues.

Figure A-1
Sources of District's Revenues for Fiscal 2019

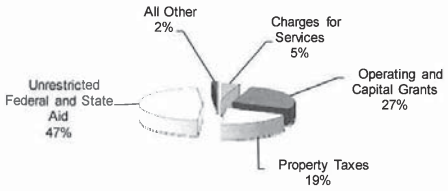
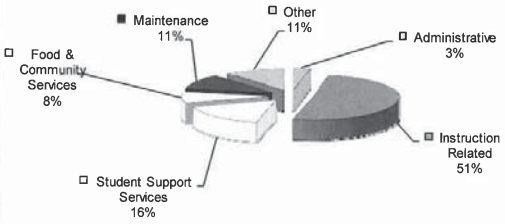


Figure A-2
District Expenses for Fiscal 2019



BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Table A-3
Cost and Net Cost of Services

	Total Cost of Services			Net Cost of Services		
	2019	2018	Change	2019	2018	Change
Administration	$ 2,562,249	$ 4,130,856	(38.0)%	$ 2,251,865	$ 3,537,297	(36.3)%
District Support Services	1,801,170	2,096,830	(14.1)	1,813,998	2,096,280	(13.5)
Regular Instruction	23,775,607	46,224,788	(48.6)	18,575,817	39,920,891	(53.5)
Vocational Education Instruction	827,972	1,723,794	(52.0)	834,699	1,658,115	(49.7)
Special Education Instruction	17,634,324	25,987,972	(32.1)	2,979,382	10,874,587	(72.6)
Instructional Support Services	4,539,229	6,288,889	(27.8)	3,976,228	5,633,173	(29.4)
Pupil Support Services	7,150,417	7,452,556	(4.1)	6,497,924	6,676,658	(2.7)
Sites and Buildings	9,276,311	9,857,181	(5.9)	4,360,185	9,427,738	(53.8)
Fiscal and Other Fixed Cost Programs	322,495	304,200	6.0	322,495	304,200	6.0
Food Service	3,499,133	3,537,373	(1.1)	(1,049)	(107,722)	(99.0)
Community Service	3,069,624	3,781,143	(18.8)	615,581	1,240,837	(50.4)
Interest and Fiscal Charges on Long-Term Liabilities	8,988,202	1,586,686	466.5	8,794,955	1,553,502	466.1
Total	$ 83,446,733	$ 112,972,268	(26.1)	$ 51,022,080	$ 82,815,556	(38.4)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the school district as a whole is further detailed in the governmental funds balance sheet on pages 19 and 20. As the District completed the year, its governmental funds reported combined balances of $192,911,177, showing an increase of about $28,435,000 from prior year.

As detailed in the statement of revenues, expenditures, and changes in fund balances on pages 22 and 23, the District's overall governmental fund revenues increased by approximately 6.37% to a level of $104,761,434. Expenditures for 2019 increased 24.38%; expenditures exceeded revenues. The large increase in fund balance is due to the issuance of bonds, with minimal expenditures in the current year.

GENERAL FUND

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

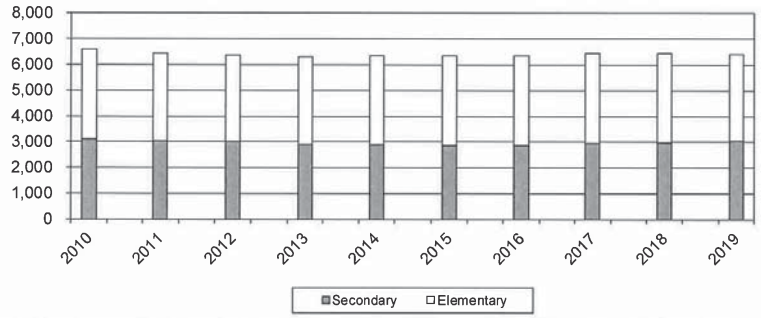
GENERAL FUND (CONTINUED)

The following graph shows the trend in student counts over the past ten years:

Table A-4
Student Enrollment (Average Daily Membership)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Pre-K	79	86	85	101	107	101	107	115	122	121
HCP K	65	72	73	76	81	94	97	96	102	123
Reg K	457	427	410	394	407	411	378	375	394	307
Elementary	2,919	2,899	2,877	2,920	2,918	2,946	2,999	3,015	2,972	2,947
Secondary	3,119	3,049	3,009	2,907	2,903	2,884	2,865	2,932	2,977	3,040
Total Students for Aid	6,639	6,533	6,454	6,398	6,416	6,436	6,446	6,533	6,567	6,538
Percent Change	30.00%	-1.60%	-1.21%	-0.87%	0.28%	0.31%	0.16%	1.35%	0.52%	-0.44%

Table A-3
BRAINERD PUBLIC SCHOOLS
Student Enrollment (in ADM's)



BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Revenues:

Table A-5
General Fund Revenues

Fund	Year Ended June 30, 2019	Year Ended June 30, 2018	Change Amount Increase (Decrease)	Change Percent Increase (Decrease)
Local Sources				
Property Taxes	$ 10,377,299	$ 9,638,318	$ 738,981	7.7 %
Earnings on Investments	267,069	148,374	118,695	80.0
Other	2,782,663	3,284,951	(502,288)	(15.3)
State Sources	68,852,909	67,329,738	1,523,171	2.3
Federal Sources	2,150,513	1,976,646	173,867	8.8
Total General Fund Revenue	$ 84,430,453	$ 82,378,027	$ 2,052,426	2.5

Overall, total General Fund revenue increased by $2,052,426 or 2.5% from the prior year as shown above. This was primarily a result of an increase in state revenues which is largely driven by enrollment and an increase in the state funding formula.

The following schedule presents a summary of General Fund Expenditures:

Table A-6
General Fund Expenditures

	Year Ended June 30, 2019	Year Ended June 30, 2018	Change Amount of Increase (Decrease)	Change Percent Increase (Decrease)
Salaries	$ 46,509,681	$ 45,594,003	$ 915,678	2.0 %
Employee Benefits	19,005,005	18,089,078	915,927	5.1
Purchased Services	11,832,088	11,458,332	373,756	3.3
Supplies and Materials	2,938,427	3,831,678	(893,251)	(23.3)
Capital Expenditures	1,909,696	1,970,623	(60,927)	(3.1)
Other Expenditures	1,259,079	1,275,477	(16,398)	(1.3)
Total Expenditures	$ 83,453,976	$ 82,219,191	$ 1,234,785	1.5

Total General Fund expenditures increased $1,234,785 or 1.5% due to an increase in salaries and benefits.

GENERAL FUND (CONTINUED)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget one time. This budget amendment falls into one category:

- Generally speaking, the budget amendment concentrates on students and staff. Actual student counts from the beginning of the school year are tracked and matched against the student enrollment estimates used to project many of the revenue components in the preliminary budget revenue categories. Actual staffing and respective assignments are verified for accuracy against the projected staffing costs used to establish the preliminary budget expense for salaries and benefits.

Depending on how actual revenue and expense items are tracking against the preliminary budget amounts, adjustments are proposed to specific categories for review and approval by the school board.

Actual results differed from budget as follows:

- The District's final budget for the General Fund anticipated that revenues would exceed expenditures by $190,411, actual revenues exceeded actual expenditures by $976,477.
- Overall, actual revenues were about $389,000 more than budgeted, representing a .46% variation from budget to actual, primarily due to unexpected tax forfeited sales and higher than projected interest earnings.
- The actual expenditures for current year were about $397,000 under budget, which represents less than .47% of budgeted expenditures.
- The General Fund's fund balance increased by approximately $2,051,000. Each category experienced an increase from prior year. The unassigned fund balance increased by approximately $101,000, and the restricted fund balances increased by approximately $1,719,000. Nonspendable fund balance increased by approximately $116,000. Assigned fund balance increased by approximately $115,000.

CONSTRUCTION PROJECTS AND DEBT SERVICE

An annual levy is made to fund the bond payments of approximately $7,330,000 in principal and $5,300,000 of interest.

INTERNAL SERVICE FUND

The District provides group health insurance and dental insurance for various employee groups through a self-insurance program funded by District contributions and payroll withholding. Medica is the current provider of administrative services for health insurance and Delta Dental is the current provider of administrative services for dental insurance. Expenses for the year ended June 30, 2019 exceeded revenues by approximately $440,000 and net position at year-end totaled approximately $6,050,000 as compared to annual expenses of approximately $15,885,000.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

CAPITAL ASSETS

As shown in the table below, the District has invested $157,011,120 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation expense for the year was $4,304,218.

Table A-7
The District's Capital Assets

	2019	2018	Percentage Change
Land	$ 4,565,005	$ 2,533,546	80.2 %
Construction-in-Progress	19,292,540	835,500	2209.1
Land Improvements	12,546,877	12,531,800	0.1
Buildings and Improvements	104,711,546	104,501,569	0.2
Equipment	15,895,152	15,300,301	3.9
Less: Accumulated Depreciation	(74,759,262)	(70,541,465)	6.0
Total	$ 82,251,858	$ 65,161,251	26.2

Long-Term Liabilities

At year-end, the District had $209,940,000 in general obligation bonds outstanding, approximately $3,596,000 in a lease purchase, and about $2,521,000 in capital leases as shown in Note 5 to the financial statements.

Table A-8
The District's Long-Term Debt

	2019	2018	Percentage Change
General Obligation Bonds	$ 209,940,000	$ 185,160,000	13.4 %
Net Bond Premium and Discount	11,659,802	7,368,066	58.2
Certificates of Participation	9,485,000	-	100.0
Obligations Under Capital Leases	2,521,108	2,027,213	24.4
Lease Purchases	3,596,392	3,880,012	(7.3)
Total	$ 237,202,302	$ 198,435,291	19.5
Long-Term Debt			
Due Within One Year	$ 6,632,925	$ 8,196,797	
Due in More Than One Year	230,569,377	190,238,494	
Total	$ 237,202,302	$ 198,435,291	

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of voter-approved excess capital referendums, the District is mostly dependent on the State of Minnesota for its revenue authority.

The general education per pupil formula 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.

As the state economy followed national trends during the downturn from 2009 – 2012, increased funding from the state was very limited and at a level that was insufficient in meeting the instructional program needs and increasing operating costs. The district responded to these financial challenges by taking appropriate expense reduction steps to bring relative stability to its budget and maintain an adequate amount in fund reserves. With recent increases in education funding from the state, the District's operating results have improved and allowed for an increase in its fund reserves, better positioning itself for continued financial stability in the future.

With continued proactive and prudent management of expenses, combined with the effects of increased funding from the state and increasing trends in enrollment, the District is well-positioned to achieve stability in its operating budget going forward.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is 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 this report or need additional financial information, contact Business Services, Independent School District No. 181, 804 Oak Street, Brainerd, Minnesota 56401.

BASIC FINANCIAL STATEMENTS

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF NET POSITION
JUNE 30, 2019
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018)

	Governmental Activities	
	2019	2018
ASSETS		
Cash and Investments	$ 201,572,148	$ 176,699,994
Cash Held by Fiscal Agent	10,160,708	151,508
Receivables		
Property Taxes	11,231,283	9,068,563
Other Governments	9,401,128	9,150,900
Other	318,110	333,582
Prepaid Items	527,106	252,257
Net OPEB Asset	2,678,894	4,989,137
Inventories	122,515	104,090
Due from Other Funds	994,744	71,789
Capital Assets		
Land	4,565,005	2,533,546
Construction in Progress	19,292,540	835,500
Other Capital Assets, Net of Depreciation	58,394,313	61,792,205
Total Assets	319,258,494	265,983,071
DEFERRED OUTFLOWS OF RESOURCES		
Loss on Refunding	-	57,004
OPEB Related	1,703,048	15,065
Pension Related	58,705,747	77,587,417
Total Deferred Outflows of Resources	60,408,795	77,659,486
LIABILITIES		
Salary and Benefits Payable	2,841,486	2,852,091
Accounts and Contracts Payable	8,696,690	2,143,431
Accrued Interest	3,687,560	761,942
Due to Other Governmental Units	577,994	613,743
Unearned Revenue - Charges for Services	278,814	106,906
Long-Term Liabilities		
Net Pension Liability	50,720,887	139,861,168
Net Supplemental Pension Liability	138,534	123,659
Portion Due Within One Year	6,925,185	8,451,982
Portion Due in More Than One Year	230,569,377	190,238,494
Total Liabilities	304,436,527	345,153,416
DEFERRED INFLOWS OF RESOURCES		
Gain on Refunding	2,073,260	98,011
Pension Related	75,574,158	23,260,191
OPEB Related	275,365	222,617
Property Taxes Levied for Subsequent Year	22,654,300	18,853,141
Total Deferred Inflows of Resources	100,577,083	42,433,960
NET POSITION		
Net Investment in Capital Assets	28,834,415	22,317,549
Restricted for:		
General Fund Operating Capital Purposes	1,121,870	914,100
General Fund State-Mandated Reserves	3,951,576	2,441,449
Food Service	541,910	627,920
Community Service	1,640,286	1,861,834
Capital Projects	5,653,047	1,146,555
Cash Held by Fiscal Agent	152,128	151,508
Debt Service	-	5,116,366
Other Postemployment Benefits	2,678,894	4,989,137
Unrestricted	(69,920,447)	(83,511,237)
Total Net Position	$ (25,346,321)	$ (43,944,819)

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	2019					2018
		Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
Governmental Activities						
Administration	$ 2,562,249	$ 1,085	$ 308,888	$ 411	$ (2,251,865)	$ (3,537,297)
District Support Services	1,801,170	950	(13,778)	-	(1,813,998)	(2,096,280)
Regular Instruction	23,775,607	1,156,175	3,650,663	392,952	(18,575,817)	(39,920,891)
Vocational Education Instruction	827,972	48,320	(55,047)	-	(834,699)	(1,658,115)
Special Education Instruction	17,634,324	437,488	14,217,454	-	(2,979,382)	(10,874,587)
Instructional Support Services	4,539,229	3,486	241,142	318,373	(3,976,228)	(5,633,173)
Pupil Support Services	7,150,417	-	643,437	9,056	(6,497,924)	(6,676,658)
Sites and Buildings	9,276,311	56,771	4,484,538	374,817	(4,360,185)	(9,427,738)
Fiscal and Other Fixed Cost Programs	322,495	-	-	-	(322,495)	(304,200)
Food Service	3,499,133	1,337,301	2,162,881	-	1,049	107,722
Community Service	3,069,624	1,742,586	711,457	-	(615,581)	(1,240,837)
Interest and Fiscal Charges on Long-Term Liabilities	8,988,202	-	193,247	-	(8,794,955)	(1,553,502)
Total School District	$ 83,446,733	$ 4,784,162	$ 26,544,882	$ 1,095,609	(51,022,080)	(82,815,556)
General Revenues						
Property Taxes Levied for:						
General Purposes					10,591,019	9,878,203
Community Service					568,042	573,735
Debt Service					8,667,277	9,079,933
State Aid Not Restricted to Specific Purposes					48,249,115	47,595,311
Earnings on Investments					560,939	297,778
Miscellaneous					984,186	1,071,866
Total General Revenues					69,620,578	68,496,826
CHANGE IN NET POSITION					18,598,498	(14,318,730)
Net Position - Beginning of Year					(43,944,819)	(29,626,089)
NET POSITION - END OF YEAR					$ (25,346,321)	$ (43,944,819)

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

			Major Funds			
		General		Food Service		Community Service
ASSETS						
Cash and Investments	$	10,714,800	$	572,402	$	1,929,466
Cash Held by Fiscal Agent		152,128		-		-
Receivables						
Current Property Taxes		4,311,504		-		257,595
Delinquent Property Taxes		230,029		-		13,650
Due from Other Minnesota School Districts		183,737		-		-
Due from Minnesota Department of Education		7,225,912		-		80,907
Due from Federal through Minnesota Department of Education		1,737,127		-		8,846
Due from Other Governmental Units		113,266		-		35,000
Other Receivables		317,275		-		835
Due from Other Funds		994,744		-		-
Prepaid Items		346,603		-		121,977
Inventory		41,350		81,165		-
Total Assets	$	26,368,475	$	653,567	$	2,448,276
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Salary and Benefits Payable	$	2,602,373	$	93,592	$	145,521
Accounts and Contracts Payable		286,960		5,912		6,934
Due to Other Minnesota School Districts		155,624		-		-
Due to Other Governmental Units		420,460		-		1,578
Unearned Revenue - Charges for Services		174,670		12,153		91,991
Total Liabilities		3,640,087		111,657		246,024
Deferred Inflows of Resources						
Property Taxes Levied for Subsequent Year		8,766,242		-		561,966
Unavailable Revenue - Delinquent Taxes		90,858		-		13,650
Total Deferred Inflows of Resources		8,857,100		-		575,616
Fund Balance						
Nonspendable:						
Prepaid Items		346,603		-		121,977
Inventory		41,350		81,165		-
Restricted:						
Operating Capital		1,121,870		-		-
Learning and Development		550,205		-		-
Safe Schools - Crime		229,178		-		-
Community Education Programs		-		-		516,012
Early Childhood and Family Educations Programs		-		-		711,473
School Readiness		-		-		258,821
Adult Basic Education		-		-		12,089
Staff Development		801,245		-		-
Long-Term Facilities Maintenance (LTFM)		2,370,948		-		-
Projects Funded by Certificates of Lease Purchase		-		-		-
Other Restricted		152,128		460,745		6,264
Assigned:						
Q Comp		631,015		-		-
Other		120,606		-		-
Unassigned		7,506,140		-		-
Total Fund Balances		13,871,288		541,910		1,626,636
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$	26,368,475	$	653,567	$	2,448,276

See accompanying Notes to Financial Statements.

Capital Projects	Debt Service	Total Governmental Funds 2019	Total Governmental Funds 2018
$ 171,330,580	$ 9,959,458	$ 194,506,706	$ 169,148,486
10,008,580	-	10,160,708	151,508
-	6,205,642	10,774,741	8,630,056
-	212,863	456,542	438,507
-	-	183,737	205,080
-	16,333	7,323,152	7,036,183
-	-	1,745,973	913,591
-	-	148,266	996,046
-	-	318,110	333,582
-	-	994,744	71,789
58,526	-	527,106	252,257
-	-	122,515	104,090
$ 181,397,686	$ 16,394,296	$ 227,262,300	$ 188,281,175
$ -	$ -	$ 2,841,486	$ 2,852,091
7,381,352	-	7,681,158	1,081,691
-	-	155,624	225,353
332	-	422,370	388,390
-	-	278,814	106,906
7,381,684	-	11,379,452	4,654,431
-	13,326,092	22,654,300	18,853,141
-	212,863	317,371	297,038
-	13,538,955	22,971,671	19,150,179
58,526	-	527,106	252,257
-	-	122,515	104,090
-	-	1,121,870	914,100
-	-	550,205	543,580
-	-	229,178	355,554
-	-	516,012	861,945
-	-	711,473	645,737
-	-	258,821	324,226
-	-	12,089	9,209
-	-	801,245	887,884
28,765,853	-	31,136,801	539,636
8,584,424	-	8,584,424	-
136,607,199	2,855,341	140,081,677	150,996,751
-	-	631,015	522,780
-	-	120,606	113,826
-	-	7,506,140	7,404,990
174,016,002	2,855,341	192,911,177	164,476,565
$ 181,397,686	$ 16,394,296	$ 227,262,300	$ 188,281,175

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION — GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	2019	2018
Total Fund Balance for Governmental Funds	$ 192,911,177	$ 164,476,565
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	4,565,005	2,533,546
Construction-in-Progress	19,292,540	835,500
Land Improvements, Net of Accumulated Depreciation	4,746,138	5,252,690
Buildings and Improvements, Net of Accumulated Depreciation	49,905,521	52,749,655
Equipment, Net of Accumulated Depreciation	3,742,654	3,789,860
OPEB trust assets net of the OPEB liability recognized to date, are not current financial resources and, therefore, are not reported at fund level.	2,678,894	4,989,137
OPEB deferred inflows are reported only on the statement of net position.	(274,018)	(221,120)
OPEB deferred outflows are reported only on the statement of net position.	1,678,435	15,065
The Net Supplemental Pension Liability and deferred inflow of resources are not a current financial resource and, therefore, are not reported at fund level.	(115,268)	(125,156)
The District's Net Pension Liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Liability	(50,720,887)	(139,861,168)
Deferred Inflows of Resources - Pension Related	(75,574,158)	(23,260,191)
Deferred Outflows of Resources - Pension Related	58,705,747	77,587,417
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the funds.	317,371	297,038
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(3,687,560)	(761,942)
Internal service fund is used by management to charge the costs of health and dental insurance services to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position. Internal service fund net position at year-end is:	6,049,910	6,489,768
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:		
Bonds Payable	(209,940,000)	(185,160,000)
Unamortized Premiums	(11,661,800)	(7,370,860)
Unamortized Discounts	1,998	2,794
Gain on Refunding Bond	(2,073,260)	(98,011)
Loss on Refunding Bond	-	57,004
Obligations Under Capital Leases	(2,521,108)	(2,027,213)
Lease Purchase Payable	(3,596,392)	(3,880,012)
Certificate of Participation	(9,485,000)	-
Compensated Absences Payable	(292,260)	(255,185)
Total Net Position of Governmental Activities	$ (25,346,321)	$ (43,944,819)

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	Major Funds		
	General	Food Service	Community Service
REVENUES			
Local			
Property Taxes	$ 10,377,299	$ -	$ 568,845
Earnings on Investments	267,069	14,936	55,692
Other	2,782,663	1,337,301	1,806,424
State Sources	68,852,909	196,559	769,198
Federal Sources	2,150,513	1,978,381	8,846
Total Revenues	84,430,453	3,527,177	3,209,005
EXPENDITURES			
Current			
Administration	3,259,447	-	-
District Support Services	1,847,323	-	-
Regular Instruction	33,634,806	-	-
Vocational Education Instruction	1,101,965	-	-
Special Education Instruction	20,941,686	-	-
Instructional Support Services	4,395,562	-	-
Pupil Support Services	7,052,106	-	-
Sites and Buildings	7,909,368	-	-
Fiscal and Other Fixed Cost Programs	322,495	-	-
Food Service	-	3,613,187	-
Community Service	-	-	3,449,390
Capital Outlay	1,909,696	-	6,300
Debt Service			
Principal	889,256	-	-
Interest and Fiscal Charges	190,266	-	-
Total Expenditures	83,453,976	3,613,187	3,455,690
Excess (Deficiency) of Revenues Over (Under) Expenditures	976,477	(86,010)	(246,685)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	25,940
Transfers Out	(25,940)	-	-
Bond Refunding Payment	-	-	-
Proceeds from Sale of Bonds and COPs	-	-	-
Proceeds from Capital Leases	1,099,531	-	-
Refunding Bond Premium	-	-	-
Premium on Sale of Bonds	-	-	-
Sale of Capital Assets	700	-	-
Total Other Financing Sources (Uses)	1,074,291	-	25,940
NET CHANGE IN FUND BALANCE	2,050,768	(86,010)	(220,745)
Fund Balance - Beginning of Year	11,820,520	627,920	1,847,381
FUND BALANCE - END OF YEAR	$ 13,871,288	$ 541,910	$ 1,626,636

See accompanying Notes to Financial Statements.

Capital Projects - Building Construction	Debt Service	Total Governmental Funds 2019	Total Governmental Funds 2018
$ -	$ 8,677,361	$ 19,623,505	$ 19,310,725
4,506,492	247,562	5,091,751	240,231
-	-	5,926,388	6,612,206
-	163,384	69,982,050	68,333,314
-	-	4,137,740	3,988,892
4,506,492	9,088,307	104,761,434	98,485,368
-	-	3,259,447	3,219,892
-	-	1,847,323	1,966,406
-	-	33,634,806	32,889,198
-	-	1,101,965	1,175,540
-	-	20,941,686	20,282,134
-	-	4,395,562	4,710,682
-	-	7,052,106	6,684,405
16,946,185	-	24,855,553	9,902,791
-	-	322,495	304,200
-	-	3,613,187	3,482,200
-	-	3,449,390	3,131,626
4,495,360	-	6,411,356	2,291,397
-	7,330,000	8,219,256	7,909,625
-	5,265,760	5,456,026	2,195,035
21,441,545	12,595,760	124,560,158	100,145,131
(16,935,053)	(3,507,453)	(19,798,724)	(1,659,763)
-	-	25,940	24,578
-	-	(25,940)	(24,578)
-	(31,960,000)	(31,960,000)	-
43,405,068	30,149,932	73,555,000	143,110,000
-	-	1,099,531	153,109
	2,517,501	2,517,501	-
3,020,604	-	3,020,604	6,746,709
-	-	700	19,255
46,425,672	707,433	48,233,336	150,029,073
29,490,619	(2,800,020)	28,434,612	148,369,310
144,525,383	5,655,361	164,476,565	16,107,255
$ 174,016,002	$ 2,855,341	$ 192,911,177	$ 164,476,565

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES — GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	2019	2018
Net Change in Fund Balance-Total Governmental Funds	$ 28,434,612	$ 148,369,310
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.		
Capital Outlays	21,397,742	2,702,585
Net Depreciated Value of Disposed Assets	(2,917)	(54,850)
Depreciation Expense	(4,304,218)	(4,310,995)
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.		
Proceeds from Capital Lease	(1,099,531)	(153,109)
Change in Accrued Interest Expense - Capital Leases	(9,699)	(712)
Principal Payments - Capital Leases	605,636	575,645
Payment of OPEB benefits are recognized as expenditures at the fund level while the change in the net OPEB asset is recognized in the statement of net position.	(699,771)	(235,161)
Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the statement of activities are measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources.	17,944,644	(19,955,734)
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Net Bond (Premium) Discount	(5,538,105)	(6,746,709)
Gain on Refunding Bond	(2,073,260)	-
Proceeds From Sale of Bonds	(73,555,000)	(143,110,000)
Payment on Lease Purchase Agreement	283,620	273,980
Repayment of Bond Principal	7,330,000	7,060,000
Repayment of Refunding Bonds	31,960,000	-
Change in Accrued Interest Expense - General Obligation Bonds	(2,915,919)	124,339
Amortization of Loss on Refunding	(57,004)	(14,251)
Amortization of Gain on Refunding	98,011	40,866
Amortization of Bond Premium	1,247,165	255,903
Amortization of Bond Discount	(796)	(877)
Delinquent property taxes receivable will be collected next year, but are not available soon enough to pay for the current-period's expenditures and, therefore, are unavailable in the funds.	20,333	6,220
In the statement of activities, severance benefits and compensated absences are measured on the accrual basis. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(27,187)	(8,780)
Internal service fund is used by the District to charge the costs of the employee health and dental benefits to individual funds. The net gain (loss) of the internal service fund is reported with governmental activities.	(439,858)	863,600
Change in Net Position of Governmental Activities	$ 18,598,498	$ (14,318,730)

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources				
Property Taxes	$ 10,152,422	$ 10,152,422	$ 10,377,299	$ 224,877
Earnings on Investments	100,000	150,000	267,069	117,069
Other	2,588,439	2,697,666	2,782,663	84,997
State Sources	68,132,732	68,882,783	68,852,909	(29,874)
Federal Sources	1,857,600	2,158,520	2,150,513	(8,007)
Total Revenues	82,831,193	84,041,391	84,430,453	389,062
EXPENDITURES				
Current				
Administration	3,066,575	3,193,004	3,259,447	66,443
District Support Services	1,674,275	1,789,997	1,847,323	57,326
Elementary and Secondary Regular Instruction	33,184,175	33,862,708	33,634,806	(227,902)
Vocational Education Instruction	1,135,316	1,170,312	1,101,965	(68,347)
Special Education Instruction	19,940,628	20,905,210	20,941,686	36,476
Instructional Support Services	4,967,672	4,838,226	4,395,562	(442,664)
Pupil Support Services	7,894,417	7,211,301	7,052,106	(159,195)
Sites and Buildings	8,370,292	8,527,447	7,909,368	(618,079)
Fiscal and Other Fixed Cost Programs	305,000	305,000	322,495	17,495
Capital Outlay	2,120,180	1,022,441	1,909,696	887,255
Debt Service				
Principal	643,260	844,224	889,256	45,032
Interest and Fiscal Charges	174,156	181,110	190,266	9,156
Total Expenditures	83,475,946	83,850,980	83,453,976	(397,004)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(644,753)	190,411	976,477	786,066
OTHER FINANCING SOURCES (USES)				
Transfers Out	(23,695)	(23,695)	(25,940)	(2,245)
Capital Lease Proceeds	-	-	1,099,531	1,099,531
Sale of Capital Assets	-	-	700	700
Total Other Financing Sources (Uses)	(23,695)	(23,695)	1,074,291	1,097,986
NET CHANGE IN FUND BALANCE	$ (668,448)	$ 166,716	2,050,768	$ 1,884,052
FUND BALANCE				
Beginning of Year			11,820,520	
END OF YEAR			$ 13,871,288	

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources				
Earnings on Investments	$ 1,500	$ 6,000	$ 14,936	$ 8,936
Other - Primarily Meal Sales	1,419,000	1,494,000	1,337,301	(156,699)
State Sources	209,000	209,000	196,559	(12,441)
Federal Sources	2,010,000	1,980,000	1,978,381	(1,619)
Total Revenues	3,639,500	3,689,000	3,527,177	(161,823)
EXPENDITURES				
Current				
Food Service	3,592,754	3,517,498	3,613,187	95,689
NET CHANGE IN FUND BALANCE	$ 46,746	$ 171,502	(86,010)	$ (257,512)
FUND BALANCE				
Beginning of Year			627,920	
END OF YEAR			$ 541,910	

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources				
Property Taxes	$ 569,568	$ 569,568	$ 568,845	$ (723)
Earnings on Investments	3,500	30,000	55,692	25,692
Other - Primarily Tuition and Fees	1,672,279	1,777,279	1,806,424	29,145
State Sources	751,931	788,056	769,198	(18,858)
Federal Sources	5,435	8,886	8,846	(40)
Total Revenues	3,002,713	3,173,789	3,209,005	35,216
EXPENDITURES				
Current				
Community Service	3,282,920	3,345,066	3,449,390	104,324
Capital Outlay	20,500	20,500	6,300	(14,200)
Total Expenditures	3,303,420	3,365,566	3,455,690	90,124
Excess (Deficiency) of Revenues Over (Under) Expenditures	(300,707)	(191,777)	(246,685)	(54,908)
OTHER FINANCING SOURCES				
Transfers In	23,695	23,695	25,940	2,245
NET CHANGE IN FUND BALANCE	$ (277,012)	$ (168,082)	(220,745)	$ (52,663)
FUND BALANCE				
Beginning of Year			1,847,381	
END OF YEAR			$ 1,626,636	

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	2019	2018
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 7,065,442	$ 7,551,508
LIABILITIES		
Current Liabilities		
Claims Payable	1,015,532	1,061,740
NET POSITION		
Unrestricted Net Position	$ 6,049,910	$ 6,489,768

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDING JUNE 30, 2018)

	2019	2018
OPERATING REVENUES		
Contributions from District and Employees	$ 15,250,938	$ 15,036,432
OPERATING EXPENSES		
Insurance Claims and Administration	15,859,204	14,268,563
Wellness Expenses from Insurance Administrator	25,519	20,000
Total Operating Expenses	15,884,723	14,288,563
Operating Income (Loss)	(633,785)	747,869
NONOPERATING INCOME (EXPENSES)		
Earnings on Investments	168,927	90,731
Wellness Funding from Insurance Administrator	25,000	25,000
Total Nonoperating Income (Expenses)	193,927	115,731
CHANGE IN NET POSITION	(439,858)	863,600
Net Position - Beginning of Year	6,489,768	5,626,168
NET POSITION - END OF YEAR	$ 6,049,910	$ 6,489,768

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	Governmental Activities - Internal Service Funds	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from District and Employees	$ 15,250,938	$ 15,036,432
Cash Payments for Insurance and Other Operating Expenses	(15,930,931)	(14,087,311)
Net Cash Provided (Used) by Operating Activities	(679,993)	949,121
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	168,927	90,731
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Wellness Funding Received from Insurance Administrator	25,000	25,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(486,066)	1,064,852
Cash and Cash Equivalents - Beginning of Year	7,551,508	6,486,656
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 7,065,442	$ 7,551,508
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (633,785)	$ 747,869
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Increase (Decrease) in Claims Payable	(46,208)	201,252
Net Cash Provided (Used) by Operating Activities	$ (679,993)	$ 949,121

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Postemployment Benefits Irrevocable Trust Fund	Agency
ASSETS		
Cash and Deposits	$ 271,358	$ -
Investments:		
Fixed Income	13,172,713	-
Equities	9,152,258	-
Receivables		
Due from Other Minnesota School Districts	-	1,338,361
Interest	49,694	-
Prepaid Items	194	29,826
Total Assets	$ 22,646,217	$ 1,368,187
LIABILITIES		
Accounts Payable	$ -	$ 7,768
Salary and Benefits Payable	-	30,143
Due to Other Minnesota School Districts	-	268,219
Due to Other Funds	-	994,744
Unearned Revenue	-	67,313
Total Liabilities	-	$ 1,368,187
NET POSITION		
Restricted for Postemployment Benefits other than Pensions	$ 22,646,217	

See accompanying Notes to Financial Statements.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
POSTEMPLOYMENT BENEFITS IRREVOCABLE TRUST FUND
YEAR ENDED JUNE 30, 2019

ADDITIONS	
Investment Income:	
Net Increase (Decrease) in Fair Value of Investments	$ 715,962
Interest and Dividends	731,605
Less Investment Expense	(131,160)
Net Investment Income	1,316,407
Total Additions	1,316,407
DEDUCTIONS	
OPEB Health Insurance Payments	1,924,004
Total Deductions	1,924,004
CHANGE IN NET POSITION	(607,597)
Net Position - Beginning of Year	23,253,814
NET POSITION - END OF YEAR	$ 22,646,217

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 181 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Financial Reporting Entity

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

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

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

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. The Board of Education does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota State Statutes, the District's Board of Education has not elected to control or exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are not included in these financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

The District-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all of the financial activities of the District, except for the fiduciary funds. The Fiduciary Funds are only reported in the statements of Fiduciary Net Position at the Fund Financial Statement level.

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

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

Separate Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. The District has one agency fund and one trust fund.

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal user of the internal services is the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental 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 source of operating revenue of the District's internal service fund is the District's operating funds for health insurance premiums related to District employees. Operating expenses for the internal service fund include the cost of medical benefits, re-insurance premiums, and third-party administration fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

The Fiduciary Funds are presented in the fiduciary fund financial statements by type (agency and trust). Since by definition these assets are being held for the benefit of a third-party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the District-wide statements.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. 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 items are recognized when all eligibility requirements imposed by the provider have been met.

Agency funds have no measurement focus but are accounted for on the accrual basis of accounting.

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

1. Revenue Recognition

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

2. Recording of Expenditures

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

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

Major Governmental Funds

General Fund

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

Food Service Special Revenue Fund

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

Community Service Special Revenue Fund

The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes and state credits.

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. The Fund was established for building construction activity authorized by specific voter-approved bond issues.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest, and related costs.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

Proprietary Fund

Internal Service Fund

The Internal Service Fund accounts for financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The Internal Service Fund accounts for the financing of services provided by one department to other departments of the District on a cost reimbursement basis. The District's Internal Service Fund reflects the activities of its self-insured health insurance plan for its employees.

Fiduciary Funds

Agency Fund

The Agency Fund was established to account for cash and other assets held by the District as the agent for others. This fund is used to account for transactions relating to the special education cooperative in which the District has a custodial relationship.

Postemployment Benefits Irrevocable Trust Fund

This Trust Fund is used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits. District contributions to this fund must be expensed to an operating fund.

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. generally accepted accounting principles. Each June, the Board of Education adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. An annual budget is not adopted for the Capital Projects – Building Construction Fund because project length financial plans are adopted in accordance with bond issue authorization. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budgeted amounts represent the amended budget as adopted by the Board of Education. Legal budgetary control is at the fund level.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

Total fund expenditures in excess of the budget require approval of either the Director of Business Services or the Board of Education. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Budgeted amounts include interim budget amendments that increased and decreased revenue and expenditure budgets as follows:

Revenues and Transfers In	Original Budget	Amendments	Amended Budget
General Fund	$ 82,831,193	$ 1,210,198	$ 84,041,391
Special Revenue Funds			
Food Service Fund	3,639,500	49,500	3,689,000
Community Service Fund	3,026,408	171,076	3,197,484
Expenditures and Transfers Out			
General Fund	83,499,641	375,034	83,874,675
Special Revenue Funds			
Food Service Fund	3,592,754	(75,256)	3,517,498
Community Service Fund	3,303,420	62,146	3,365,566

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

At the end of each fiscal year, if the General Fund has a net unreserved deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain reserves specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the commissioner of the Department of Education.

F. Cash and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. The Trust Fund, Internal Service Funds, and the escrowed assets are not included in this pool.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable

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

H. Inventories

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

I. Prepaid Items

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

J. Property Taxes

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

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred inflow of resources (property taxes levied for subsequent year).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes (Continued)

The majority of District revenue in the General and Special Revenue Funds is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." In the Debt Service Fund, all property taxes collected in a calendar year are recorded as revenue in the fiscal year which begins July 1 of that calendar year.

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy (frozen at $381,871) advance recognized as revenue each year with no corresponding state aid adjustment. Certain other portions of the District's 2018 Pay 2019 levy, normally revenue for the 2019-20 fiscal year, are also advance recognized as June 30, 2019, as required by state statute to match revenue with the same fiscal year as the related expenditures.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is unavailable because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material.

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2019, are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of $2,500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statement, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 20 years for equipment.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

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

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

L. Deferred Outflows of Resources

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

M. Long-Term Obligations

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

N. Accrued Employee Benefits

Sick Pay

Substantially, all District employees are entitled to sick leave at various rates. No sick leave is paid out at termination.

Vacation Pay

The secretarial, custodial, superintendent and the nonunion employees are the only groups to accrue vacation. Secretarial, custodial and the superintendent have to be down to one year's accumulation by a specified date according to their contract or they lose it. Any unused vacation at termination is paid out. The nonunion employees all vary from contract to contract, but most contracts state that there is no limit on the amount of carryover of vacation and any unused vacation at termination is paid out.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Accrued Employee Benefits (Continued)

Severance and Other Postretirement Benefits

Severance and other postretirement benefit liabilities are paid by the General and Special Revenue Funds. Annual payments to retire the severance benefits liability have not been determined and will depend on actual employee turnover.

Severance benefits consist of lump sum retirement payments, and postemployment health care benefits. Accounting policies for severance and health benefits are described below:

1. Severance Payments at Retirement

   The District maintains various retirement payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. Generally, the District makes payments to an independent trustee who administers a health savings account for each retiree, thus this liability is considered to be related to postemployment benefits and is included in the OPEB liability.

2. Postemployment Health Care Benefits

   The District provides postemployment retirement benefits to pay health insurance premiums for certain retired District personnel. Eligible administrative personnel hired prior to January 1, 2009 receive health insurance benefits to age 70. Eligible administrative personnel hired after January 1, 2009 receive health insurance benefits to age 65. Eligible teaching staff hired prior to January 1, 2009, receive health insurance benefits to Medicare eligible age. Teaching staff hired after January 1, 2009 do not receive postemployment health insurance benefits. Other qualified staff hired prior to March 1, 2010, also receive health insurance benefits to Medicare eligible age. Other staff hired after March 1, 2010 do not receive postemployment health insurance benefits.

   For purposes of measuring the net OPEB liability (asset), deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

O. Deferred Inflows of Resources

In addition to liabilities, the financial statements reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Pensions

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

Q. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for the unearned grant revenue, donations, charges for services, and school lunch deposits.

R. Statement of Cash Flows

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 equivalents.

S. Cash and Investments Held by Fiscal Agent

Cash and Investments held with fiscal agent are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture.

T. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance are related to prepaid items and inventories. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Director of Business Services to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. Positive unassigned fund balance can only be reported in the General Fund, and all other funds only report negative unassigned amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned fund balance.

It is also the District's policy to strive to maintain a minimum unassigned General Fund balance of five percent of the annual budgeted expenditures and an optimal operating range of 5 to 7%.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the District-wide, Proprietary Fund, and Fiduciary Fund financial statements. Net investment in capital assets consists of capital assets, net of accumulation depreciation, reduced by the outstanding balance (less any unspent bond proceeds) of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the District-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following fund:

	Budget	Expenditures	Excess
Special Revenue Funds			
Food Service Fund	$ 3,517,498	$ 3,613,187	$ 95,689
Community Service Fund	3,365,566	3,455,690	90,124

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

B. Interfund Transfers

The District had the following interfund transfers at June 30, 2019:

	Transfers In:
Transfers Out:	Community Service Fund
General Fund	$ 25,940

The purpose of the transfer from the General Fund to the Community Service Fund was to pay the costs of current and prior year preschool screening costs which were paid from the Community Service Fund.

C. Interfund Balances

The General Fund showed a due from other funds of $994,744 which was due from the Agency Fund. This balance was to cover negative cash as of the end of the year.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

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

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

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The District's deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

B. Investments

With the exception of the fiduciary funds held in the District's Other Postemployment Benefit Trust account discussed in Note 3, C, the District may invest idle funds as authorized by Minnesota Statutes Chapter 118A as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies;
- Shares of investment companies registered under the Investment Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less;

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

At June 30, 2019, the District, excluding its Postemployment Benefits Irrevocable Trust Fund, had the following investments. (See separate investment disclosures for the Benefits Trust Fund at Note 3, C):

	Amount
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	$ 19,715,099
US Treasury	108,806,784
Money Market	29,772,000
US Agency	30,304,719
Corporate Note	1,554,945
Total Investments	$ 190,153,547

The MSDLAF+ is an external investment pool (Pool) that is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value per share of $1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Government Accounting Standards Board. The Pool has no restrictions on cash withdrawals or deposits.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's policy is that the obligations at the time of purchase must be rated at the highest classification by at least two of the four standard rating services. The following chart summarizes year-end ratings for the District's investments as rated by Moody's Investors Service:

Type	Credit Quality Rating	Amount
MSDLAF+	AA+ - A-1	$ 19,715,099
US Treasury	AAA	108,806,784
Money Market	AAA	29,772,000
US Agency	AA+	30,304,719
Corporate Note	AAA	1,554,945
Total		$ 190,153,547

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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.

Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months
US Treasury	$ 108,806,784	$ 59,255,365	$ 27,743,880	$ 21,807,539
MSDLAF	19,715,099	19,715,099	-	-
Money Market	29,772,000	29,772,000	-	-
US Agency	30,304,719	9,063,305	19,741,384	1,500,030
Corporate Note	1,554,945	-	1,554,945	-
Total	$ 190,153,547	$ 117,805,769	$ 49,040,209	$ 23,307,569

Concentration of Credit Risk – The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by Minnesota Statutes.

The District's deposits ($21,850,667), investments ($190,153,547), irrevocable OPEB trust investments ($22,324,971) are presented in the financial statements as follows:

Cash and Investments - Statement of Net Position	$ 211,732,856
Cash and Investments - OPEB Trust	22,596,329
Total Cash and Investments	$ 234,329,185

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Other Postemployment Benefit Trust Account

Fiduciary Funds held in the District's Other Postemployment Benefit Trust account may be invested as authorized by Minnesota Statutes Chapter 356A. The District has further restricted and defined its authorized statute investment parameters within an OPEB Trust investment policy statement as follows:

Following is a list of the permissible assets for the OPEB Trust portfolio:

- Securities of the U.S. Government, its Agencies and/or Instrumentality
- Commercial Paper; Domestic and Eurodollar
- Corporate Notes/Bonds; Domestic and International
- Asset-Backed Securities
- Certificates of Deposit
- Tax-Exempt and Taxable Municipal bonds
- Mortgage-backed securities (U.S. Government-backed)
- Domestic Equities traded on a major exchange
- International Equities traded on a U.S. exchange (ADRs)
- Open-ended mutual funds that invest substantially all their assets in the asset classes listed above, such as: money market funds, domestic and foreign equity and fixed income funds
- Alternative funds that employ nontraditional strategies

Asset Allocation

The long-term financial requirements and prudent diversification implies a balanced investment approach. The target asset class allocation and ranges are as follows:

	Long-Term Target	Allowable Ranges	Actual Allocation as of 6/30/2019	
Money Market/Cash Equivalent	N/A	N/A	$ 271,358	2%
Domestic Fixed Income	55%	50-70%	13,172,713	58%
Foreign Fixed Income	5%	0-10%	-	0%
Total Fixed Income	60%	50-70%	13,172,713	58%
U.S. Stocks	30%	20-35%	5,701,253	25%
Foreign Stocks	5%	0-10%	3,451,005	15%
Total Equity	35%	20-40%	9,152,258	40%
Alternative Investments	5%	0-10%	-	0%
Accrued Interest			49,694	
Total Investments and Accrued Interest			$ 22,646,023	100%

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Other Postemployment Benefit Trust Account (Continued)

Approximate breakdown of fixed income securities is as follows:

Sector Distribution		
Treasury	$ 1,110,021	8%
Federal Agency	4,397,603	33%
Bond Mutual Funds	2,943,075	22%
Corporate Bonds	3,980,250	30%
Municipal Bonds	741,764	6%
Total	$ 13,172,713	100%

Credit Quality Standards

Any individual fixed income security purchased or retained in an account must have a rating of at least BBB-/ Baa3 (i.e., investment grade or above) as determined by at least one Nationally Recognized Statistical Rating Organization (NRSRO). Non-U.S. dollar denominated and below-investment grade obligations may be purchased only if held in a mutual fund.

Industry concentrations within the corporate, municipal revenue and asset-backed sectors should generally be limited to no more than 25% of an account's fixed income portfolio. In general, fixed income portfolios of individual securities will be well diversified and constructed to reflect the District's risk and return requirements, and will be comprised of investment grade securities.

Bond Mutual Funds are not rated and therefore are not included in the table listed below.

Quality Distribution Ratings		
Govt/AAA	$ 3,767,633	37%
AA	213,619	2%
A	2,619,661	26%
BBB	1,360,589	13%
NR	2,268,136	22%
Total	$ 10,229,638	100%

Fixed Income – Maturity Restrictions

Duration of the portfolio will generally be within +/- 20% of the Barclays Aggregate Bond Index, or the duration of the OPEB obligation, whichever is greater.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Other Postemployment Benefit Trust Account (Continued)

Approximate maturities of fixed income securities are as follows:

Duration Distribution		
0-2 Years	$ 6,114,556	46%
2-4 Years	2,981,594	23%
4-6 Years	2,051,563	16%
6-8 Years	1,925,000	15%
>10 Years	100,000	1%
Total	$ 13,172,713	100%

Issuer Concentration Policy

No single security, with the exception of a security issued by the U.S. Government, its Agencies and/or Instrumentalities, shall at the time of purchase constitute more than 5% of the value of the portfolio.

D. Fair Value Measurements

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

D. Fair Value Measurements (Continued)

Financial assets and liabilities recorded on the combined statement of financial position are categorized based on the inputs to the valuation techniques as follows:

- *Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- *Level 2* – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. 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 and recently published security specific trading levels.
- *Level 3* – Financial asset and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use a pricing the asset.

Assets measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
US Agency	$ -	$ 30,304,720	$ -	$ 30,304,720
Money Market	29,772,000	-	-	29,772,000
Corporate Note	-	1,554,945	-	1,554,945
US Treasury	-	108,806,784	-	108,806,784
OPEB Trust				
Mortgage Backed Securities (MBS)	-	5,507,623	-	5,507,623
Corporate Bonds	-	3,980,250	-	3,980,250
Municipal Obligations	-	741,764	-	741,764
Equity Securities	9,152,258	-	-	9,152,258
Mutual Funds/ETFs	2,943,075	-	-	2,943,075
Total	$ 41,867,333	$ 150,896,086	$ -	192,763,419
OPEB Trust - Investments at Amortized Costs				385,302
Total Investments				$ 193,148,721

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	$ 2,533,546	$ 2,031,459	$ -	$ 4,565,005
Construction-in-Progress	835,500	18,457,040	-	19,292,540
Total Capital Assets, Not Being Depreciated	3,369,046	20,488,499	-	23,857,545
Capital Assets, Being Depreciated				
Land Improvements	12,531,800	18,560	(3,483)	12,546,877
Buildings and Improvements	104,501,569	209,977	-	104,711,546
Equipment	15,300,301	680,706	(85,855)	15,895,152
Total Capital Assets, Being Depreciated	132,333,670	909,243	(89,338)	133,153,575
Accumulated Depreciation for				
Land Improvements	(7,279,110)	(522,195)	566	(7,800,739)
Buildings and Improvements	(51,751,914)	(3,054,111)	-	(54,806,025)
Equipment	(11,510,441)	(727,912)	85,855	(12,152,498)
Total Accumulated Depreciation	(70,541,465)	(4,304,218)	86,421	(74,759,262)
Total Capital Assets, Being Depreciated, Net	61,792,205	(3,394,975)	(2,917)	58,394,313
Governmental Activities Capital Assets, Net	$ 65,161,251	$ 17,093,524	$ (2,917)	$ 82,251,858

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

Governmental Activities:	
Administration	$ 161,386
District Support Services	56,283
Regular Instruction	1,525,911
Vocational Education Instruction	81,416
Special Education Instruction	1,345,564
Instructional Support Services	132,820
Pupil Support Services	384,812
Sites and Buildings	402,702
Community Service	213,324
Total Depreciation Expense, Governmental Activities	$ 4,304,218

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 LONG-TERM LIABILITIES

A. Components of General Long-Term Debt

Description of Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Outstanding
School Building Bonds					
Series 2013A	3/19/2013	0.40 - 1.95%	1,240,000	2/1/2024	$ 640,000
Series 2013B	6/11/2013	2.00%	2,120,000	2/1/2024	2,120,000
Series 2018A	6/27/2018	2.00%	143,110,000	2/1/2044	143,110,000
Series 2018C Refunding	12/6/2018	5.00%	20,325,000	2/1/2028	20,325,000
Series 2018D	12/6/2018	3.25-5%	14,200,000	2/1/2039	14,200,000
Series 2019A	5/16/2019	3-5%	20,255,000	2/1/2035	20,255,000
OPEB Bonds					
Series 2018B Refunding	12/6/2018	2.9-4%	9,290,000	2/1/2023	9,290,000
Total General Obligation Bonds					209,940,000
Certificates of Participation	5/22/2019	3-5%	9,485,000	4/1/2034	9,485,000
Capital Lease Payable					
Buildings - Refunded	05/28/14	1.00 - 2.35%	2,175,000	02/01/22	800,000
Franklin Building	02/15/08	5.15%	718,553	02/21/28	260,874
Staff Computers	05/05/16	2.17%	522,243	05/15/20	102,295
Lowell LULA Elevator	07/13/15	2.88%	400,000	02/01/22	179,001
Mowing Equipment	07/05/17	4.88%	153,109	07/05/22	101,867
Custodial Equipment	09/27/18	5.01%	93,856	09/01/21	71,396
Student I-Pads	05/09/19	N/A	145,980	07/01/22	145,980
Student Chromebooks	06/20/19	0.53%	617,110	07/01/22	617,110
Planetarium Equipment	09/05/18	10.82%	242,585	08/01/20	242,585
Total Capital Leases					2,521,108
Lease Purchase Payable					
Lease Purchase Series 2014	03/13/14	3.87%	3,020,702	02/01/29	2,188,623
Lease Purchase Series 2015	05/19/15	2.87%	1,835,000	02/01/30	1,407,769
Total Lease Purchases					3,596,392
Compensated Absences Payable					292,260
Total Long-Term Liabilities					$ 225,834,760

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences payable are as follows:

Year Ending June 30	General Obligation Bonds Payable		Capital Leases Payable		Lease Purchases		Certificate of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 5,220,000	$ 8,486,835	$ 829,314	$ 59,496	$ 293,611	$ 122,561	$ 290,000	$ 326,467
2021	4,910,000	8,199,185	746,642	43,753	303,960	112,212	315,000	365,850
2022	4,985,000	8,001,570	543,289	21,241	314,680	101,492	515,000	350,100
2023	5,270,000	7,800,640	247,095	10,925	325,786	90,386	535,000	324,350
2024	5,525,000	7,565,635	30,114	7,266	337,292	78,880	565,000	297,600
2025-2029	31,115,000	33,829,250	124,654	12,407	1,874,082	206,776	3,295,000	1,034,000
2030-2034	40,115,000	26,442,000	-	-	146,981	3,171	3,970,000	364,500
2035-2039	53,115,000	18,069,950	-	-	-	-	-	-
2040-2044	59,685,000	7,026,950	-	-	-	-	-	-
Total	$ 209,940,000	$ 125,422,015	$ 2,521,108	$ 155,088	$ 3,596,392	$ 715,478	$ 9,485,000	$ 3,062,867

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt

1. General Obligation School Building Bonds

   These bonds were issued to finance acquisition and/or construction/improvement of capital facilities. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies are dedicated for the retirement of these bonds. Deferred future years' tax levies available to retire bond principal and interest payable at June 30, 2019 are approximately $365,305,376. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota Statutes.

2. General Obligation School Building Refunding Bonds

   On December 6, 2018, the District issued $20,325,000 General Obligation Refunding Bonds, Series 2018C to refund (in 2018) the 2010A General Obligation School Building Bonds, dated March 10, 2010. The refunding was undertaken to reduce total debt service payments in the amount of $302,458 over the next four years, and resulted in economic gain of $306,874.

3. General Obligation Taxable OPEB Refunding Bonds

   On December 6, 2018, the District issued $9,290,000 General Obligation Taxable OPEB Refunding Bonds, Series 2018B. The proceeds are to refinance the 2009A General Obligation OPEB Bonds. The refunding was undertaken to reduce total debt service payment in the amounts of $348,374 over the next four years, and resulted in economic gain of $323,085.

4. General Obligation Facilities Maintenance Bonds

   On December 3, 2018, the District issued $14,200,000 General Obligation Facilities Maintenance Bonds, Series 2018D. The proceeds are to be used to provide funds for facility maintenance projects included in the ten-year facility plan of the District. Repayment of the principal will be in one annual installment, plus 40 semi-annual fixed interest payments at 3.25% to 5.00%, commencing February 1, 2039.

5. General Obligation Facilities Maintenance and Tax Abatement Bonds

   On May 16, 2019, the District issued $20,255,000 General Obligation Facilities Maintenance and Tax Abatement Bonds, Series 2019A. The proceeds are to be used to provide funds for facility maintenance projects included in the ten-year facility plan of the District and parking lot construction and improvements. Repayment of the principal will be in one annual installment, plus 31 semi-annual fixed interest payments at 3% to 5%, commencing February 1, 2035.

6. Certificates of Participation

   On May 22, 2019, the District issued $9,485,000 Certificates of Participation, Series 2019B. The proceeds are to be used to finance building additions at district sites and facilities.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

7. Other Long-Term Debt (Continued)

   On March 13, 2014, the District entered into a lease-purchase agreement with Capital One Funding, LLC in the amount of $3,020,702, bearing interest at 3.87% to finance capital projects. Repayment of the lease will occur in 30 semi-annual installments of $133,011 commencing August 8, 2014. The proceeds were used to finance improvements made to the lower-site activity fields.

   On May 19, 2015, the District entered into a fifteen-year lease agreement Kinetic Leasing in the amount of $1,835,000, bearing interest at 2.87% to finance the Riverside addition. Repayment of the lease will occur with $75,075 payments occurring twice a year starting August 1, 2015. The proceeds were used to finance the addition to the Riverside School Building.

8. Capital Lease Obligations

   Buildings-

   On July 2, 2014, the District refunded its 2002A Lease Revenue Bonds with a remaining balance of $2,265,000 by issuing Lease Revenue Refunding Bonds, Series 2014A for $2,175,000 bearing interest at 1.00% to 2.35%. Repayment will be in one annual installment, plus 15 semi-annual interest payments commencing February 1, 2015. The original proceeds were used for the purchase of and improvements to the Area Education Center facility.

   On February 15, 2008, the District entered into a twenty-year lease with Artspace Brainerd Limited Partnership in the amount of $718,553, bearing interest at 5.15% to finance the acquisition of additional gymnasium space. Lease terms call for a $250,000 down payment and monthly lease payments of $3,115 commencing April 1, 2008.

   On July 13, 2015, the District entered into a seven-year lease with Kinetic Leasing, Inc. in the amount of $400,000, bearing interest at 2.88% for an elevator in the Lowell Elementary School. Monthly lease payments of $31,350 commenced on August 1, 2015.

   Equipment-

   On May 5, 2016, the District entered into a four-year lease-purchase agreement with Vantage Financial, LLC, in the amount of $522,243, bearing interest at 2.17% to finance computers across the District. Repayment of the lease will occur in monthly payments of $11,338, commencing May 27, 2016.

   On July 5, 2017, the District entered into a six-year lease agreement with TCF Equipment Finance in the amount of $153,109; bearing interest at 4.876% to finance mowing equipment. Repayment of the lease will occur with a $28,665 down payment and annual lease payments of $28,665 commencing July 5, 2018.

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

8. Capital Lease Obligations (Continued)

Equipment (Continued)-
On November 18, 2018, the District entered into a three-year lease-purchase agreement with All-Lines Leasing, in the amount of $93,856, bearing interest at 5.01% to finance various custodial equipment across the District. Repayment of the lease will occur in monthly payments of $2,802.

On May 9, 2019, the District entered into a four-year lease-purchase agreement with Apple Financial Services, in the amount of $145,980, with no interest, to finance I-Pads for the District. Since the equipment is under the capitalization threshold of the District, these items were not added as capital assets.

On June 20, 2019, the District entered into a four-year lease-purchase agreement with Vantage Financial, LLC, in the amount of $617,110, bearing interest at 0.53% to finance chrome-books for the District. Since the equipment is under the capitalization threshold of the District, these items were not added as capital assets.

On September 5, 2018, the District entered into a two-year lease-purchase agreement with National Cooperative Leasing, in the amount of $242,585, bearing interest at 12.1% to finance various planetarium equipment for the District.

Assets acquired through capital leases, are summarized as follows:

Land	$ 148,509
Buildings and Improvements	4,930,592
Equipment	1,751,234
Less: Accumulated Depreciation	(4,183,571)
Total	$ 2,646,764

D. Changes in Long-Term Debt

	June 30, 2018	Net Additions	Retirements	June 30, 2019	Due Within One Year
General Obligation Bonds	$ 185,160,000	$ 64,070,000	$ 39,290,000	$ 209,940,000	$ 5,220,000
Net Bond Premiums (Discount)	7,368,066	5,538,105	1,246,369	11,659,802	-
Capital Leases	2,027,213	1,099,531	605,636	2,521,108	829,314
Certificates of Participation	-	9,485,000	-	9,485,000	290,000
Lease Purchases	3,880,012	-	283,620	3,596,392	293,611
Subtotal	198,435,291	80,192,636	41,425,625	237,202,302	6,632,925
Compensated Absences	255,185	357,367	320,292	292,260	292,260
Total	$ 198,690,476	$ 80,550,003	$ 41,745,917	$ 237,494,562	$ 6,925,185

NOTE 6 RESTRICTED FUND BALANCES

A. Restricted for Operating Capital

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

B. Restricted for Learning and Development

Represents the available general education revenues for learning and development, which is mainly for reducing the pupil-to-staff ratio.

C. Restricted for Safe Schools – Crime Levy

Represents the unspent resources from the crime levy to be used for crime prevention, student and staff safety and violence prevention measures.

D. Restricted for Community Education

Represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood family education, and extended day programs.

E. Restricted for Early Childhood and Family Education

Represents the resources available to provide for services for Early Childhood Family Education programming.

F. Restricted for School Readiness

Represents the resources available to provide for School Readiness Program.

G. Restricted for Adult Basic Education

Represents the balance of carryover monies for all activity involving Adult Basic Education.

H. Restricted for Staff Development

Represents cumulative unspent staff development dollars.

I. Restricted for Long-term Facilities Maintenance (LTFM)

Represents available resources to be used for LTFM projects in accordance with the 10-year capital plan.

J. Restricted for Certificates of Lease Purchase Agreements

Represents the June 30 balance in the building construction fund for projects funded by certificates of lease purchase agreements.

NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

K. Restricted for Other Purposes

Restricted for other purposes represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Other Restricted:	
Cash Held by Fiscal Agent	$ 152,128
Food Service	460,745
Community Service	6,264
Capital Projects	136,607,199
Debt Service	2,855,341
Total Other Restricted	$ 140,081,677

NOTE 7 ASSIGNED FUND BALANCES

Assigned for Q Comp
Represents amount set aside for Q Comp expenditures.

Other assigned fund balances are listed below:

Other Assigned:	
FMS School Store	$ 45,465
Reading Recovery	4,057
Robotics	4,278
Fiber Partner	48,370
FMS Book Fair	109
Literacy Training	4,695
FMS Yearbook	13,632
Total Other Assigned	$ 120,606

NOTE 8 PENSION PLANS

A. Plan Description

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Fund (TRA). PERA and TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. PERA and TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (General Employees Plan)

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

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

2. Teachers Retirement Fund (TRA)

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

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or University of Minnesota System).

B. Benefits Provided

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

1. General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90% funded for two consecutive years, benefit recipients are given a 2.5% increase. If the plan has not exceeded 90% funded, or have fallen below 80%, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

NOTE 8 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits

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

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

Tier 1 Benefits

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

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) 3.0% per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July I, 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.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier II Benefits (Continued)

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

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

C. Contributions

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

1. General Employees Plan Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2019, were $986,526. The District's contributions were equal to the required contributions as set by state statute.

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 rates for the fiscal year for coordinated were 7.5% for the employee and 7.71% for the employer. Basic rates were 11.00% for the employee and 11.71% for the employer. The Districts contributions to TRA for the plan's fiscal year ended June 30, 2019 were $2,905,563. The District's contributions were equal to the required contributions for each year as set by state statue.

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2019, the District reported a liability of $10,429,469 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2018. The State of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $342,164, for a total net pension liability of $10,771,633 associated with the District. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2018, the District's proportionate share was .188% which was a decrease of .001% from its proportionate share measured as of June 30, 2017

For the year ended June 30, 2019, the District recognized pension expense of $302,441 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $79,792 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At June 30, 2019, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 276,051	$ 304,183
Changes in Actuarial Assumptions	996,279	1,171,862
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,065,727
Changes in Proportion	118,899	87,044
District Contributions Subsequent to the Measurement Date	986,526	-
Total	$ 2,377,755	$ 2,628,816

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

$986,526 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2020	$ 363,200
2021	(520,740)
2022	(862,364)
2023	(217,683)

2. TRA Pension Costs

At June 30, 2019 the District reported a liability of $40,291,418 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was .6415% at the end of the measurement period and .6402% at the beginning of the period.

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

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	$ 40,291,418
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	3,785,490
Total	$ 44,076,908

For the year ended June 30, 2019, the District recognized negative pension expense of $14,226,715. It also recognized $2,642,027 as a decrease to pension expense and negative grant revenue for the support provided by direct aid.

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

At June 30, 2019, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 429,756	$ 812,533
Changes in Actuarial Assumptions	52,023,678	68,701,864
Net Difference Between Projected and Actual Investment Earnings	-	3,124,594
Changes in Proportion	968,995	306,351
District Contributions Subsequent to the Measurement Date	2,905,563	-
Total	$ 56,327,992	$ 72,945,342

$2,905,563 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2020	$ 3,896,348
2021	2,626,723
2022	71,425
2023	(15,254,349)
2024	(10,863,060)

The District's total pension expense for all plans for the year ended June 30, 2019 was ($16,486,509).

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

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

Assumptions	General Employees Plan	TRA
Inflation	2.50% per Year	2.50%
Active Member Payroll Growth	11.25% after 1 year of service decreasing to 3.25% per year after 26 years	2.85% for 10 years and 3.25%, thereafter
Investment Rate of Return	7.50%	7.50%

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

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

TRA pre-retirement mortality rates were based on the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale. Post-retirement mortality rates were based on the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

TRA assumptions are based on the full experience study dated June 2015 and the study of the economic assumptions presented to the Board in November 2017.

TRA assumptions are based on the full experience study dated June 2015 and the study of the economic assumptions presented to the Board in November 2017.

NOTE 8 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions for PERA occurred in 2018:

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

The following changes in actuarial assumptions for TRA occurred in 2018:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 4 years, (7.92% in 2019, 8.13% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate was changed from 5.12% to 7.5%.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36.0 %	5.10 %
International Equity	17.0	5.30
Bonds	20.0	0.75
Alternative Assets	25.0	5.90
Cash	2.0	-
Totals	100.0 %	

F. Discount Rate

The discount rate used to measure the PERA General Employees Plan liability in 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTE 8 PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
General Employees Plan Discount Rate	6.50%	7.50%	8.50%
District's Proportionate Share of the General Employees Plan Net Pension Liability	$ 16,949,223	$ 10,429,469	$ 5,047,599
TRA Discount Rate	6.50%	7.50%	8.50%
District's Proportionate Share of the TRA Net Pension Liability	$ 63,942,317	$ 40,291,418	$ 20,779,582

H. Pension Plan Fiduciary Net Position

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

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

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer retiree benefit plan "the Plan" that provides health and dental insurance to eligible employees and their spouses through the District's health insurance plan. There are 931 active participants and 102 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

B. Funding Policy

The District has assets designated for OPEB. These assets are in a qualified irrevocable trust which is included as a fiduciary fund in these financial statements. The District's investment policy is to follow state statutes as listed in Note 3. The District is assumed to make no future contributions to the trust. Benefit payments equal to the annual direct subsidy plus implicit subsidy are assumed to be made from the trust. Contribution requirements are negotiated between the District and union representatives. For fiscal year 2019, the District did not make contributions to the plan; all current year benefits were paid from the District's OPEB Trust Fund.

C. Net OPEB Liability (Asset) of the District

The components of the net OPEB liability (asset) of the District at June 30, 2019, were as follows:

Total OPEB Liability	$ 19,967,323
Plan Fiduciary Net Position	22,646,217
District's net OPEB Liability (Asset)	$ (2,678,894)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	113%

D. Actuarial Methods and Assumptions

The discount rate is based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return. To the extent fiduciary net position is insufficient to finance the payment of benefits, the rate must be blended with a yield or index rate for 20 year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

The District's net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability (asset) used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll-forward techniques.

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

Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	5.00%
Medical Trend Rates	6.50% Decreasing to 5.00% over 6 Years
Dental Trend Rates	4.00%

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Actuarial Methods and Assumptions (Continued)

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2018.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.50%). Best estimates of geometric real and nominal rates of return for each major asset class included in the OPEB plan's asset allocation as of the measurement date are summarized in the following table:

Asset Class	Target Allocation	Expected Class Return
Domestic Equity	30.00%	
International Equity	5.00%	
Domestic Fixed Income	55.00%	
Foreign Fixed Income	5.00%	
Alternative Investments	5.00%	
Net Assumed Investment Return (Weighted Avg, Rounded to 1/4%)		5.00%

The discount rate used to measure the total OPEB liability was 4.90%. The projection of cash flows and OPEB trust assets used to determine the discount rate were based on recent employer contribution history and their stated funding policy. The OPEB trust's long-term assumed investment return was used to discount projected benefit payments for as long as projected trust assets are available to fund OEPB payments. Once projected trust assets are exhausted, the municipal bond index rate of 3.50% was applied to the remaining expected benefit payments.

The expected employer asset return is based on the long-term expected return on short-tem/cash-equivalent assets using our capital market assumption model.

Since the most recent GASB 74/75 valuation, the following changes have been made:

- The health care trend rates were change 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 trend on board contributions was changed from the same as the health care trend rates to 7.3% for two years and then the same as the remaining health care trend rates.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2018	$ 18,264,677	$ 23,253,814	$ (4,989,137)
Changes for the Year:			
Service Cost	728,439	-	728,439
Interest	884,088	-	884,088
Assumption Changes	815,371	1,162,691	(347,320)
Differences between Expected and Actual Experience	1,198,752	153,716	1,045,036
Benefit Payments	(1,924,004)	(1,924,004)	-
Net Changes	1,702,646	(607,597)	2,310,243
Balances at June 30, 2019	$ 19,967,323	$ 22,646,217	$ (2,678,894)

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

	1% Decrease (3.40%)	Discount Rate (4.40%)	1% Increase (5.40%)
Net OPEB Liability (Asset)	$ (1,607,972)	$ (2,678,894)	$ (3,719,627)

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1% point lower (5.50% decreasing to 4.00%) or 1% point higher (7.50% decreasing to 6.00%) and dental cost trend rates that are 1% point lower (3.00%) or 1% point higher (5.00%) than the current healthcare and dental cost trend rates:

	1% Decrease (Medical 5.5% decreasing to 4.00%, Dental 3.00%)	Current Trend Rates (6.5% decreasing to 5.00%, Dental 4.00%)	1% Increase (7.50% decreasing to 6.00%, Dental 5.00%)
Net OPEB Liability (Asset)	$ (4,148,901)	$ (2,678,894)	$ (1,015,016)

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Changes in the Net OPEB Liability (Asset) (Continued)

For the year ended June 30, 2019, the District recognized OPEB expense of $699,771. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources
Difference Between Expected and Actual Liability	$ 998,960
Change of Assumptions	679,475
Net Difference Between Projected and Actual Investment Earnings	-
Total	$ 1,678,435

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

Year Ended June 30,
2020
2021
2022
2023
2024
Total

At June 30, 2019, the District had no outstanding receivable or payable amounts from the Trust.

NOTE 10 SUPPLEMENTAL BENEFIT PLAN

A. Plan Description

The District provides a defined benefit supplemental pension benefit to certain eligible employees. All of the pension benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements.

Currently, there are 29 active employees who are eligible to receive benefits under the plan as of July 1, 2018. The pension benefit minimum is 12 days per year of service times the daily rate. Payments are made as lump sum payments. Some contracts also reduce the pension benefits by the total matching contribution made by the District to the employee's qualified retirement account over the course of that individual's employment with the District.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 SUPPLEMENTAL BENEFIT PLAN (CONTINUED)

B. Funding Policy

Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The General Fund is used for funding of all pension/retirement benefits. The employer makes all contributions.

C. Total Pension Liability

The District recognizes its total pension liability, rather than a net pension liability. In order for the District to recognize a net pension liability, assets must be accumulated in a trust that meets the following criteria:

- Contributions from the employer and nonemployer contributing entities, and the earnings thereon, must be irrevocable.
- Pension plan assets must be dedicated to providing pensions to Plan members in accordance with benefit terms.
- Pension plan assets must be legally protected from the creditors of employer, nonemployer contributing entities, the Plan administrator, and the Plan members.

No assets are accumulated in a trust that meets all of the above criteria. Accordingly, the District's total pension liability is not reduced by any assets accumulated in a trust that meets the criteria, and the District must report its total pension liability.

Total Pension Liability - June 30, 2018	$ 123,659
Changes for the Year:	
Service Cost	8,291
Interest	4,190
Assumption Changes	1,519
Plan Changes	18
Differences between Expected and Actual Experience	25,557
Benefit Payments	(24,700)
Net Changes	14,875
Total Pension Liability - June 30, 2019	$ 138,534

D. Pension Costs

For the year ended June 30, 2019, the District recognized pension expense of $14,812. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions or Other Inputs	$ 24,613	$ 1,347

NOTE 10 SUPPLEMENTAL BENEFIT PLAN (CONTINUED)

D. Pension Costs (Continued)

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

Year Ending June 30,	Pension Expense
2020	$ 2,313
2021	2,313
2022	2,313
2023	2,313
2024	2,313
Thereafter	11,701
Total	23,266

E. Actuarial Methods and Assumptions

The actuarial total pension liability was determined as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date:	July 1, 2018
Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry Age, Level Percentage of Pay
Discount Rate:	3.10%
Inflation:	2.50%
Salary Increases:	3.00%
Retirement Age:	55
Mortality:	RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale

F. Discount Rate

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

G. Total Pension Liability Sensitivity

The following presents the District's total pension liability, calculated using the discount rate of 3.10%, as well as what the District's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.10%) or one percentage point higher (4.10%) than the current rate:

	1% Decrease (2.10%)	Current Discount Rate (3.10%)	1% Increase (4.10%)
Total Pension Liability	$ 142,630	$ 138,534	$ 134,306

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 SELF INSURANCE

A. Health Insurance

The District provides group health insurance for various employees through a self-insurance program which is funded by District contributions and employee payroll withholding. The funds are deposited into an employee benefit trust account from which all claims plus a processing fee are charged. Stop-loss coverage is in effect for individual claims exceeding $175,000. The current net aggregate limits claims to approximately $14,960,506 for the contract period ended August 31, 2019.

Claims payable include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid each claimant. The provision for claims incurred but not yet reported is estimated based on District experience since the inception of the program. Changes in the balances of claim liabilities during fiscal year 2019 were as follows:

	Year Ended 2019	Year Ended 2018
Beginning of Fiscal Year Liability - Beginning of Year	$ 1,054,325	$ 848,457
Current Year Claims and Administration	15,053,350	13,677,932
Payments to Health Care Providers	(15,105,824)	(13,472,064)
Balance at Fiscal Year End - End of Year	$ 1,001,851	$ 1,054,325

B. Dental Insurance

The District provides group Dental insurance for various employees through a self-insurance program which is funded by District contributions and employee payroll withholding. The funds are deposited into an employee benefit trust account from which all claims plus a processing fee are charged.

Claims payable include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid each claimant. The provision for claims incurred but not yet reported is estimated based on District experience since the inception of the program. Changes in the balances of claim liabilities during fiscal year 2019 were as follows:

	Year Ended 2019	Year Ended 2018
Beginning of Fiscal Year Liability - Beginning of Year	$ 7,415	$ 12,031
Current Year Claims and Administration	638,878	590,629
Payments to Health Care Providers	(632,612)	(595,245)
Balance at Fiscal Year End - End of Year	$ 13,681	$ 7,415

NOTE 12 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks except for employee health insurance, which is self-insured by the District.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years

NOTE 10 COMMITMENTS AND CONTINGENCIES

Federal and State Programs

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

REQUIRED SUPPLEMENTARY INFORMATION

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF CHANGES IN THE DISTRICT'S SUPPLEMENTAL PENSION LIABILITY AND RELATED RATIOS
JUNE 30, 2019

	2019	2018	2017
Total Pension Liability - Beginning	$ 123,659	$ 152,376	$ 160,054
Changes for the Year:			
Service Cost	8,291	6,037	6,364
Interest	4,190	4,059	4,558
Assumption Changes	1,519	(1,647)	-
Plan Changes	18	-	-
Differences between Expected and Actual Experience	25,557	-	-
Benefit Payments	(24,700)	(37,166)	(18,600)
Net Changes	14,875	(28,717)	(7,678)
Total Pension Liability - Ending	$ 138,534	$ 123,659	$ 152,376
Covered Employee Payroll	$ 3,198,162	$ 2,858,757	$ 2,694,653
District's Net OPEB Liability as a Percentage of Covered Employee Payroll	4%	4%	6%

The District implemented GASB Statement No. 73 in fiscal year 2017 and the above table will be expanded to 10 years of information as the information becomes available.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY ASSET) AND RELATED RATIOS
JUNE 30, 2019

Total OPEB Liability	2019	2018	2017
Service Cost	$ 728,439	$ 670,268	$ 683,508
Interest	884,088	857,960	879,813
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	1,198,752	-	-
Changes of Assumptions	815,371	(265,345)	-
Benefit Payments	(1,924,004)	(1,936,697)	(2,111,654)
Net Change in Total OPEB Liability	1,702,646	(673,814)	(548,333)
Total OPEB Liability - beginning	18,264,677	18,938,491	19,486,824
Total OPEB Liability - ending (a)	$ 19,967,323	$ 18,264,677	$ 18,938,491
Plan Fiduciary Net Position			
Contributions - Employer	$ -	$ -	$ 242,900
Projected Investment Return	1,316,407	1,210,837	1,228,310
Differences between Expected and Actual Experience	-	(237,073)	290,991
Benefit Payments	(1,924,004)	(1,936,697)	(2,111,654)
Administrative Expense	-	-	-
Net Change in Plan Fiduciary Net Position	(607,597)	(962,933)	(349,453)
Plan Fiduciary Net Position - beginning	23,253,814	24,216,747	24,566,200
Plan Fiduciary Net Position - ending (b)	$ 22,646,217	$ 23,253,814	$ 24,216,747
District's Net OPEB Liability - ending (a) - (b)	$ (2,678,894)	$ (4,989,137)	$ (5,278,256)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	113.42%	127.32%	127.87%
Covered Employee Payroll	$ 45,700,711	$ 42,976,691	$ 40,509,653
District's Net OPEB Liability as a Percentage of Covered Employee Payroll	(5.86)%	(11.61)%	(13.03)%

The District implemented GASB Statement Nos. 74 and 75 in fiscal year 2017, and the above table will be expanded to ten years of information as the information becomes available.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF MONEY WEIGHTED RATE OF RETURN ON PLAN ASSETS
JUNE 30, 2019

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2019	5.70%
2018	4.00%
2017	1.10%

The District implemented GASB Statement Nos. 74 and 75 in fiscal year 2017, and the above table will be expanded to ten years of information as the information becomes available.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2019

	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
PERA					
District's Proportion of the Net Pension Liability	0.1880%	0.1890%	0.1851%	0.1879%	0.2058%
District's Proportionate Share of the Net Pension Liability	$ 10,429,469	$ 12,065,635	$ 15,029,202	$ 9,737,953	$ 9,667,453
State's Proportionate Share of the Net Pension Liability Associated with the District	342,164	151,722	196,269	-	-
Total District's Proportionate Share of the Net Pension Liability and State's Proportionate Share of the Net Pension Liability	$ 10,771,633	$ 12,217,357	$ 15,225,471	$ 9,737,953	$ 9,667,453
District's Covered Payroll	$ 12,580,213	$ 12,147,480	$ 11,193,133	$ 11,038,651	$ 10,796,201
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	85.62%	100.58%	136.03%	88.22%	89.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.50%	75.90%	68.91%	78.20%	78.75%
TRA					
District's Proportion of the Net Pension Liability	0.6415%	0.6402%	0.6301%	0.6221%	0.6616%
District's Proportionate Share of the Net Pension Liability	$ 40,291,418	$ 127,795,533	$ 150,293,884	$ 38,483,038	$ 30,486,052
State's Proportionate Share of the Net Pension Liability Associated with the District	3,785,490	12,353,829	15,084,592	4,720,268	2,144,524
Total District's Proportionate Share of the Net Pension Liability and State's Proportionate Share of the Net Pension Liability	$ 44,076,908	$ 140,149,362	$ 165,378,476	$ 43,203,306	$ 32,630,576
District's Covered Payroll	$ 33,800,547	$ 34,465,227	$ 31,129,173	$ 31,568,351	$ 30,197,434
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	130.40%	406.64%	531.27%	121.90%	100.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.07%	51.57%	44.88%	76.80%	81.50%

NOTE: Information prior to 2014 is unavailable.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST FIVE FISCAL YEARS

	2019	2018	2017	2016	2015	2014
PERA						
Contractually Required Contribution	$ 986,526	$ 943,516	$ 911,061	$ 839,485	$ 815,148	$ 782,726
Contributions in Relation to the Contractually Required Contribution	(986,526)	(943,516)	(911,061)	(839,485)	(815,148)	(782,726)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 13,153,680	$ 12,580,213	$ 12,147,480	$ 11,193,133	$ 11,038,651	$ 10,796,201
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.38%	7.25%
TRA						
Contractually Required Contribution	$ 2,905,563	$ 2,535,041	$ 2,584,892	$ 2,334,688	$ 2,367,880	$ 2,113,775
Contributions in Relation to the Contractually Required Contribution	(2,905,563)	(2,535,041)	(2,584,892)	(2,334,688)	(2,367,880)	(2,113,775)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 37,685,642	$ 33,800,547	$ 34,465,227	$ 31,129,173	$ 31,568,351	$ 30,197,434
Contributions as a Percentage of Covered Payroll	7.71%	7.50%	7.50%	7.50%	7.50%	7.00%

NOTE: Information is presented prospectively and an accumulation of ten years will be provided.

SUPPLEMENTARY INFORMATION

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
BALANCE SHEET
GENERAL FUND
JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	2019	2018
ASSETS		
Cash and Investments	$ 10,714,800	$ 10,373,561
Cash Held by Fiscal Agent	152,128	151,508
Receivables		
Current Property Taxes	4,311,504	4,470,279
Delinquent Property Taxes	230,029	201,107
Due from Other Funds	994,744	71,789
Due from Other Minnesota School Districts	183,737	205,080
Due from Minnesota Department of Education	7,225,912	6,943,359
Due from Federal through the Minnesota Department of Education	1,737,127	891,582
Due from Other Governmental Units	113,266	978,073
Accounts and Interest Receivable	317,275	333,582
Prepaid Items	346,603	243,960
Inventories	41,350	27,907
Total Assets	$ 26,368,475	$ 24,891,787
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities		
Salary and Benefits Payable	$ 2,602,373	$ 2,603,892
Accounts and Contracts Payable	286,960	240,477
Due to Other Minnesota School Districts	155,624	225,353
Due to Other Governmental Units	420,460	388,181
Unearned Revenue - Charges for Services	174,670	73,488
Total Liabilities	3,640,087	3,531,391
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year	8,766,242	9,480,238
Unavailable Revenue - Delinquent Taxes	90,858	59,638
Total Deferred Inflows of Resources	8,857,100	9,539,876
Fund Balances (Deficit)		
Nonspendable		
Prepaid Items	346,603	243,960
Inventory	41,350	27,907
Restricted		
Operating Capital	1,121,870	914,100
Learning and Development	550,205	543,580
Safe Schools - Crime	229,178	355,554
Staff Development	801,245	887,884
Long-Term Facilities Maintenance (LTFM)	2,370,948	654,431
Other Restricted	152,128	151,508
Assigned		
Q Comp	631,015	522,780
Other	120,606	113,826
Unassigned	7,506,140	7,404,990
Total Fund Balances	13,871,288	11,820,520
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 26,368,475	$ 24,891,787

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	2019			2018
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources				
Property Taxes	$ 10,152,422	$ 10,377,299	$ 224,877	$ 9,638,318
Earnings on Investments	150,000	267,069	117,069	148,374
Other	2,697,666	2,782,663	84,997	3,284,951
State Sources	68,882,783	68,852,909	(29,874)	67,329,738
Federal Sources	2,158,520	2,150,513	(8,007)	1,976,646
Total Revenues	84,041,391	84,430,453	389,062	82,378,027
EXPENDITURES				
Current				
Administration				
Salaries	2,007,499	2,088,471	80,972	2,120,129
Employee Benefits	1,100,930	1,090,422	(10,508)	1,025,878
Purchased Services	44,000	35,872	(8,128)	31,132
Supplies and Materials	6,050	17,290	11,240	15,567
Capital Expenditures	-	232	232	1,724
Other Expenditures	34,525	27,392	(7,133)	27,186
Total Administration	3,193,004	3,259,679	66,675	3,221,616
District Support Services				
Salaries	770,165	876,207	106,042	852,363
Employee Benefits	375,016	350,152	(24,864)	318,198
Purchased Services	428,336	348,768	(79,568)	528,060
Supplies and Materials	196,150	264,755	68,605	227,028
Capital Expenditures	91,860	6,582	(85,278)	67,781
Other Expenditures	20,330	7,441	(12,889)	40,757
Total District Support Services	1,881,857	1,853,905	(27,952)	2,034,187
Elementary and Secondary Regular Instruction				
Salaries	22,466,261	22,117,090	(349,171)	21,678,096
Employee Benefits	7,993,626	8,034,620	40,994	7,694,581
Purchased Services	2,110,196	2,254,052	143,856	2,070,526
Supplies and Materials	1,285,425	1,215,489	(69,936)	1,431,955
Capital Expenditures	277,222	449,623	172,401	198,533
Other Expenditures	7,200	13,555	6,355	14,040
Total Elementary and Secondary Regular Instruction	34,139,930	34,084,429	(55,501)	33,087,731

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	2019			2018
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (Continued)				
Current (Continued)				
Vocational Education Instruction				
Salaries	$ 757,573	$ 693,226	$ (64,347)	$ 763,338
Employee Benefits	356,091	312,145	(43,946)	359,751
Purchased Services	22,100	9,015	(13,085)	1,940
Supplies and Materials	34,548	87,339	52,791	50,511
Capital Expenditures	-	4,051	4,051	6,527
Other Expenditures	-	240	240	-
Total Vocational Education Instruction	1,170,312	1,106,016	(64,296)	1,182,067
Special Education Instruction				
Salaries	13,638,327	13,751,380	113,053	13,350,122
Employee Benefits	6,344,631	6,316,060	(28,571)	5,971,824
Purchased Services	688,979	674,824	(14,155)	694,991
Supplies and Materials	121,273	118,152	(3,121)	153,625
Capital Expenditures	27,500	10,044	(17,456)	71,447
Other Expenditures	112,000	81,270	(30,730)	111,572
Total Special Education Instruction	20,932,710	20,951,730	19,020	20,353,581
Community Education				
Salaries	-	-	-	27,930
Employee Benefits	-	-	-	4,086
Total Community Education	-	-	-	32,016
Instructional Support Services				
Salaries	2,521,536	2,671,528	149,992	2,691,978
Employee Benefits	973,933	1,032,160	58,227	980,890
Purchased Services	659,622	201,480	(458,142)	235,061
Supplies and Materials	675,635	479,524	(196,111)	789,195
Capital Expenditures	-	805,006	805,006	-
Other Expenditures	7,500	10,870	3,370	13,558
Total Instructional Support Services	4,838,226	5,200,568	362,342	4,710,682
Pupil Support Services				
Salaries	1,686,036	1,511,165	(174,871)	1,477,956
Employee Benefits	653,083	693,784	40,701	636,963
Purchased Services	4,706,875	4,773,087	66,212	4,467,356
Supplies and Materials	165,178	72,960	(92,218)	100,705
Capital Expenditures	90,970	207,024	116,054	119,474
Other Expenditures	129	1,110	981	1,425
Total Pupil Support Services	7,302,271	7,259,130	(43,141)	6,803,879

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	2019			2018
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (Continued)				
Current (Continued)				
Sites and Buildings				
Salaries	$ 2,657,468	$ 2,800,614	$ 143,146	$ 2,632,091
Employee Benefits	1,202,135	1,175,662	(26,473)	1,096,907
Purchased Services	3,590,651	3,212,495	(378,156)	3,125,066
Supplies and Materials	1,077,193	682,918	(394,275)	1,063,092
Capital Expenditures	534,889	427,134	(107,755)	1,505,137
Other Expenditures	-	37,679	37,679	14,233
Total Sites and Buildings	9,062,336	8,336,502	(725,834)	9,436,526
Fiscal and Other Fixed Cost Programs				
Purchased Services	305,000	322,495	17,495	304,200
EXPENDITURES (Continued)				
Debt Service				
Principal Payments	844,224	889,256	45,032	849,625
Interest Payments	181,110	190,266	9,156	203,081
Total Debt Service	1,025,334	1,079,522	54,188	1,052,706
Total Expenditures	83,850,980	83,453,976	(397,004)	82,219,191
Excess (Deficiency) of Revenues Over (Under) Expenditures	190,411	976,477	786,066	158,836
OTHER FINANCING SOURCES (USES)				
Transfers Out	(23,695)	(25,940)	(2,245)	(24,578)
Proceeds from Capital Leases	-	1,099,531	1,099,531	(153,109)
Sale of Capital Assets	-	700	700	19,255
Total Other Financing Sources (Uses)	(23,695)	1,074,291	1,097,986	(158,432)
NET CHANGE IN FUND BALANCE	$ 166,716	2,050,768	$ 1,884,052	404
FUND BALANCE				
Beginning of Year		11,820,520		11,820,116
END OF YEAR		$ 13,871,288		$ 11,820,520

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
BALANCE SHEET
FOOD SERVICE FUND
JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	2019	2018
ASSETS		
Cash and Investments	$ 572,402	$ 625,236
Inventory	81,165	76,183
Prepaid Items	-	8,297
Total Assets	$ 653,567	$ 709,716
LIABILITIES AND FUND BALANCE		
Liabilities		
Salary and Benefits Payable	$ 93,592	$ 79,556
Accounts and Contracts Payable	5,912	1,430
Unearned Revenue - Charges for Services	12,153	810
Total Liabilities	111,657	81,796
Fund Balance		
Nonspendable		
Prepaid Items	-	8,297
Inventory	81,165	76,183
Restricted		
Other Restricted	460,745	543,440
Total Fund Balances	541,910	627,920
Total Liabilities and Fund Balance	$ 653,567	$ 709,716

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	2019			2018
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources				
Earnings on Investments	$ 6,000	$ 14,936	$ 8,936	$ 5,955
Other - Primarily Meal Sales	1,494,000	1,337,301	(156,699)	1,426,497
State Sources	209,000	196,559	(12,441)	216,896
Federal Sources	1,980,000	1,978,381	(1,619)	2,006,264
Total Revenues	3,689,000	3,527,177	(161,823)	3,655,612
EXPENDITURES				
Current				
Salaries	1,033,089	1,031,178	(1,911)	971,758
Employee Benefits	670,008	644,256	(25,752)	609,711
Purchased Services	79,300	80,187	887	105,603
Supplies and Materials	1,735,101	1,857,356	122,255	1,795,128
Other Expenditures	-	210	210	-
Total Expenditures	3,517,498	3,613,187	95,689	3,482,200
NET CHANGE IN FUND BALANCE	$ 171,502	(86,010)	$ (257,512)	173,412
FUND BALANCE (DEFICIT)				
Beginning of Year		627,920		454,508
END OF YEAR		$ 541,910		$ 627,920

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
BALANCE SHEET
COMMUNITY SERVICE FUND
JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	2019	2018
ASSETS		
Cash and Investments	$ 1,929,466	$ 2,250,011
Receivables		
Current Property Taxes	257,595	253,037
Delinquent Property Taxes	13,650	14,453
Due from Minnesota Department of Education	80,907	86,677
Due from Federal Government through the Minnesota Department of Education	8,846	5,982
Due from Other Governmental Units	35,000	34,000
Accounts and Interest Receivable	835	-
Prepaid Items	121,977	-
Total Assets	$ 2,448,276	$ 2,644,160
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities		
Salary and Benefits Payable	$ 145,521	$ 168,643
Accounts and Contracts Payable	6,934	10,762
Due to Other Governmental Units	1,578	163
Unearned Revenue - Charges for Services	91,991	32,608
Total Liabilities	246,024	212,176
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year	561,966	570,150
Unavailable Revenue - Delinquent Taxes	13,650	14,453
Total Deferred Inflows of Resources	575,616	584,603
Fund Balances		
Nonspendable		
Prepaid Items	121,977	-
Restricted		
Community Education Programs	516,012	861,945
Early Childhood and Family Education Programs	711,473	645,737
School Readiness	258,821	324,226
Adult Basic Education	12,089	9,209
Other Restricted	6,264	6,264
Total Fund Balances	1,626,636	1,847,381
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 2,448,276	$ 2,644,160

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	2019			2018
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources				
Property Taxes	$ 569,568	$ 568,845	$ (723)	$ 574,892
Earnings on Investments	30,000	55,692	25,692	28,895
Other - Primarily Tuition and Fees	1,777,279	1,806,424	29,145	1,900,758
State Sources	788,056	769,198	(18,858)	725,325
Federal Sources	8,886	8,846	(40)	5,982
Total Revenues	3,173,789	3,209,005	35,216	3,235,852
EXPENDITURES				
Current				
Salaries	2,105,900	2,283,899	177,999	2,022,860
Employee Benefits	849,649	764,053	(85,596)	627,080
Purchased Services	192,025	161,811	(30,214)	153,138
Supplies and Materials	193,712	237,234	43,522	293,820
Other Expenditures	3,780	2,393	(1,387)	2,712
Capital Outlay	20,500	6,300	(14,200)	14,556
Total Expenditures	3,365,566	3,455,690	90,124	3,114,166
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(191,777)	(246,685)	(54,908)	121,686
OTHER FINANCING SOURCES				
Transfer In	23,695	25,940	2,245	24,578
NET CHANGE IN FUND BALANCE	$ (168,082)	(220,745)	$ (52,663)	146,264
FUND BALANCE				
Beginning of Year		1,847,381		1,701,117
END OF YEAR		$ 1,626,636		$ 1,847,381

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
BALANCE SHEET
BUILDING CONSTRUCTION FUND
JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	2019	2018
ASSETS		
Cash and Investments	$ 171,330,580	$ 145,354,451
Cash Held by Fiscal Agent	10,008,580	-
Prepaid Items	58,526	-
Total Assets	$ 181,397,686	$ 145,354,451
FUND BALANCES		
Liabilities		
Accounts and Contracts Payable	$ 7,381,352	$ 829,022
Due to Other Governmental Units	332	46
Total Liabilities	7,381,684	829,068
Fund Balances		
Nonspendable		
Prepaid Items	58,526	-
Restricted		
LTFM	28,765,853	(114,795)
Projects Funded by Certificates of Lease Purchase	8,584,424	-
Construction	136,607,199	144,640,178
Total Fund Balances	174,016,002	144,525,383
Total Liabilities and Fund Balances	$ 181,397,686	$ 145,354,451

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUILDING CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	2019	2018
REVENUES		
Local Sources		
Earnings on Investments	$ 4,506,492	$ 4,175
EXPENDITURES		
Current		
Sites and Buildings	16,946,185	1,971,402
Capital Outlay	4,495,360	-
Total Expenditures	21,441,545	1,971,402
DEFICIENCY OF REVENUES OVER EXPENDITURES	(16,935,053)	(1,967,227)
OTHER FINANCING SOURCES		
Proceeds from Sale of Bonds and COPs	43,405,068	139,745,901
Premium on Sale of Bonds	3,020,604	6,746,709
Total Other Financing Sources (Uses)	46,425,672	146,492,610
NET CHANGE IN FUND BALANCE	29,490,619	144,525,383
Fund Balance - Beginning of Year	144,525,383	-
FUND BALANCE - END OF YEAR	$ 174,016,002	$ 144,525,383

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	2019	2018
ASSETS		
Cash and Investments	$ 9,959,458	$ 10,545,227
Receivables		
Current Property Taxes	6,205,642	3,906,740
Delinquent Property Taxes	212,863	222,947
Due from Minnesota Department of Education	16,333	6,147
Total Assets	$ 16,394,296	$ 14,681,061
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Years	$ 13,326,092	$ 8,802,753
Deferred Revenue - Delinquent Taxes	212,863	222,947
Total Deferred Inflows of Resources	13,538,955	9,025,700
Fund Balances		
Restricted		
Restricted for Debt Service	2,855,341	5,655,361
Total Deferred Inflows of Resources and Fund Balances	$ 16,394,296	$ 14,681,061

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	2019			2018
	Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources				
Property Tax	$ 8,789,344	$ 8,677,361	$ (111,983)	$ 9,097,515
Earnings on Investments	70,000	247,562	177,562	52,832
State Sources	163,333	163,384	51	61,355
Total Revenues	9,022,677	9,088,307	65,630	9,211,702
EXPENDITURES				
Debt Service				
Bond Principal	7,330,000	7,330,000	-	7,060,000
Bond Interest	5,246,804	5,265,760	18,956	1,991,954
Total Expenditures	12,576,804	12,595,760	18,956	9,051,954
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,554,127)	(3,507,453)	46,674	159,748
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Bond Refunding Payments	(31,960,000)	(31,960,000)	-	-
Proceeds from Sale of Bonds	32,132,679	30,149,932	(1,982,747)	3,364,099
Premium on Refunding Bonds	-	2,517,501	2,517,501	-
Bond Refunding Payments	-	-	-	-
Total Other Financing Sources (Uses)	172,679	707,433	534,754	3,364,099
NET CHANGE IN FUND BALANCE	$ (3,381,448)	(2,800,020)	$ 581,428	3,523,847
Fund Balance - Beginning of Year		5,655,361		2,131,514
FUND BALANCE - END OF YEAR		$ 2,855,341		$ 5,655,361

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2019

	Audit	UFARS	Audit-UFARS
01 GENERAL FUND			
Total Revenues	$ 84,430,453	$ 84,430,450	$ 3
Total Expenditures	$ 83,453,976	$ 83,453,972	$ 4
Non Spendable:			
460 Non Spendable Fund Balance	$ 387,953	$ 387,953	$ -
Restricted/Reserve:			
403 Staff Development	$ 801,245	$ 801,246	$ (1)
406 Health & Safety	$ -	$ -	$ -
407 Capital Project Levy	$ -	$ -	$ -
408 Cooperative Rev.	$ -	$ -	$ -
409 Deferred Maintenance	$ -	$ -	$ -
414 Operating Debt	$ -	$ -	$ -
416 Levy Reduction	$ -	$ -	$ -
419 Encumbrances	$ -	$ -	$ -
423 Certain Teacher Programs	$ -	$ -	$ -
424 Operating Capital	$ 1,121,870	$ 1,121,870	$ -
426 $25 Taconite	$ -	$ -	$ -
427 Disabled Accessibility	$ -	$ -	$ -
428 Learning & Development	$ 550,205	$ 550,206	$ (1)
434 Area Learning Center	$ -	$ -	$ -
435 Contracted Alt. Programs	$ -	$ -	$ -
436 St. Approved Alt. Prog.	$ -	$ -	$ -
438 Gifted & Talented	$ -	$ -	$ -
441 Basic Skills	$ -	$ -	$ -
443 Telecomm. Access Cost	$ -	$ -	$ -
446 First Grade Preparedness	$ -	$ -	$ -
449 Safe Schools Levy	$ 229,178	$ 229,179	$ (1)
450 Pre-Kindergarten	$ -	$ -	$ -
451 QZAB Payments	$ -	$ -	$ -
452 OPEB Liab. Not in Trust	$ -	$ -	$ -
453 Unfunded Sev & Retirement Levy	$ -	$ -	$ -
467 LTFM	$ 2,370,948	$ 2,370,948	$ -
Restricted:			
464 Restricted Fund Balance	$ 152,128	$ 152,128	$ -
Assigned:			
462 Assigned Fund Balance	$ 751,621	$ 751,621	$ -
Unassigned:			
422 Unassigned Fund Balance	$ 7,506,140	$ 7,506,138	$ 2
02 FOOD SERVICE			
Total Revenues	$ 3,527,177	$ 3,527,178	$ (1)
Total Expenditures	$ 3,613,187	$ 3,613,189	$ (2)
Non Spendable:			
460 Non Spendable Fund Balance	$ 81,165	$ 81,165	$ -
Restricted:			
452 OPEB Liab. Not in Trust	$ -	$ -	$ -
464 Restricted Fund Balance	$ 460,745	$ 460,744	$ 1
Unassigned:			
463 Unassigned Fund Balance	$ -	$ -	$ -
04 COMMUNITY SERVICE			
Total Revenues	$ 3,209,005	$ 3,209,002	$ 3
Total Expenditures	$ 3,455,690	$ 3,455,688	$ 2
Non Spendable:			
460 Non Spendable Fund Balance	$ 121,977	$ 121,977	$ -
Restricted/Reserve:			
426 $25 Taconite	$ -	$ -	$ -
431 Community Education	$ 516,012	$ 516,012	$ -
432 E.C.F.E.	$ 711,473	$ 711,473	$ -
444 School Readiness	$ 258,621	$ 258,621	$ -
447 Adult Basic Education	$ 12,089	$ 12,089	$ -
452 OPEB Liab. Not in Trust	$ -	$ -	$ -
Restricted:			
464 Restricted Fund Balance	$ 6,264	$ 6,265	$ (1)
Unassigned			
463 Unassigned Fund Balance	$ -	$ -	$ -

	Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION			
Total Revenues	$ 4,506,492	$ 4,506,493	$ (1)
Total Expenditures	$ 21,441,545	$ 21,441,544	$ 1
Non Spendable:			
460 Non Spendable Fund Balance	$ 58,526	$ 58,526	$ -
Restricted/Reserved:			
407 Capital Projects Levy	$ -	$ -	$ -
413 Project Funded by COP	$ 8,584,424	$ 8,584,424	$ -
467 LTFM	$ 28,765,853	$ 28,765,853	$ -
Restricted:			
464 Restricted Fund Balance	$ 136,607,199	$ 136,607,202	$ (3)
Unassigned:			
463 Unassigned Fund Balance	$ -	$ -	$ -
07 DEBT SERVICE			
Total Revenues	$ 8,403,040	$ 8,403,039	$ 1
Total Expenditures	$ 9,903,958	$ 9,903,959	$ (1)
Non Spendable:			
460 Non Spendable Fund Balance	$ -	$ -	$ -
Restricted/Reserve:			
425 Bond Refundings	$ -	$ -	$ -
451 QZAB Payments	$ -	$ -	$ -
Restricted:			
464 Restricted Fund Balance	$ 2,204,173	$ 2,204,173	$ -
Unassigned			
463 Unassigned Fund Balance	$ -	$ -	$ -
08 TRUST			
Total Revenues	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
422 Net Position	$ -	$ -	$ -
20 INTERNAL SERVICE			
Total Revenues	$ 15,444,865	$ 15,444,864	$ 1
Total Expenditures	$ 15,884,723	$ 15,884,722	$ 1
422 Net Position	$ 6,049,910	$ 6,049,910	$ -
25 OPEB REVOCABLE TRUST			
Total Revenues	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
422 Net Position	$ -	$ -	$ -
45 OPEB IRREVOCABLE TRUST			
Total Revenues	$ 1,447,567	$ 1,447,566	$ 1
Total Expenditures	$ 2,055,184	$ 2,055,184	$ -
422 Net Position	$ 22,646,217	$ 22,646,217	$ -
47 OPEB DEBT SERVICE			
Total Revenues	$ 2,685,267	$ 2,685,267	$ -
Total Expenditures	$ 2,691,802	$ 2,691,802	$ -
Non Spendable:			
460 Non Spendable Fund Balance			
Restricted:			
425 Bond Refundings	$ -	$ -	$ -
464 Restricted Fund Balance	$ 651,168	$ 651,168	$ -
Unassigned:			
463 Unassigned Fund Balance	$ -	$ -	$ -

SINGLE AUDIT AND OTHER REQUIRED REPORTS

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

Board of Education
Independent School District No. 181
Brainerd Public Schools
Brainerd, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ISD #181 Brainerd (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 18, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.

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Board of Education
Independent School District No. 181

Compliance and Other Matters

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

The District's Response to the Finding

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
December 18, 2019

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

Board of Education
Independent School District No. 181
Brainerd Public Schools
Brainerd, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the Independent School District No. 181's (the District) compliance with the types of compliance requirements described in the *OMB 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, 2019. The District's major federal programs are identified in the summary of auditors' 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.

Auditors' 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.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

A member of Nexia International

Board of Education
Independent School District No. 181

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 above. 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-003, that we consider to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
December 18, 2019

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

FEDERAL AGENCY/ PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES		PASSED TRHOUGH TO SUBRECIPIENTS
U.S. DEPARTMENT OF AGRICULTURE					
Passed Through Minnesota Department of Education:					
Child Nutrition Cluster:					
Non-Cash Assistance (Commodities):					
National School Lunch Program	10.555	N/A	$ 212,862		
Non-Cash Assistance Subtotal				$ 212,862	$ -
Cash Assistance:					
School Breakfast Program	10.553	N/A	389,491		
National School Lunch Program	10.555	N/A	1,283,232		
Commodity Cash Rebate Program	10.555	N/A	4,219		
Summer Food Service Program	10.559	N/A	88,577		
Cash Assistance Subtotal				1,765,519	-
Total Child Nutrition Cluster:				1,978,381	-
Total U.S. Department of Agriculture				1,978,381	-
U.S. DEPARTMENT OF EDUCATION					
Passed Through Minnesota Department of Education:					
Cash Assistance:					
Adult Basic Education Formula Revenue	84.002	N/A		8,846	-
Title II, Part A - Improving Teacher Quality	84.367	S367A180022		199,412	-
Title VII - Indian Education	84.060	N/A		19,960	-
Carl Perkins Vocational and Applied Technology	84.048	N/A		28,762	-
Title I, Part A	84.010	S010A180023A		1,265,185	-
Title I, Part D	84.412	N/A		272,530	-
Passed Through Paul Bunyan Education Co-op					
Special Education Cluster:					
Special Education	84.027	1-6050-061	333,844		
Discretionary Professional Development	84.027	1-6050-061	14,911		
Individuals with Disabilities Education Act Part B Section 611 Discretionary Comprehensive System of Personnel Development - CSPD	84.027	1-6050-061	6,950		
Special Education Preschool Grants	84.173	H173A180086	677		
Special Education Cluster Subtotal				356,382	-
Individuals with Disabilities Education Act Part C					
Regional IEIC Grant for Children Ages Birth to 2	84.181	1-6050-061		6,331	-
Individuals with Disabilities Education Act Part C					
Regional Centers of Excellence CSPD Grant	84.181	1-6050-061		1,950	-
Total Passed Through Paul Bunyan Education Co-op				364,663	-
Total U.S. Department of Education				2,159,358	-
Total Federal Awards Expended				$ 4,137,739	$ -

Notes to schedule of expenditures of federal awards:

Note 1:
The schedule of expenditures of federal awards presents the activity of federal award programs expended by Independent School District No. 181.

Note 2:
The expenditures on this schedule are on the modified accrual basis of accounting, which is described in Note 1 to the basic financial statements of the District. The District has not elected to use the 10% de minimis indirect costs rate as allowed under Uniform Guidance.

Note 3:
N/A - The pass-through entity identifying number is unknown.

Note 4:
The total of CFDA #10.555 is $1,500,313. The total of CFDA #84.027 is $355,705. The total of CFDA #84.181 is $8,281.

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Independent School District No. 181
Brainerd Public Schools
Brainerd, 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 *Governmental Auditing Standards* issued by the Comptroller of the United States, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of ISD #181 Brainerd (the District), Minnesota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents and have issued our report thereon dated December 18, 2019.

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

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 *Minnesota Legal Compliance Audit Guide for School Districts*, except as noted in the schedule of findings and questioned costs as item 2019-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
December 18, 2019

A member of Nexia International

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	*Unmodified*
Internal control over financial reporting:	
• Material weakness(es) identified?	X yes ____ no
• Significant deficiency(ies) identified?	____ yes X none reported
Noncompliance material to financial statements noted?	____ yes X no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	____ yes X no
• Significant deficiency(ies) identified?	X yes ____ none reported
Type of auditor's report issued on compliance for major programs:	*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X yes ____ no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.010	Title I, Part A

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	____ yes X no

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2019-001 – Financial Statement Preparation

Type of Finding: Material weakness in internal control over financial reporting.

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

Condition: The District does not have an internal control policy or procedures in place over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures are complete and presented in accordance with GAAP.

Cause/Context: Management has informed us that they do not have an internal control policy or procedures in place over the annual financial reporting and that they do not have the necessary staff capacity to prepare the annual financial statements including footnote disclosures. The District relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, management has reviewed and approved the annual financial statements and the related footnote disclosures.

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

Repeat Finding: The finding was a repeat finding from the prior year identified as finding 2018-001.

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

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

There is no disagreement with the finding.

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Finding 2019-002 – Material Audit Adjustments

Type of Finding: Material weakness in internal control over financial reporting.

Criteria: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements in accordance with generally accepted accounting principles. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statements on a timely basis.

Condition: As part of the audit, we proposed material adjustments related to accounts/contracts payable.

Cause/Context: The District did not record one contractor payment as a contract payable in error. Upon auditor request, the retainage payable on June invoices and the prorated contracts payable on the July invoices were recorded as required by generally accepted accounting principles.

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

Repeat Finding: Not applicable.

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

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

There is no disagreement with the finding.

BRAINERD PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 181
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding 2019-003
Federal Agency: U.S. Department of Agriculture
Federal Program: Child Nutrition Cluster
CFDA Number: 10.553, 10.555, and 10.559
Pass Through Agency: Minnesota Department of Education
Pass Through Numbers: 1-0181-000
Award Period: July 1, 2018 – June 30, 2019

Type of Finding: Significant Deficiency in Internal Control over Compliance

Repeat Finding: Not applicable.

Criteria: Title 2 U.S. Code of Federal Regulations §200.213 states that nonfederal entities are subject to the nonprocurement debarment and suspension regulations.

Condition/Context: The District did have controls in place related to suspension/debarment testing, but did not have documentation to show that the District verified the vendor was not on the suspended or debarred list.

Questioned Costs: Unknown.

Cause: The District did not sufficiently document that suspension/debarment checks were completed.

Possible Effect: The District could enter into a contract with a vendor that is suspended/debarred, which is against federal guidelines for awards.

Recommendation: We recommend the District develop procedures to ensure vendor testing is performed before the contract is entered into. The District should document that suspension/debarment procedures are taking place prior to entering into a contract.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

There is no disagreement with the finding.

D. FINDINGS AND QUESTIONED COSTS – MINNESOTA LEGAL COMPLIANCE

Finding 2019-004 – Unclaimed or Uncashed Checks Held

Criteria: Minnesota Statutes 345.38-.43 states that if records show unclaimed or uncashed checks or other intangible property held for more than three years, the property must be reported and paid or delivered to the state Commissioner of Commerce.

Condition: The District has outstanding checks that are older than three years that have not been reported.

Cause/Context: Unknown.

Effect: The District is not in compliance with Minnesota Statutes regarding unclaimed property.

Recommendation: We recommend that District management develop processes to clean up unclaimed or uncashed checks.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

There is no disagreement with the finding.

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

KNUTSON, FLYNN & DEANS, P.A.
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$15,030,000
GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2020A
INDEPENDENT SCHOOL DISTRICT NO. 181
(BRAINERD PUBLIC SCHOOLS)
CROW WING, CASS, AND MORRISON COUNTIES, MINNESOTA

We have acted as Bond Counsel in connection with the issuance by Independent School District No. 181 (Brainerd Public Schools), Crow Wing, Cass, and Morrison Counties, Minnesota (the "District"), of its General Obligation Facilities Maintenance Bonds, Series 2020A (the "Bonds"), in the aggregate principal amount of $15,030,000, bearing a date of original issue of November 12, 2020. The Bonds are fully registered as to principal and interest and are originally issued using a global book-entry system.

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

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

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

(1) The Bonds are in due form and the proceedings show lawful authority for their issuance according to their terms under the Constitution and laws of the State of Minnesota now in force, including specifically Minnesota Statutes, Section 123B.595.

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

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

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

(5) The Bonds have not been designated as "qualified tax-exempt obligations" for the purposes of Section 265 of the Code relating to the deduction of interest expenses allocable to the Bonds by financial institutions.

DATED at Mendota Heights, Minnesota, this 12th day of November, 2020.

KNUTSON, FLYNN & DEANS
Professional Association

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

CONTINUING DISCLOSURE CERTIFICATE
(Full Disclosure)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 181 (Brainerd Public Schools), State of Minnesota (the "District"), in connection with the issuance of its General Obligation Facilities Maintenance Bonds, Series 2020A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the School Board on October 26, 2020 (the "Resolution"). The District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 (the "State Payment Law" described in the Official Statement for the Bonds) which provides for payment by the State of Minnesota in the event of a potential default of a District obligation. The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

SECTION 3. Provision of Annual Reports.

(a) The District shall provide, or shall cause the Dissemination Agent to provide, not later than June 30, 2021, and twelve (12) months after the end of each Fiscal Year during which the Bonds are outstanding, to the MSRB, in an electronic format through the use of EMMA, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. If audited financial statements are not available by the date specified above, the District shall submit unaudited financial statements by that date to the MSRB and will submit the audited financial statements as soon as they are available.

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

(c) The Dissemination Agent shall:

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

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

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

1. An annual Audited Financial Statement.

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

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

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

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

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

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

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

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

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall

have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

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

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

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

SECTION 14. District Contact Information.

Title:	Director of Business Services
Name of District:	Independent School District No. 181
Address:	804 Oak Street Brainerd, Minnesota 56401
Telephone No.	(218) 454-6914

This 12th day of November, 2020

INDEPENDENT SCHOOL DISTRICT NO. 181
(BRAINERD PUBLIC SCHOOLS)
BRAINERD, MINNISOTA

By: _____
Chair

And: _____
Clerk

[Signature Page for Continuing Disclosure Certificate]

APPENDIX E

TERMS OF PROPOSAL

$15,030,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2020A INDEPENDENT SCHOOL DISTRICT NO. 181 (BRAINERD PUBLIC SCHOOLS), MINNESOTA

Proposals for the purchase of $15,030,000* General Obligation Facilities Maintenance Bonds, Series 2020A (the "Bonds") of Independent School District No. 181 (Brainerd Public Schools), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 11:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 11:00 A.M. Central Time, on October 21, 2020, at which time they will be opened, read and tabulated. On September 28, 2020, the School Board adopted a resolution which authorizes designated officials of the District to accept proposals on the Bonds on October 21, 2020. The Board will meet on October 26, 2020 at 6:00 P.M. to ratify and approve the sale of the Bonds. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 123B.595 (long-term facilities maintenance revenue) by the District, to provide funds for facility maintenance projects included in the ten-year facility plan of the District and approved by the Commissioner of Education. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated November 12, 2020, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2022	$660,000	2029	$745,000	2036	$695,000
2023	580,000	2030	780,000	2037	730,000
2024	550,000	2031	795,000	2038	840,000
2025	620,000	2032	805,000	2039	860,000
2026	650,000	2033	825,000	2040	890,000
2027	685,000	2034	840,000	2041	910,000
2028	715,000	2035	855,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2021, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **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 Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

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

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

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

DELIVERY

On or about November 12, 2020, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

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

SUBMISSION OF PROPOSALS

Proposals must not be for less than $14,879,700 plus accrued interest on the principal sum of $15,030,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

1) Electronically to bondsale@ehlers-inc.com; or

2) Electronically via **PARITY** in accordance with this Terms of Proposal until 11:00 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 $300,600 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 Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The District and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount

and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to $250,000 per bidder.

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

(a) The winning bidder shall assist the District in establishing the issue price of the Bonds and shall execute and

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

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

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

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

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

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

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

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

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

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

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

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

to the public.

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

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

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

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

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

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

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

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

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

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter,

each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

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

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

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

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

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

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

(iv) "sale date" means the date that the Bonds are awarded by the District to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

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

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

By Order of the Board of Education

Independent School District No. 181
(Brainerd Public Schools), Minnesota

PROPOSAL FORM

The Board of Education **October 21, 2020**
Independent School District No. 181 (Brainerd Public Schools), Minnesota

RE: **$15,030,000* General Obligation Facilities Maintenance Bonds, Series 2020A (the "Bonds")**
DATED: **November 12, 2020**

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you $_____ (not less than $14,879,700) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

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

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

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2022 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of $300,600 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 Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about November 12, 2020.

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

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

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

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

If the competitive sale requirements are <u>not</u> met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from November 12, 2020 of the above proposal is $_____and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the Board of Education of Independent School District No. 181 (Brainerd Public Schools), Minnesota, on October 21, 2020.

By: _____ By: _____

Title: _____ Title: _____