PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 7, 2021

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 261 (ASHBY PUBLIC SCHOOL), MINNESOTA
(Grant and Otter Tail Counties)

(Minnesota School District Credit Enhancement Program)

$5,900,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2021A

PROPOSAL OPENING: October 19, 2021, 10:30 A.M., C.T. **CONSIDERATION**: October 19, 2021, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $5,900,000* General Obligation School Building Bonds, Series 2021A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, and a special election held August 10, 2021 by Independent School District No. 261 (Ashby Public School), Grant and Otter Tail Counties, Minnesota (the "District") for the purpose of financing the acquisition and betterment of school sites and facilities in the District, including the construction and equipping of kindergarten classrooms, secondary classrooms, a science classroom, the construction of parking lot improvements, and other capital projects. 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 Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: November 10, 2021

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2023	$225,000	2030	$285,000	2037	$325,000
2024	225,000	2031	290,000	2038	330,000
2025	235,000	2032	295,000	2039	335,000
2026	255,000	2033	300,000	2040	345,000
2027	260,000	2034	305,000	2041	355,000
2028	270,000	2035	310,000	2042	360,000
2029	280,000	2036	315,000		

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, 2022 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: $5,900,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $118,000 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Kennedy & Graven, Chartered

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

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.

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

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ASHBY PUBLIC SCHOOL
SCHOOL BOARD

		Term Expires
Suzanne Wing	Board Chair	January 2023
Corey Johnson	Vice Chair	January 2025
Leslie Anderson	Clerk	January 2023
Dallas Rylander	Treasurer	January 2023
Heidi Hoff	Member	January 2025
Ben Johnson	Member	January 2025
Kirby Spangler	Member	January 2025

ADMINISTRATION

Jon Moore, Superintendent of Schools
Renee Melby, Business Manager

PROFESSIONAL SERVICES

Kennedy & Graven, Chartered, Bond Counsel, Minneapolis, Minnesota

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 261 (Ashby Public School), Minnesota (the "District") and the issuance of its $5,900,000* General Obligation School Building Bonds, Series 2021A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the School Board on October 19, 2021.

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 10, 2021. 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, 2022, 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 2023 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 to the date of optional redemption.

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

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

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, and a special ballot election on August 10, 2021, at which voters approved the issuance of $5,900,000 in general obligation school building bonds. Proceeds of the Bonds will be used to provide funds for the acquisition and betterment of school sites and facilities, including the construction and equipping of kindergarten classrooms, secondary classrooms, a science classroom, the construction of parking lot improvements, and other capital projects.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	$5,900,000	
Reoffering Premium	157,935	
Other contributions	410,000	
Total Sources		**$6,467,935**
Uses		
Total Underwriter's Discount (1.000%)	$59,000	
Costs of Issuance	64,945	
Deposit to Project Construction Fund	6,343,990	
Total Uses		**$6,467,935**

*Preliminary, subject to change.

SECURITY

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

RATING

The District will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a rating from Moody's Investors Service, Inc. ("Moody's"). Moody's has a policy which assigns a minimum rating of "Aa2" to issuers participating in the MNCEP. The "Aa2" rating is based on the State of Minnesota's current "Aa1" rating from Moody's. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS" for further details.

The District does not currently have an underlying rating, however, the District has requested an underlying rating on this issue from Moody's. 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 judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on September 15, 2021 (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 payment and authorize the commissioner of education to pay to the paying agent for the debt obligation the specified amount on or before the date due. The amounts needed for the purposes of 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 the 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 September 9, 2021, for General Obligation State Bonds, Series 2021A and 2021B, the State of Minnesota disclosed the following information about the State Credit Enhancement Program for School Districts.

> "As of June 30, 2021, 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 $16,995,000,000. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of June 30, 2021 is currently estimated at $2,500,000,000, with the maximum amount of principal and interest payable in any one month being $975,700,000. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.
>
> The State has not had to make any debt service payments on behalf of school districts or intermediate school districts under the program and does not expect to make any payments in the future. If such payments are made the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the school districts and intermediate school districts."

CONTINUING DISCLOSURE

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

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

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

Prior continuing disclosure undertakings entered into by the District included language stating that an Annual Report including the District's audited financial statements and operating data would be filed "as soon as available." Although the District did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. 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 Kennedy & Graven, Chartered, Minneapolis, 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

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and decisions, interest on the Bonds is excludable from gross income of the owners thereof for purposes of federal income taxation and is excludable from taxable net income of individuals, estates and trusts for purposes of State of Minnesota income taxation, but is subject to State of Minnesota franchise taxes measured by income that are imposed upon corporations, including financial institutions.

Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income (for federal tax purposes) and taxable net income (for State of Minnesota tax purposes) of the owners thereof. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation.

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

The Code provides that in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as "losses incurred" under Section 832(b)(5) shall be reduced by an amount equal to the applicable percentage of the interest on the Bonds that is received or accrued during the taxable year. For purposes hereof, the applicable percentage is 5.25% divided by the highest rate in effect under Section 11(b) of the Code.

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

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

Legislative proposals

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

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

RISK FACTORS

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 the declaration of 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 extended the peacetime emergency by 30 days. On May 14, 2021, the Governor signed Executive Order 21-23 to end the statewide mask requirement and align with new Centers for Disease Control and Prevention (CDC) guidance on face coverings. The Minnesota Legislature ended the peacetime emergency declaration on July 1, 2021.

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

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the 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	2018/19	2019/20	2020/21
Residential homestead[1]	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%
Agricultural homestead[1]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,940,000 - 0.50% [2] Over $1,940,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,880,000 - 0.50% [2] Over $1,880,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,900,000 - 0.50% [2] Over $1,900,000 - 1.00% [2]
Agricultural non-homestead	Land - 1.00% [2]	Land - 1.00% [2]	Land - 1.00% [2]
Seasonal recreational residential	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]
Residential non-homestead:	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City[4] - 1.25% Affordable Rental: First $139,000 - .75% Over $139,000 - .25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $150,000 - .75% Over $150,000 - .25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $162,000 - .75% Over $162,000 - .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

2020/21 Economic Market Value	$340,042,244[1]

2020/21 Assessor's Estimated Market Value

	Grant County	Otter Tail County	Total
Real Estate	$139,324,200	$168,591,400	$307,915,600
Personal Property	9,515,000	3,012,500	12,527,500
Total Valuation	$148,839,200	$171,603,900	$320,443,100

2020/21 Net Tax Capacity

	Grant County	Otter Tail County	Total
Real Estate	$ 1,229,558	$ 1,295,026	$ 2,524,584
Personal Property	183,120	60,250	243,370
Net Tax Capacity	$ 1,412,678	$ 1,355,276	$ 2,767,954
Less: Captured Tax Increment Tax Capacity[2]	(11,652)	0	(11,652)
Power Line Adjustment[3]	(17,040)	(5,228)	(22,268)
Taxable Net Tax Capacity	$ 1,383,986	$ 1,350,048	$ 2,734,034

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1 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 93.68% of the actual selling prices of property most recently sold in the District. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the District of $340,042,244.

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.

2020/21 NET TAX CAPACITY BY CLASSIFICATION

	2020/21 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$ 675,885	24.42%
Agricultural	1,166,439	42.14%
Commercial/industrial	83,346	3.01%
Public utility	1,144	0.04%
Non-homestead residential	94,930	3.43%
Commercial & residential seasonal/rec.	502,840	18.17%
Personal property	243,370	8.79%
Total	$ 2,767,954	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
2016/17	$292,665,200	$269,248,391	$ 2,470,800	$ 2,437,635	+3.90%
2017/18	297,890,900	273,421,609	2,532,261	2,497,891	+1.79%
2018/19	305,644,700	282,690,386	2,608,139	2,575,073	+2.60%
2019/20	314,093,400	290,684,350	2,691,355	2,658,050	+2.76%
2020/21	320,443,100	298,503,953	2,767,954	2,734,034	+2.02%

[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

Taxpayer	Type of Property	2020/21 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Xcel Energy	Utility	$ 79,660	2.88%
Great River Energy	Utility	63,068	2.28%
Individual	Agricultural	38,059	1.38%
Otter Tail Power Company	Utility	29,903	1.08%
Allete	Utility	27,569	1.00%
Individual	Ag Non-Contiguous	27,163	0.98%
Gillespie Family Partnership	Ag Non-Contiguous	26,594	0.96%
Individual	Residential	19,065	0.69%
Individual	Agricultural	17,872	0.65%
Individual	Agricultural	17,498	0.63%
Total		$346,451	12.52%

District's Total 2020/21 Net Tax Capacity $2,767,954

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

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids[2] (includes the Bonds)*	$ 6,410,000

*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, and Certificates of Participation (COPs).

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

In addition to debt service equalization aid, some school districts will qualify for state Long Term Facilities Maintenance Aid to finance a portion of the payments on Alternative Facilities Bonds and Facilities Maintenance Bonds, pursuant to the Long Term Facilities Maintenance Revenue (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. The District does not currently qualify for Long Term Facilities Maintenance Aid in the debt service fund.

Some school districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minn. Stat. Section 273.1387). The reimbursement percentages are 40% for taxes payable in 2018 and 2019, 50% for 2020, 55% for 2021, 60% for 2022, and 70% for 2023 and thereafter. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, and to rural vacant land and managed forest land. The amount of agricultural credit received in the debt service fund for taxes payable 2022 is approximately 22.1% of total annual debt service levies, based on the District's 2020/21 qualifying agricultural land valuation.

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

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

Independent School District No. 261 (Ashby), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 11/10/2021)

	School Building Refunding Bonds Series 2010A		School Building Bonds Series 2021A							
Dated	04/13/2010		11/10/2021							
Amount	$4,920,000		$5,900,000*							
Maturity	02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2022	510,000	9,563	0	0	510,000	9,563	519,563	5,900,000	7.96%	**2022**
2023			225,000	167,458	225,000	167,458	392,458	5,675,000	11.47%	**2023**
2024			225,000	129,950	225,000	129,950	354,950	5,450,000	14.98%	**2024**
2025			235,000	123,200	235,000	123,200	358,200	5,215,000	18.64%	**2025**
2026			255,000	116,150	255,000	116,150	371,150	4,960,000	22.62%	**2026**
2027			260,000	108,500	260,000	108,500	368,500	4,700,000	26.68%	**2027**
2028			270,000	100,700	270,000	100,700	370,700	4,430,000	30.89%	**2028**
2029			280,000	92,600	280,000	92,600	372,600	4,150,000	35.26%	**2029**
2030			285,000	84,200	285,000	84,200	369,200	3,865,000	39.70%	**2030**
2031			290,000	79,925	290,000	79,925	369,925	3,575,000	44.23%	**2031**
2032			295,000	75,575	295,000	75,575	370,575	3,280,000	48.83%	**2032**
2033			300,000	70,855	300,000	70,855	370,855	2,980,000	53.51%	**2033**
2034			305,000	64,855	305,000	64,855	369,855	2,675,000	58.27%	**2034**
2035			310,000	58,755	310,000	58,755	368,755	2,365,000	63.10%	**2035**
2036			315,000	52,555	315,000	52,555	367,555	2,050,000	68.02%	**2036**
2037			325,000	46,255	325,000	46,255	371,255	1,725,000	73.09%	**2037**
2038			330,000	39,755	330,000	39,755	369,755	1,395,000	78.24%	**2038**
2039			335,000	32,825	335,000	32,825	367,825	1,060,000	83.46%	**2039**
2040			345,000	25,455	345,000	25,455	370,455	715,000	88.85%	**2040**
2041			355,000	17,520	355,000	17,520	372,520	360,000	94.38%	**2041**
2042			360,000	9,000	360,000	9,000	369,000	0	100.00%	**2042**
	510,000	9,563	5,900,000	1,496,088	6,410,000	1,505,650	7,915,650			

* Preliminary, subject to change.

BONDED DEBT LIMIT

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

2020/21 Economic Market Value	$340,042,244
Multiply by 15%	0.15
Statutory Debt Limit	$ 51,006,337
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(6,410,000)
Unused Debt Limit*	$ 44,596,337

*Preliminary, subject to change.

OVERLAPPING DEBT[1]

Taxing District	2020/21 Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Grant County	$16,598,589	8.3380%	$ 4,151,663	$ 346,166
Otter Tail County	106,807,733	1.2640%	30,055,000	379,895
City of Ashby	206,326	100.0000%	810,000	810,000
District's Share of Total Overlapping Debt				$ 1,536,061

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 ($340,042,244)	Debt/ Current Population Estimate (1,528)
Direct G.O. Debt Being Paid From Taxes and State Aids*:	$ 6,410,000	1.89%	$4,195.03
Less: State Agricultural Credit[1]	(1,416,610)		
Tax Supported General Obligation Debt*	$ 4,993,390	1.47%	$3,267.93
District's Share of Total Overlapping Debt	$ 1,536,061	0.45%	$1,005.28
Total*	$ 6,529,451	1.92%	$4,273.20

*Preliminary, subject to change.

FUTURE FINANCING

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

LEVY LIMITS

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

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

[1] Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 22.1% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is $1,416,610.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[1]	Total Collected Following Year	Collected to Date[2]	% Collected
2016/17	$979,921	$954,732	$979,813	99.99%
2017/18	945,359	928,891	944,634	99.92%
2018/19	924,201	904,111	922,452	99.81%
2019/20	945,857	931,375	937,212	99.09%
2020/21	952,218	In process of collection		

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

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

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

[2] Collections are through December 31, 2020 for Grant County and through June 30, 2021 for Otter Tail County.

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

TAX CAPACITY RATES[1]

	2016/17	2017/18	2018/19	2019/20	2020/21
I.S.D. No. 261 (Ashby Public School)	27.038%	26.670%	26.874%	26.972%	25.062%
Grant County	43.631%	41.792%	41.996%	43.389%	44.254%
Otter Tail County	41.858%	42.296%	41.561%	41.882%	40.773%
City of Ashby	145.558%	137.604%	120.497%	113.835%	109.339%
Town of Tordenskjold[2]	16.615%	16.446%	15.587%	15.543%	14.908%
Grant County HRA	0.297%	0.309%	0.308%	0.306%	0.453%
Grant County Watershed	5.700%	5.871%	6.121%	4.659%	4.588%
Otter Tail County HRA	0.674%	0.693%	1.307%	1.373%	1.541%
Referendum Market Value Rates:					
I.S.D. No. 261 (Ashby Public School)	0.33433%	0.36433%	0.30438%	0.29586%	0.31904%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Grant and Otter Tail 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 61, including 30 non-licensed employees and 31 licensed employees (29 of whom are teachers). The District provides education for 320 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

Public Employees' Retirement Association (PERA)

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

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Ashby Education Association	June 30, 2021

Status of Contracts

The contract which expired on June 30, 2021 is currently in negotiations.

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent Audited Financial Statements (Audit) shows a total OPEB liability of $155,994 as of June 30, 2020. The District has been funding these obligations on a pay-as-you-go basis.

Source: The District's most recent Audit.

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2017/18	24	120	112	256
2018/19	24	132	120	276
2019/20	20	142	129	291
2020/21	25	146	136	307
2021/22	29	162	129	320

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2022/23	25	165	130	320
2023/24	25	167	137	329
2024/25	25	167	139	331

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Ashby Pre-K - 12	1953	1966, 1981, 1991, 2002

FUNDS ON HAND (as of August 31, 2021)

Fund	Total Cash and Investments
General	$ 3,026,908
Food Service	82,998
Community Service	133,810
Debt Service	391,145
Trust & Agency	6,402
Total Funds on Hand	$ 3,641,264

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 2020 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				
	2018 Audited	2019 Audited	2020 Audited	2021 Unaudited[1]	2021-22 Adopted Budget[2]
Revenues					
Property taxes	$459,712	$506,604	$483,325	$517,943	$604,550
Earnings on investments	$5,775	$13,775	$26,736	$14,045	$150
Other	80,377	88,069	150,916	152,127	0
Revenue from state sources	2,576,148	2,714,462	3,006,911	3,114,679	3,138,415
Revenue from federal sources	49,915	90,976	87,330	314,600	82,000
Total Revenues	$3,171,927	$3,413,886	$3,755,218	$4,113,394	$3,825,115
Expenditures					
Current:					
Adminitstration	$311,710	$312,905	$356,934	$338,178	$285,527
District support services	114,183	118,575	140,080	136,154	144,141
Elementary and secondary regular instruction	1,483,735	1,575,818	1,756,098	1,989,303	2,118,356
Vocational education instruction	64,978	65,840	66,894	70,927	74,711
Special education instruction	248,243	299,427	360,386	459,609	638,768
Instructional support services	45,272	56,004	65,723	55,014	45,209
Pupil support services	142,076	133,489	138,584	184,691	221,869
Sites and buildings	235,828	244,502	244,112	278,869	351,348
Fiscal and other fixed cost programs	18,630	18,863	17,861	18,361	22,000
Capital outlay	213,328	159,792	298,135	186,568	106,200
Total Expenditures	$2,877,983	$2,985,215	$3,444,807	$3,717,674	$4,008,129
Excess of revenues over (under) expenditures	$293,944	$428,671	$310,411	$395,720	($183,014)
Other Financing Sources (Uses)					
Operating transfers in	$0	$0	$0	$0	$0
Operating transfers out	(25,000)	(25,000)	0	0	0
Total Other Financing Sources (Uses)	(25,000)	(25,000)	0	0	0
Net changes in Fund Balances	$268,944	$403,671	$310,411	$395,720	($183,014)
General Fund Balance July 1	$1,249,503	$1,518,447	$1,922,118	$2,328,658	
Prior Period Adjustment	0	0	0	0	
Change in accounting principle	0	0	96,129	0	
General Fund Balance June 30	$1,518,447	$1,922,118	$2,328,658	$2,724,378	
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$17,858	$22,361	$24,741	$26,968	
Restricted	287,518	296,477	443,004	544,891	
Assigned	215,000	350,000	350,000	350,000	
Committed	6,580	10,320	14,356	18,615	
Unassigned	991,491	1,242,960	1,496,557	1,783,904	
Total	$1,518,447	$1,922,118	$2,328,658	$2,724,378	

[1] Unaudited data is as of September 16, 2021.

[2] The 2021-22 budget was adopted on June 16, 2021.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 1,334 and an estimated population of 1,528 and comprising an area of 100 square miles, is located approximately 150 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	No. of Employees
I.S.D. No. 261 (Ashby Public School)	Elementary and secondary education	61
Johnson-Nelson Masonry, Inc.	Masonry contractors	60
TFC Poultry	Custom poultry processing plant	40
Ashby Equity Parts	Convenience store and gas station	20
Indigital Inc.	Scanning services	10
Destiny Church	Church	10
Ness Backhoe, Inc.	Excavating contractors	10
T & B's Short Stop	Service station- convenience store	8
JC's Grocery	Grocers-retail	6
Glende-Nilson Funeral Home	Funeral home	5

Source: *Data Axle Reference Solutions*, *written and telephone survey (September 2021), and the Minnesota Department of Employment and Economic Development.*

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

U.S. CENSUS DATA

Population Trend: The District

2000 U.S. Census population	1,370
2010 U.S. Census population	1,334
2019 Population Estimate	1,528
Percent of Change 2000 - 2010	-2.63%

Income and Age Statistics

	The District	Grant County	State of Minnesota	United States
2019 per capita income	$29,271	$32,871	$37,625	$34,103
2019 median household income	$62,000	$55,466	$71,306	$62,843
2019 median family income	$72,292	$66,375	$89,842	$77,263
2019 median gross rent	$782	$657	$977	$1,062
2019 median value owner occupied units	$189,200	$118,700	$223,900	$217,500
2019 median age	44.8 yrs.	44.9 yrs.	38.0 yrs.	38.1 yrs.

	State of Minnesota	United States
District % of 2019 per capita income	77.80%	85.83%
District % of 2019 median family income	80.47%	93.57%

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

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	Average Unemployment	
Year	**Grant County**	**Grant County**	**State of Minnesota**
2017	3,148	4.1%	3.4%
2018	3,172	4.0%	3.0%
2019	3,193	4.5%	3.2%
2020	3,156	4.9%	6.2%
2021, August	3,159	3.4%	3.4%

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.

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2020

ASHBY PUBLIC SCOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
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ASHBY PUBLIC SCOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
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INTRODUCTORY SECTION

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2020

Officer	Title	Term Expires
Suzanne Wing	Chairperson	January 1, 2023
Corey Johnson	Vice-Chairperson	January 1, 2021
Leslie Anderson	Clerk	January 1, 2023
Dallas Rylander	Treasurer	January 1, 2023
Ben Johnson	Director	January 1, 2021
Heidi Hoff	Director	January 1, 2021
Kirby Spangler	Director	January 1, 2021
	ADMINISTRATION	
Alan Niemann	Superintendent of Schools	
Renee Melby	Business Manager	

INDEPENDENT AUDITORS' REPORT

Board of Education
Independent School District No. 261
Ashby, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 261 (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

Opinion

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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2020, the District adopted GASB Statement No. 84 *Fiduciary Activities.* As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle (see Note 12). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of changes in the District's OPEB liability and related ratios, the schedule of the District's proportionate share of the net pension liability, the schedule of District contributions, and the notes to the required supplementary information, as listed on 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The uniform financial accounting and reporting standards compliance table is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The uniform financial accounting and reporting standards compliance table is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Education
Independent School District No. 261

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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

Alexandria, Minnesota
September 24, 2020

REQUIRED SUPPLEMENTARY INFORMATION

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

This section of Ashby Public Schools – Independent School District 261'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, 2020.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2019-2020 fiscal year include the following:

- Overall revenues in the statement of activities were $4,606,301 and expenses were $3,983,553.
- The General Fund balance increased $310,411.
- The Food Service Fund balance increased $16,195.
- The Community Service Fund balance increased by $38,510.
- The Debt Service Fund balance increased by $2,798.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

District-Wide Statements

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

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

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

- To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

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

The District has two 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 information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- ***Fiduciary funds*** – The District is the trustee, or *fiduciary*, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was $4,708,485 on June 30, 2020. There was an overall increase of $718,877 over the net position of $3,989,608 at June 30, 2019, including a restatement of $96,129.

Table A-1
Net Position

	Governmental Activities		Percentage
	2020	2019	Change
Current and Other Assets	$ 4,019,104	$ 3,491,656	15.11 %
Capital and Noncurrent Assets	5,683,182	5,746,455	(1.10)
Total Assets	9,702,286	9,238,111	5.02
Deferred Outflows of Resources	1,528,565	2,115,860	(27.76)
Current Liabilities	889,558	825,646	7.74
Long-Term Liabilities	2,488,685	2,919,938	(14.77)
Total Liabilities	3,378,243	3,745,584	(9.81)
Deferred Inflows of Resources	3,144,123	3,618,779	(13.12)
Net Position:			
Net Investment in Capital Assets	4,687,910	4,277,327	9.60
Restricted	767,806	533,457	43.93
Unrestricted	(747,231)	(821,176)	9.00
Total Net Position	$ 4,708,485	$ 3,989,608	18.02

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

A summary of the revenues and expenses is presented below and described in more detail following the table.

Table A-2
Change in Net Position

	Governmental Activities for the fiscal 2020	Governmental Activities for the fiscal 2019	Total % Change
REVENUES			
Program Revenues:			
Charges for Services	$ 225,112	$ 173,589	29.68 %
Operating Grants and Contributions	762,191	552,363	37.99
Capital Grants and Contributions	48,543	45,893	5.77
General Revenues:			
Property Taxes	939,935	948,868	(0.94)
Unrestricted State Aid	2,577,543	2,359,305	9.25
Investment Earnings	30,832	16,772	83.83
Other	22,145	41,346	(46.44)
Total Revenues	4,606,301	4,138,136	11.31
EXPENSES			
Administration	253,688	183,544	38.22
District Support Services	135,735	124,087	9.39
Regular Instruction	2,189,688	1,357,716	61.28
Vocational Education Instruction	74,797	36,296	106.08
Special Education Instruction	378,210	239,763	57.74
Instructional Support Services	82,972	58,329	42.25
Pupil Support Services	227,121	194,035	17.05
Sites and Buildings	308,380	284,440	8.42
Fiscal and Other Fixed Cost Programs	17,861	18,863	(5.31)
Food Service	208,015	197,653	5.24
Community Service	52,117	46,683	11.64
Interest and Fiscal Charges on Long-Term Liabilities	54,969	69,606	(21.03)
Total Expenses	3,983,553	2,811,015	41.71
CHANGE IN NET POSITION	622,748	1,327,121	
Net Position - Beginning of Year	3,989,608	2,662,487	
Change in Accounting Principle	96,129	-	
Net Position - Beginning of Year, as Restated	4,085,737	2,662,487	
NET POSITION - END OF YEAR	$ 4,708,485	$ 3,989,608	

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The cost of all governmental activities this year was $3,983,553.

- Some of the cost was paid by the users of the District's programs $225,112.
- The federal and state governments subsidized certain programs with grants and contributions $810,734.
- Most of the District's costs, however, were paid for by District taxpayors and the taxpayors of our state.
- This portion of governmental activities was paid for with $939,935 in property taxes, $2,630,520 of state and federal aid and investment earnings and other general revenues.

Figure A-1 Sources of District's Revenues for Fiscal 2020

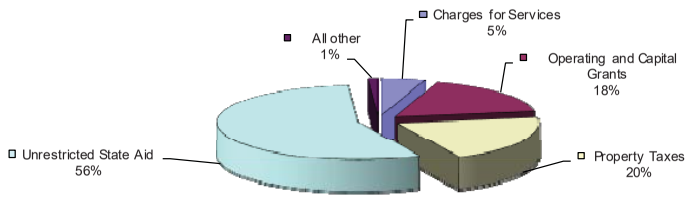
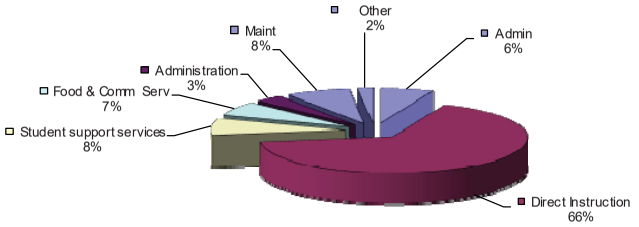


Figure A-2 District Expenses for Fiscal 2020



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Typically the District does not include in an analysis of all govemmental funds a breakout of expenditures as depicted in Figure A-2. To do so distorts the latitude available to the District to allocate resources to instruction. All governmental funds includes not only funds received for the general operation of the district, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The above graph, by pooling all expenditures, implies that the District does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option. Therefore, a more accurate analysis of resources allocated to instruction should be limited to an analysis of resources received for the general operation of the District and that analysis would show that 74% of those resources are spent on instruction.

Table A-3
Cost and Net Cost of Services

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2020	2019	Change	2020	2019	Change
Administration	$ 253,688	$ 183,544	38.22 %	$ 252,948	$ 188,795	33.98 %
District Support Services	135,735	124,087	9.39	134,859	123,767	8.96
Regular Instruction	2,189,688	1,357,716	61.28	1,815,340	1,121,041	61.93
Vocational Education Instruction	74,797	36,296	106.08	41,111	(5,880)	(799.17)
Special Education Instruction	378,210	239,763	57.74	104,503	56,666	84.42
Instructional Support Services	82,972	58,329	42.25	75,732	51,546	46.92
Pupil Support Services	227,121	194,035	17.05	180,856	167,092	8.24
Sites and Buildings	308,380	284,440	8.42	298,046	274,952	8.40
Fiscal and Other Fixed Cost Programs	17,861	18,863	(5.31)	17,861	18,863	(5.31)
Food Service	208,015	197,653	5.24	(15,761)	(5,383)	192.79
Community Service	52,117	46,683	11.64	(12,757)	(21,895)	(41.74)
Interest and Fiscal Charges on Long-Term Liabilities	54,969	69,606	(21.03)	54,969	69,606	(21.03)
Total	$ 3,983,553	$ 2,811,015	41.71	$ 2,947,707	$ 2,039,170	44.55

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $2,617,868. This is an increase of $464,043, including a restatement of $96,129, or approximately 22% of last year's ending fund balance of $2,153,825.

Revenues for the District's governmental funds were $4,600,948 while total expenditures were $4,233,034.

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

GENERAL FUND

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

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

Enrollment is a critical factor in determining revenue with approximately 80% of General Fund revenue being determined by enrollment. The following chart shows that the number of students has slightly increased over the last five years, with a consistent increase over the past two years.

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

Grade	2016	2017	2018	2019	2020
Pre-K & Kdgt.	16	22	26	33	37
1-3	57	48	61	75	79
4-6	64	60	60	57	63
7-12	111	112	119	121	128
Total K-12 ADM	248	242	266	286	307
ADM Change	N/A	(6)	24	20	21
Percent Change	N/A	-2.4%	9.9%	7.5%	7.4%

The following schedule presents a summary of General Fund revenues.

Table A-5
General Fund Revenues

	Year Ended		Change	
	June 30, 2020	June 30, 2019	Increase (Decrease)	Percent
Local Sources:				
Property Taxes	$ 483,325	$ 506,604	$ (23,279)	(4.6)%
Earnings on Investments	26,736	13,775	12,961	94.1
Other	150,916	88,069	62,847	71.4
State Sources	3,006,911	2,714,462	292,449	10.8
Federal Sources	87,330	90,976	(3,646)	(4.0)
Total General Fund Revenue	$ 3,755,218	$ 3,413,886	$ 341,332	10.0

GENERAL FUND (CONTINUED)

Total General Fund revenues increased by $341,332 or 10.0% over the previous year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue including operating levy referendum and the property tax shift also involve an equalized mix of property tax and state aid revenue. The District's General Fund revenues included $83,182 of revenues related to student activities, which was not included in the prior year.

The following schedule presents a summary of General Fund expenditures.

Table A-6
General Fund Expenditures

	Year Ended		Change	
	June 30, 2020	June 30, 2019	Increase (Decrease)	Percent
Salaries	$ 1,963,932	$ 1,789,370	$ 174,562	9.8 %
Employee Benefits	483,345	430,303	53,042	12.3
Purchased Services	356,025	349,425	6,600	1.9
Supplies and Materials	262,803	194,913	67,890	34.8
Capital Expenditures	298,135	159,792	138,343	86.6
Other Expenditures	80,567	61,412	19,155	31.2
Total Expenditures	$ 3,444,807	$ 2,985,215	$ 459,592	15.4

Total General Fund expenditures increased $459,592 or 15.4% from the previous year. There was an increase in salaries and employee benefits expense and an increase in capital expenditures in the current year plan. These expenditures also included $75,465 of student activity expenditures in the current year that was not included in the prior year.

General Fund Budgetary Highlights

The General Fund revenues were $413,001 higher than budget due to an increase in state aid, an increase in students, and student activity revenues that were not budgeted for. Expenditures were over budget by $133,734 during the current fiscal year due to higher than expected salaries and employee benefits expense. Expenditures were also over budget due to the amounts for student activities.

DEBT SERVICE FUNDS

The Debt Service Fund revenues were more than expenditures by $2,798 in 2019-20. The remaining fund balance of $105,677 at June 30, 2020 is restricted for future debt service obligations.

OTHER MAJOR FUNDS

The Food Service Fund had fund balance of $58,080, an increase of $16,195, which was a result of the District receiving an increase in federal funding due to the closure of the District, and reducing expenditures for the current fiscal year.

The Community Service Fund revenues were more than expenditures by $38,510, increasing ending fund balance to $125,453.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Through 2020, the District has invested $10,353,253 in a broad range of capital assets. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was $276,638.

Table A-7
The District's Capital Assets

	2020	2019	Percentage Change
Land	$ 196,751	$ 196,751	- %
Land Improvements	206,377	184,780	11.7
Buildings and Improvements	8,376,218	8,342,918	0.4
Equipment	1,573,907	1,460,109	7.8
Less: Accumulated Depreciation	(4,670,071)	(4,438,103)	5.2
Total	$ 5,683,182	$ 5,746,455	(1.1)

Long-Term Debt

At year-end, the District had $1,005,000 in general obligation bonds outstanding – a decrease of 32.32% from last year – as shown in Note 5 to the financial statements.

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

	2020	2019	Percentage Change
General Obligation Bonds	$ 1,005,000	$ 1,485,000	(32.32)%
Net Bond Premium and Discount	9,988	16,297	(38.71)
Total	$ 1,014,988	$ 1,501,297	
Long-Term Liabilities:			
Due Within One Year	$ 495,000	$ 480,000	
Due in More Than One Year	519,988	1,021,297	
Total	$ 1,014,988	$ 1,501,297	

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for its revenue authority. The District receives $6,438 per student in general education aid. Fortunately, the District has been experiencing a fairly stable enrollment period with sight increases in student count over the past four years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayors, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District 261, 300 Birch Avenue, Ashby, Minnesota 56309.

BASIC FINANCIAL STATEMENTS

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
ASSETS	
Cash and Investments	$ 3,042,019
Receivables	
Property Taxes	543,927
Other Governments	381,182
Other	20,738
Prepaid Items	14,603
Inventories	16,635
Capital Assets	
Land and Construction in Progress	196,751
Other Capital Assets, Net of Depreciation	5,486,431
Total Assets	9,702,286
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	1,467,769
OPEB Related	41,080
Loss on Refunding	19,716
Total Deferred Outflows of Resources	1,528,565
LIABILITIES	
Salaries and Payroll Deductions Payable	258,500
Accounts and Contracts Payable	59,578
Accrued Interest	15,188
Unearned Revenue	20,212
OPEB Liability	41,080
Long-Term Liabilities	
Portion Due Within One Year	495,000
Portion Due in More Than One Year	545,770
Net Pension Liability	1,828,001
OPEB Liability, Net of Current Portion	114,914
Total Liabilities	3,378,243
DEFERRED INFLOWS OF RESOURCES	
Pension Related	2,103,315
OPEB Related	3,429
Property Taxes Levied for Subsequent Year	1,037,379
Total Deferred Inflows of Resources	3,144,123
NET POSITION	
Net Investment in Capital Assets	4,687,910
Restricted for	
Operating Capital Purposes	324,325
State-Mandates Restrictions	118,679
Food Service	58,080
Community Service	163,480
Debt Service	103,242
Unrestricted	(747,231)
Total Net Position	$ 4,708,485

See accompanying Notes to Financial Statements.

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total Governmental Activities 2020
Governmental Activities					
Administration	$ 253,688	$ -	$ 714	$ 26	$ (252,948)
District Support Services	135,735	-	-	876	(134,859)
Regular Instruction	2,189,688	122,998	227,495	23,855	(1,815,340)
Vocational Education Instruction	74,797	-	33,382	304	(41,111)
Special Education Instruction	378,210	-	273,707	-	(104,503)
Instructional Support Services	82,972	-	7,240	-	(75,732)
Pupil Support Services	227,121	-	29,146	17,119	(180,856)
Sites and Buildings	308,380	3,956	15	6,363	(298,046)
Fiscal and Other Fixed Cost Programs	17,861	-	-	-	(17,861)
Food Service	208,015	64,273	159,503	-	15,761
Community Service	52,117	33,885	30,989	-	12,757
Interest and Fiscal Charges on Long-Term Liabilities	54,969	-	-	-	(54,969)
Total School District	$ 3,983,553	$ 225,112	$ 762,191	$ 48,543	(2,947,707)
	GENERAL REVENUES				
	Property Taxes Levied for:				
	General Purposes				485,677
	Community Service				17,815
	Debt Service				436,443
	State Aid Not Restricted to Specific Purposes				2,577,543
	Earnings on Investments				30,832
	Miscellaneous				22,145
	Total General Revenues				3,570,455
	CHANGE IN NET POSITION				622,748
	Net Position - Beginning of Year				3,989,608
	Change in Accounting Principle (See Note 12)				96,129
	Net Position - Beginning of Year, as Restated				4,085,737
	NET POSITION - END OF YEAR				$ 4,708,485

See accompanying Notes to Financial Statements.

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
BALANCE SHEET – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	Major Funds		
	General	Food Service	Community Service
ASSETS			
Cash and Investments	$ 2,484,633	$ 61,944	$ 152,573
Receivables:			
Current Property Taxes	212,954	-	7,848
Delinquent Property Taxes	12,341	-	473
Due from Minnesota Department of Education	322,864	-	2,459
Due from Federal through Minnesota Department of Education	45,847	-	-
Other Receivables	17,393	3,345	-
Prepaid Items	14,603	-	-
Inventory	10,138	6,497	-
Total Assets	$ 3,120,773	$ 71,786	$ 163,353
LIABILITIES, DEFFERED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Salaries and Payroll Deductions Payable	$ 247,194	$ -	$ 11,306
Accounts and Contracts Payable	57,967	494	1,117
Unearned Revenue	-	13,212	7,000
Total Liabilities	305,161	13,706	19,423
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Subsequent Year	474,613	-	18,004
Delinquent Property Taxes	12,341	-	473
Total Deferred Inflows of Resources	486,954	-	18,477
FUND BALANCE			
Nonspendable:			
Prepaid Items	14,603	-	-
Inventory	10,138	6,497	-
Restricted:			
Student Activities	103,101	-	-
Scholarship	6,378	-	-
Operating Capital	300,000	-	-
LTFM	24,325	-	-
Safe Schools - Crime	9,200	-	-
Community Education Programs	-	-	33,703
School Readiness	-	-	129,304
Other Restricted	-	51,583	-
Committed:			
Sick Leave	14,356	-	-
Assigned	350,000	-	-
Unassigned	1,496,557	-	(37,554)
Total Fund Balance	2,328,658	58,080	125,453
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 3,120,773	$ 71,786	$ 163,353

See accompanying Notes to Financial Statements.

Debt Service	Total Governmental Funds 2020
$ 342,869	$ 3,042,019
297,558	518,360
12,753	25,567
10,012	335,335
-	45,847
-	20,738
-	14,603
-	16,635
$ 663,192	$ 4,019,104
$ -	$ 258,500
-	59,578
-	20,212
-	338,290
544,762	1,037,379
12,753	25,567
557,515	1,062,946
-	14,603
-	16,635
-	103,101
-	6,378
-	300,000
-	24,325
-	9,200
-	33,703
-	129,304
105,677	157,260
-	14,356
-	350,000
-	1,459,003
105,677	2,617,868
$ 663,192	$ 4,019,104

See accompanying Notes to Financial Statements.

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total Fund Balance for Governmental Funds	$	2,617,868
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		196,751
Land Improvements, Net of Accumulated Depreciation		104,816
Buildings and Improvements, Net of Accumulated Depreciation		4,950,688
Equipment, Net of Accumulated Depreciation		430,927
The District's OPEB Liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
OPEB Liability		(155,994)
Deferred Inflows of Resources - OPEB Related		(3,429)
Deferred Outflows of Resources - OPEB Related		41,080
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.		25,567
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(15,188)
The loss on refunding is reported as a deferred outflow on the statement of net position and amortized over the life of the bonds.		19,716
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		(1,828,001)
Deferred Inflows of Resources - Pension Related		(2,103,315)
Deferred Outflows of Resources - Pension Related		1,467,769
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		(1,005,000)
Unamortized Discounts (Premiums)		(9,988)
Compensated Absences Payable		(25,782)
Total Net Position of Governmental Activities	$	4,708,485

See accompanying Notes to Financial Statements.

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	Major Funds		
	General	Food Service	Community Service
REVENUES			
Local Sources:			
Property Taxes	$ 483,325	$ -	$ 17,736
Earnings on Investments	26,736	434	854
Other	150,916	64,273	37,205
State Sources	3,006,911	9,553	27,602
Federal Sources	87,330	149,950	-
Total Revenues	3,755,218	224,210	83,397
EXPENDITURES			
Current:			
Administration	356,934	-	-
District Support Services	140,080	-	-
Regular Instruction	1,756,098	-	-
Vocational Education Instruction	66,894	-	-
Special Education Instruction	360,386	-	-
Instructional Support Services	65,723	-	-
Pupil Support Services	138,584	-	-
Sites and Buildings	244,112	-	-
Fiscal and Other Fixed Cost Programs	17,861	-	-
Food Service	-	208,015	-
Community Service	-	-	44,887
Capital Outlay	298,135	-	-
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	3,444,807	208,015	44,887
NET CHANGE IN FUND BALANCES	310,411	16,195	38,510
Fund Balances - Beginning of Year	1,922,118	41,885	86,943
Change in Accounting Principle (See Note 12)	96,129	-	-
Fund Balance - Beginning of Year, as Restated	2,018,247	41,885	86,943
FUND BALANCES - END OF YEAR	$ 2,328,658	$ 58,080	$ 125,453

See accompanying Notes to Financial Statements.

Debt Service	Total Governmental Funds 2020
$ 435,126	$ 936,187
2,808	30,832
-	252,394
100,189	3,144,255
-	237,280
538,123	4,600,948
-	356,934
-	140,080
-	1,756,098
-	66,894
-	360,386
-	65,723
-	138,584
-	244,112
-	17,861
-	208,015
-	44,887
-	298,135
480,000	480,000
55,325	55,325
535,325	4,233,034
2,798	367,914
102,879	2,153,825
-	96,129
102,879	2,249,954
$ 105,677	$ 2,617,868

See accompanying Notes to Financial Statements.

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Net Change in Fund Balance-Total Governmental Funds	$	367,914
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		213,365
Depreciation Expense		(276,638)
Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.		(162,877)
Payments to the District's OPEB liability are recognized as expenditures at the fund level while the change in the OPEB obligation and the related deferred inflows and outflows of resources are recognized in the statement of net position.		4,235
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Repayment of Bond Principal		480,000
Change in Accrued Interest Expense - General Obligation Bonds		6,500
Amortization of Refunding Loss		(12,453)
Amortization of Bond (Discount) Premium		6,309
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.		3,748
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		(7,355)
Change in Net Position of Governmental Activities	$	622,748

See accompanying Notes to Financial Statements.

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
STATEMENT OF NET POSITION –
FIDUCIARY FUNDS
JUNE 30, 2020

	Custodial Fund
ASSETS	
Cash and Investments	$ -
LIABILITIES AND NET POSITION	
Liabilities:	
Accounts and Contracts Payable	$ -
Net Position:	
Restricted for Individuals, Organizations, and Other Governments	-
Total Liabilities and Net Position	$ -

STATEMENT OF CHANGES IN NET POSITION –
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2020

	Custodial Fund
ADDITIONS	
Gifts and Bequests	$ 560
DEDUCTIONS	
Miscellaneous	560
CHANGES IN NET POSITION	-
Net Position - Beginning of Year	745
Change in Accounting Principle (See Note 12)	(745)
Net Position - Beginning of Year, as Restated	-
NET POSITION - END OF YEAR	$ -

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 261 (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 education institution. The elected School Board (the Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

GAAP require that the District's financial statements included all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

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

C. Basic Financial Statement Presentation

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

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 expenses that can be specifically identified by function are included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities. Generally, the effect of material interfund activity has been removed from the district-wide financial statements.

Separate fund financial statements are provided for governmental 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. Since by definition, fiduciary fund assets are being held for the benefit of a third-party and cannot be used for activities or obligations of the District, these funds are excluded from the 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 fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amount advance recognized in accordance with a statutory "tax shift" described later in these notes. Grant and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

Description of Funds

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

Major Governmental Funds

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Major Governmental Funds (Continued)

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and payment of, general long-term obligation bond principal, interest, and related costs.

Fiduciary Funds

Custodial Fund – The Custodial Fund is used to report fiduciary activities that are not required to be reported in pension or OPEB truest funds, investment trust funds, or private purpose trust funds.

E. Budgeting

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

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

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

F. Cash and Investments

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

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 receivable not expected to be collected within one year are current property taxes receivable.

H. Inventories

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Expense is allocated over the periods benefited.

J. Property Taxes

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

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as a deferred inflow of resources (property taxes levied for subsequent year). The majority of District revenue in the General (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes (Continued)

In accordance with state law, the current tax shift consists of specific revenue to be advance recognized as revenue each year with no corresponding state aid adjustment. These portions of the District's 2020 Pay 2021, normally revenue for the 2020-21 fiscal year, are advance recognized as June 30, 2020, as required by state statute to match revenue with the same fiscal year as the related expenditures.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2021, are included in Property Taxes Levied for Subsequent Years to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

K. Capital Assets

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

Capital assets are recorded in the district-wide financial statements, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are 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 issuance are reported as other financing uses.

N. Accrued Employee Benefits

Other Postemployment Benefits Payable

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

Compensated Absences Payable

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

The District maintains a sick leave plan for its Superintendent. The Superintendent is entitled to payment for any unused sick leave days earned and accrued up to a maximum of 110 days. Payment is to be paid out to the Superintendent upon retirement or resignation from the District.

Vacation and sick pay are considered expenditures in the year due in the governmental funds. All estimated vacation, compensatory, and sick time is recorded when incurred in the government-wide financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Deferred Inflows of Resources

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

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 legal claim to them. The District has reported unearned revenues for the Food Service Fund excess school lunch deposits and the Community Service Fund related to activities paid for in advance.

R. Fund Balance

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Risk Management

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

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

T. Net Position

Net position represents the difference between assets and deferred inflows of resources and liabilities and deferred outflows of resources in the district-wide and fiduciary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any 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 impose 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 funds at June 30, 2020.

	Budget	Expenditures	Excess
General Fund	$ 3,311,073	$ 3,444,807	$ 133,734
Special Revenue Funds			
Food Service Fund	208,001	208,015	14

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

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

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

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

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

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

The District's deposits in banks at June 30, 2020 were entirely covered by federal depositories insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

B. Investments

The District did not have any investments as of the end of June 30, 2020.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 196,751	$ -	$ -	$ 196,751
Capital Assets, Being Depreciated:				
Land Improvements	184,780	21,597	-	206,377
Buildings and Improvements	8,342,918	33,300	-	8,376,218
Equipment	1,460,109	158,468	(44,670)	1,573,907
Total Capital Assets, Being Depreciated	9,987,807	213,365	(44,670)	10,156,502
Accumulated Depreciation for:				
Land Improvements	(91,782)	(9,779)	-	(101,561)
Buildings and Improvements	(3,254,729)	(170,801)	-	(3,425,530)
Equipment	(1,091,592)	(96,058)	44,670	(1,142,980)
Total Accumulated Depreciation	(4,438,103)	(276,638)	44,670	(4,670,071)
Total Capital Assets, Being Depreciated, Net	5,549,704	(63,273)	-	5,486,431
Governmental Activities Capital Assets, Net	$ 5,746,455	$ (63,273)	$ -	$ 5,683,182

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities	
Administration	$ 1,930
District Support Services	10,641
Regular Instruction	182,901
Instructional Support Services	3,613
Pupil Support Services	54,347
Sites and Buildings	23,206
Total Depreciation Expense, Governmental Activities	$ 276,638

NOTE 5 LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

The District has issued general obligation school building bonds to finance the construction of capital facilities or refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitation imposed by Minnesota law. Resources for the payment of compensated absences benefits payable included in long-term liabilities will be provided primarily by the General Fund.

				Principal Outstanding	
Issue Date	Interest Rate	Original Issue	Final Maturity	Due Within One Year	Total
4/13/10	2.00-3.75%	$ 4,920,000	2/1/2022	$ 495,000	$ 1,005,000
Bond Discounts (Premiums) - Net				-	9,988
Compensated Absences Payable				-	25,782
Total				$ 495,000	$ 1,040,770

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

B. Minimum Debt Payments

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

	General Obligation Bonds Payable	
Year Ending June 30,	Principal	Interest
2021	$ 495,000	$ 52,050
2022	510,000	36,450
Total	$ 1,005,000	$ 88,500

C. Description of Long-Term Debt

In April 2010, the District issued $4,920,000 of General Obligation School Building Refunding Bonds, Series 2010A to refund the $7,400,000 General Obligation Building Bonds, Series 2001.

D. Changes in Long-Term Debt

	June 30, 2019	Net Additions	Retirements	June 30, 2020
Bonds Payable	$ 1,485,000	$ -	$ 480,000	$ 1,005,000
Bond Discounts (Premiums)	16,297	-	6,309	9,988
Compensated Absences Payable	18,427	13,332	5,977	25,782
Total	$ 1,519,724	$ 13,332	$ 492,286	$ 1,040,770

NOTE 6 RESTRICTED FUND BALANCES

Fund Equity

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

A. Restricted for Student Activities

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

B. Restricted for Scholarship

Represents available resources to be used for scholarship funds.

NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

C. Restricted for Operating Capital

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

D. Restricted for Long-Term Facilities Maintenance (LTFM)

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

E. Restricted for Safe Schools – Crime

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

F. Restricted for Community Education Programs

The fund balance restriction represents accumulated resources available to provide general community education programming.

G. Restricted for School Readiness

The fund balance reservation represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose. Under Minnesota Statutes, a deficit in this restriction generates specific future levy authority.

H. Restricted for Other Purposes

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

NOTE 7 ASSIGNED FUND BALANCES

The Board of Education has assigned $350,000 of fund balance for technology updates at $75,000, building improvements at $100,000, and future bus purchases at $175,000.

NOTE 8 PENSION PLANS

A. Plan Description

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

NOTE 8 PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

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.

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.

NOTE 8 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. TRA Benefit

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

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

Tier I Benefits

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

NOTE 8 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefit (Continued)

With these provisions:

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

(b) 3% per year early retirement reduction factor for all years under normal retirement age.

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

or

Tier II Benefits

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

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

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

NOTE 8 PENSION PLANS (CONTINUED)

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 2020 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, 2020, were $44,429. 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 7.92% for the employer. Basic rates were 11.00% for the employee and 11.92% for the employer. The Districts contributions to TRA for the plan's fiscal year ended June 30, 2020 were $110,709. The District's contributions were equal to the required contributions for each year as set by state statue.

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2020, the District reported a liability of $425,716 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 2019. 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 $13,166, for a total net pension liability of $438,882 associated with the District. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the District's proportionate share was 0.0077% which was an increase of 0.0008% from its proportionate share measured as of June 30, 2018.

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

For the year ended June 30, 2020, the District recognized pension expense of $70,329 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $986 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, 2020, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 11,798	$ -
Changes in Actuarial Assumptions	-	33,462
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	43,151
Changes in Proportion	40,386	3,220
District Contributions Subsequent to the Measurement Date	44,429	-
Total	$ 96,613	$ 79,833

$44,429 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, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expenses Amount
2021	$ (8,826)
2022	(23,432)
2023	3,923
2024	686

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs

At June 30, 2020 the District reported a liability of $1,402,285 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to 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 .0220% at the end of the measurement period and .0219% 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	$ 1,402,285
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	124,098
Total	$ 1,526,383

For the year ended June 30, 2020, the District recognized pension expense of $569,544. It also recognized $9,433 as an increase to pension expense and grant revenue for the support provided by direct aid.

At June 30, 2020, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 199	$ 34,063
Changes in Actuarial Assumptions	1,180,081	1,860,311
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	116,210
Changes in Proportion	80,167	12,898
District Contributions Subsequent to the Measurement Date	110,709	-
Total	$ 1,371,156	$ 2,023,482

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

$110,709 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, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expenses Amount
2021	$ 96,014
2022	8,380
2023	(512,631)
2024	(353,797)
2025	(1,001)

E. Actuarial Assumptions

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

Assumptions	GERF	TRA
Inflation	2.50% 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.

NOTE 8 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

TRA pre-retirement mortality rates were based on the RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale. Post-retirement mortality rates were based on the RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. 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.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions for PERA occurred in 2019:

Changes in Actuarial Assumptions:
- The morality projection scale was changed from MP-2017 to MP-2018.

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

The following changes in actuarial assumptions for TRA occurred in 2019:

- 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.

NOTE 8 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

- 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 three years, (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 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	35.5 %	5.10 %
International Equity	17.5	5.30
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
Cash Equivalents	02.0	-
Totals	100 %	

F. Discount Rate

The discount rate used to measure the PERA General Employees Plan liability in 2019 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.

NOTE 8 PENSION PLANS (CONTINUED)

F. Discount Rate (Continued)

The discount rate used to measure the TRA pension liability was 7.50%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the fiscal year 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

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	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	$ 699,854	$ 425,716	$ 199,360
TRA Discount Rate	6.50%	7.50%	8.50%
District's Proportionate Share of the TRA Net Pension Liability	$ 2,235,585	$ 1,402,285	$ 715,241

H. Pension Plan Fiduciary Net Position

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

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

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer postemployment defined benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through the District's health insurance plan. There are 52 active participants and 3 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.

B. Funding Policy

The District does not have assets designated to pay for OPEB related costs. Contribution requirements are negotiated between District and union representatives. For the fiscal year 2020, the District contributed $-0- to the plan in the form of pay-as-you-go benefits.

C. Actuarial Methods and Assumptions

The District's OPEB liability was measured as of July 1, 2019, and the total OPEB liability was determined by an actuarial valuation as of July 1, 2019.

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
Health Care Trend Rates	6.5% Decreasing to 5.00% Over 6 Years

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (general, teachers) with MP-2018 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2019.

The discount rate used to measure the total OPEB liability was 3.1%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

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

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

D. Changes in the Net OPEB Liability

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

	Total OPEB Liability
Balances at June 30, 2019	$ 138,732
Changes for the Year:	
Service Cost	11,902
Interest	4,849
Assumption Changes	(4,115)
Differences Between Expected and Actual Experience	20,780
Benefit Payments	(16,154)
Net Changes	17,262
Balances at June 30, 2020	$ 155,994

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

	1% Decrease (2.1%)	Discount Rate (3.1%)	1% Increase (4.1%)
Net OPEB Liability	$ 162,990	$ 155,994	$ 149,218

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Changes in the Net OPEB Liability (Continued)

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.5% decreasing to 4.00% over six years) or 1% higher (7.5% decreasing to 6.00% over six years) than the current healthcare cost trend rates:

Medical Trend Rate	1% Decrease (5.5% Decreasing to 4.0%)	Current Trend Rates (6.5% Decreasing to 5.0%)	1% Increase (7.5% Decreasing to 6.0%)
Net OPEB Liability	$ 145,398	$ 155,994	$ 168,348

At June 30, 2020, the District reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	$ -	$ 3,429
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	17,316	-
District Contributions Subsequent to the Measurement Date	23,764	-
Total	$ 41,080	$ 3,429

$23,764 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Pension Expenses Amount
2021	$ 2,778
2022	2,778
2023	2,778
2024	2,778
2025	2,775

For the year ended June 30, 2020, the District recognized OPEB expense of $19,529.

NOTE 10 JOINT VENTURE

The District, in conjunction with seven other school districts, is a member district of Fergus Falls Area Special Education Cooperative No. 935. The Joint Powers Board consists of one representative and one delegate from each member district. The representative is the Superintendent of Schools of each member district, and the delegate is one School Board member from each member district appointed by the School Board of that member district, who serves a three-year term. The purpose of the Joint Powers Board is to provide, by cooperative effort, a comprehensive special education program for the member districts. Each member district is entitled to one vote, which shall be cast by the delegate of that member district. No dues were charged to the District by the joint venture for the year ended June 30, 2020. The dues are based on the operating budget of the Cooperative and allocated per an agreement to the member districts.

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

NOTE 11 COMMITMENTS AND CONTINGENCIES

Federal and State Receivables

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

NOTE 12 RESTATEMENT

During fiscal year ended June 30, 2020, the District adopted GASB Statement No. 84 Fiduciary Activities. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle of $96,129.

	Governmental Activities	General Fund	Private-Purpose Trust
Net Position/Fund Balance, June 30, 2019, as Previously Reported	$ 3,989,608	$ 1,922,118	$ 745
Change in Accounting Principle	96,129	96,129	(745)
Net Position/Fund Balance, June 30, 2019, as Restated	$ 4,085,737	$ 2,018,247	$ -

OTHER REQUIRED SUPPLEMENTARY INFORMATION

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources:				
Property Taxes	$ 483,603	$ 483,603	$ 483,325	$ (278)
Earnings on Investments	5,000	5,000	26,736	21,736
Other	53,100	53,100	150,916	97,816
State Sources	2,708,514	2,708,514	3,006,911	298,397
Federal Sources	92,000	92,000	87,330	(4,670)
Total Revenues	3,342,217	3,342,217	3,755,218	413,001
EXPENDITURES				
Current:				
Administration	172,410	343,474	356,934	13,460
District Support Services	123,909	123,909	140,080	16,171
Regular Instruction	1,688,713	1,627,635	1,756,098	128,463
Vocational Education Instruction	69,780	69,256	66,894	(2,362)
Special Education Instruction	329,563	328,491	360,386	31,895
Instructional Support Services	33,072	24,106	65,723	41,617
Pupil Support Services	226,374	187,950	138,584	(49,366)
Sites and Buildings	339,252	278,252	244,112	(34,140)
Fiscal and Other Fixed Cost Programs	26,000	26,000	17,861	(8,139)
Capital Outlay	302,000	302,000	298,135	(3,865)
Total Expenditures	3,311,073	3,311,073	3,444,807	133,734
EXCESS OF REVENUES OVER EXPENDITURES	31,144	31,144	310,411	279,267
OTHER FINANCING SOURCES (USES)				
Transfers Out	(25,000)	(25,000)	-	25,000
NET CHANGE IN FUND BALANCE	$ 6,144	$ 6,144	310,411	$ 304,267
Fund Balance - Beginning of Year, as Previously Restated			1,922,118	
Change in Accounting Principle (See Note 12)			96,129	
Fund Balance - Beginning of Year, as Restated			2,018,247	
FUND BALANCE - END OF YEAR			$ 2,328,658	

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
BUDGETARY COMPARISON SCHEDULE – FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources:				
Earnings on Investments	$ 150	$ 150	$ 434	$ 284
Other - Primarily Meal Sales	75,700	75,700	64,273	(11,427)
State Sources	12,300	12,300	9,553	(2,747)
Federal Sources	91,000	91,000	149,950	58,950
Total Revenues	179,150	179,150	224,210	45,060
EXPENDITURES				
Current:				
Food Service	208,001	208,001	208,015	14
EXCESS (DEFICIENCY) OF REVENUES				
NET CHANGE IN FUND BALANCE	$ (28,851)	$ (28,851)	16,195	$ 45,046
Fund Balance - Beginning of Year			41,885	
FUND BALANCE - END OF YEAR			$ 58,080	

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
BUDGETARY COMPARISON SCHEDULE – COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources:				
Property Taxes	$ 18,197	$ 18,250	$ 17,736	$ (514)
Earnings on Investments	100	100	854	754
Other - Primarily Tuition and Fees	41,400	41,400	37,205	(4,195)
State Sources	28,479	28,426	27,602	(824)
Total Revenues	88,176	88,176	83,397	(4,779)
EXPENDITURES				
Current:				
Salaries	86,888	86,888	23,441	(63,447)
Employee Benefits	21,337	21,337	20,292	(1,045)
Purchased Services	(36,400)	(36,400)	-	36,400
Supplies and Materials	5,350	5,350	827	(4,523)
Other Expenditures	3,700	3,700	327	(3,373)
Total Expenditures	80,875	80,875	44,887	(35,988)
EXCESS OF REVENUES OVER EXPENDITURES	7,301	7,301	38,510	31,209
OTHER FINANCING SOURCES				
Transfer In	25,000	25,000	-	(25,000)
NET CHANGE IN FUND BALANCE	$ 32,301	$ 32,301	38,510	$ 6,209
Fund Balance - Beginning of Year			86,943	
FUND BALANCE - END OF YEAR			$ 125,453	

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
SCHEDULE OF CHANGES IN THE DISTRICT'S OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2020

	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017
Total OPEB Liability			
Service Cost	$ 11,902	$ 10,618	$ 10,309
Interest	4,849	4,792	4,844
Assumption Changes	(4,115)	-	-
Differences Between Expected and Actual Experience	20,780	-	-
Benefit Payments	(16,154)	(13,909)	(20,000)
Net Change in Total OPEB Liability	17,262	1,501	(4,847)
Total OPEB Liability - Beginning	138,732	137,231	142,078
Total OPEB Liability - Ending	$ 155,994	$ 138,732	$ 137,231
Covered-Employee Payroll	$ 1,856,250	$ 1,545,619	$ 1,500,601
District's Net OPEB Liability as a Percentage of Covered-Employee Payroll	8.40%	8.98%	9.15%

Note 1: The District implement GASB Statement No. 75 in fiscal year 2017, and the above table will be expanded to ten years of information as the information becomes available.

Note 2: No assets are accumulated in a trust.

Note 3: Changes in significant OPEB plan provisions, actuarial methods, and assumptions are listed below:

June 30, 2019

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

June 30, 2017

- The health care trend rates were changed to better anticipate short-term and long-term medical increase.
- 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-2016 Generational Improvement Scale.
- The discount rate was changed from 3.50% to 3.40%.
- The percentage of future Support Staff who are assumed to continue on one of the District's medical plans post-employment was reduced from 50% to 10%.

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS

	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017
PERA - General Employees Fund			
District's Proportion of the Net Pension Liability	0.0077%	0.0069%	0.0070%
District's Proportionate Share of the Net Pension Liability	$ 425,716	$ 382,783	$ 446,875
State's Proportionate Share of the Net Pension Liability	13,166	12,686	5,620
District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	$ 438,882	$ 395,469	$ 452,495
District's Covered Payroll	$ 546,667	$ 463,280	$ 449,733
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	77.87%	82.62%	99.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.20%	79.53%	75.90%
TRA			
District's Proportion of the Net Pension Liability	0.0220%	0.0219%	0.0210%
District's Proportionate Share of the Net Pension Liability	$ 1,402,285	$ 1,372,608	$ 4,191,981
State's Proportionate Share of the Net Pension Liability Associated with District	124,098	128,924	404,697
District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	$ 1,526,383	$ 1,501,532	$ 4,596,678
District's Covered Payroll	$ 1,257,484	$ 1,204,893	$ 1,132,653
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	111.52%	113.92%	370.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.07%	78.07%	51.57%

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

See accompanying Notes to Required Supplementary Information.

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)
LAST TEN FISCAL YEARS

	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
PERA - General Employees Fund			
District's Proportion of the Net Pension Liability	0.0068%	0.0065%	0.0072%
District's Proportionate Share of the Net Pension Liability	$ 552,126	$ 336,864	$ 338,220
State's Proportionate Share of the Net Pension Liability	7,223	-	-
District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	$ 559,349	$ 336,864	$ 338,220
District's Covered Payroll	$ 422,827	$ 380,548	$ 379,420
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	130.58%	88.52%	89.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.91%	78.20%	78.70%
TRA			
District's Proportion of the Net Pension Liability	0.0212%	0.0214%	0.0236%
District's Proportionate Share of the Net Pension Liability	$ 5,056,706	$ 1,323,802	$ 1,087,471
State's Proportionate Share of the Net Pension Liability Associated with District	506,954	162,209	76,623
District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	$ 5,563,660	$ 1,486,011	$ 1,164,094
District's Covered Payroll	$ 1,114,680	$ 1,087,631	$ 1,077,182
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	453.65%	121.71%	100.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44.88%	76.80%	81.50%

See accompanying Notes to Required Supplementary Information.

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2020	2019	2018
PERA - General Employees Fund			
Contractually Required Contribution	$ 44,429	$ 41,000	$ 34,746
Contributions in Relation to the Contractually Required Contribution	(44,429)	(41,000)	(34,746)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 592,387	$ 546,667	$ 463,280
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%
TRA			
Contractually Required Contribution	$ 110,709	$ 96,952	$ 90,367
Contributions in Relation to the Contractually Required Contribution	(110,709)	(96,952)	(90,367)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 1,397,841	$ 1,257,484	$ 1,204,893
Contributions as a Percentage of Covered Payroll	7.92%	7.71%	7.50%

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

See accompanying Notes to Required Supplementary Information.

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
SCHEDULE OF DISTRICT CONTRIBUTIONS (CONTINUED)
LAST TEN FISCAL YEARS

	2017	2016	2015	2014
PERA - General Employees Fund				
Contractually Required Contribution	$ 33,730	$ 31,712	$ 28,102	$ 27,536
Contributions in Relation to the Contractually Required Contribution	(33,730)	(31,712)	(28,102)	(27,536)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 449,733	$ 422,827	$ 380,548	$ 379,420
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.38%	7.26%
TRA				
Contractually Required Contribution	$ 84,949	$ 83,601	$ 81,573	$ 75,403
Contributions in Relation to the Contractually Required Contribution	(84,949)	(83,601)	(81,573)	(75,403)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 1,132,653	$ 1,114,680	$ 1,087,631	$ 1,077,182
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.00%

See accompanying Notes to Required Supplementary Information.

NOTE 1 LEGAL COMPLIANCE – BUDGETS

The budget and the actual amounts are both prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

In the following funds, expenditures exceeded the appropriations during the year ended June 30, 2020:

	Budget	Expenditures	Excess
General Fund	$ 3,311,073	$ 3,444,807	$ 133,734
Special Revenue Funds			
Food Service Fund	208,001	208,015	14

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

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

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

2019
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2017 to MP-2018.

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

2018
Changes in Actuarial Assumption
- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2018 (Continued)
Changes in Plan Provisions (Continued)
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017
Changes in Actuarial Assumption
- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 % per year thereafter.

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

2016
Changes in Actuarial Assumptions
- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Actuarial Plan Provisions
- There have been no changes since the prior valuation.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

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

Changes in Plan Provisions
- There have been no changes since the prior valuation.

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

2019
Changes in Actuarial Assumptions
- There have been no changes since the prior valuation.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2018
Changes in Actuarial Assumptions
- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

Changes in Plan Provisions
- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2018 (Continued)
Changes in Plan Provisions (Continued)
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next four years, (7.92% in 2019, 8.13% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017
Changes in Actuarial Assumptions
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustment were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2016
Changes in Actuarial Assumptions
- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.

See accompanying Notes to Required Supplementary Information.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2016 (Continued)
Changes in Actuarial Assumptions (Continued)

- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
- The post-retirement mortality assumption was changed to the RP-2014 while collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2014
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

SUPPLEMENTARY INFORMATION

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2020

		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				
Total Revenues		$ 3,755,218	$ 3,755,218	$ -
Total Expenditures		3,444,807	3,444,805	2
Non Spendable:				
460	Non Spendable Fund Balance	24,741	24,741	-
Restricted/Reserved:				
401	Student Activities	103,101	103,101	-
402	Scholarships	6,378	6,378	-
403	Staff Development	-	-	-
407	Capital Project Levy	-	-	-
408	Cooperative Programs	-	-	-
409	Alternative Facilities	-	-	-
413	Projects Funded by COP/LP	-	-	-
414	Operating Debt	-	-	-
416	Levy Reduction	-	-	-
417	Excess Taconite Building Maint. Funds	-	-	-
423	Certain Teacher Programs	-	-	-
424	Operating Capital	300,000	300,000	-
426	$25 Taconite	-	-	-
427	Disabled Accessibility	-	-	-
428	Learning & Development	-	-	-
434	Area Learning Center	-	-	-
435	Contracted Alt. Programs	-	-	-
436	St. Approved Alt. Prog.	-	-	-
438	Gifted & Talented	-	-	-
440	Teacher Development & Eval	-	-	-
441	Basic Skills	-	-	-
445	Career and Technical Programs	-	-	-
449	Safe Schools Levy	9,200	9,200	-
450	Pre-Kindergarten	-	-	-
451	QZAB and QSCB Payments	-	-	-
467	LTFM	24,325	24,325	-
453	Unfunded Sev & Retirement Levy	-	-	-
Restricted:				
464	Restricted Fund Balance	-	-	-
Committed				
418	Committed for Separation	-	-	-
461	Committed Fund Balance	14,356	14,356	-
Assigned:				
462	Assigned Fund Balance	350,000	350,000	-
Unassigned				
422	Unassigned	* 1,496,557	1,496,557	-
02 FOOD SERVICE				
Total Revenues		224,210	224,208	2
Total Expenditures		208,015	208,015	-
Non Spendable:				
460	Non Spendable Fund Balance	6,497	6,497	-
Restricted:				
452	OPEB Liab Not In Trust	-	-	-
464	Restricted Fund Balance	51,583	51,582	1
Unassigned:				
463	Unassigned	-	-	-
04 COMMUNITY SERVICE				
Total Revenues		83,397	83,396	1
Total Expenditures		44,887	44,886	1
Restricted/Reserved:				
426	$25 Taconite	-	-	-
431	Community Education	33,703	33,703	-
432	E.C.F.E.	* (34,973)	(34,973)	-
444	School Readiness	* 129,304	129,304	-
447	Adult Basic Education	-	-	-
452	OPEB Liab. Not in Trust	-	-	-
Restricted:				
464	Restricted Fund Balance	-	-	-
Unassigned:				
463	Unassigned Fund Balance	* (2,581)	(2,583)	2

		Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION				
Total Revenues		$ -	$ -	$ -
Total Expenditures		-	-	-
Non Spendable				
460	Non Spendable Fund Balance	-	-	-
Restricted/Reserved:				
407	Capital Projects Levy	-	-	-
409	Alternative Fac. Program	-	-	-
413	Projects Funded by COP/LP	-	-	-
Restricted:				
464	Restricted Fund Balance	-	-	-
Unassigned:				
463	Unassigned Fund Balance	-	-	-
07 DEBT SERVICE				
Total Revenues		538,123	538,124	(1)
Total Expenditures		535,325	535,325	-
Non Spendable:				
460	Non Spendable Fund Balance	-	-	-
Restricted/Reserved:				
425	Bond Refundings	-	-	-
451	QZAB Payments	-	-	-
Restricted:				
464	Restricted Fund Balance	105,677	105,678	(1)
Unassigned:				
463	Unassigned Fund Balance	-	-	-
18 CUSTODIAL FUND				
Total Revenues		560	560	-
Total Expenditures		560	560	-
422	Net Assets	-	-	-
09 AGENCY				
Unrestricted: Should Always Be -0-				
422	Unassigned	-	-	-
20 INTERNAL SERVICE				
Total Revenues		-	-	-
Total Expenditures		-	-	-
422	Net Assets	-	-	-
25 OPEB REVOCABLE TRUST				
Total Revenues		-	-	-
Total Expenditures		-	-	-
422	Net Assets	-	-	-
45 OPEB IRREVOCABLE TRUST				
Total Revenues		-	-	-
Total Expenditures		-	-	-
422	Net Assets	-	-	-
47 OPEB DEBT SERVICE				
Total Revenues		-	-	-
Total Expenditures		-	-	-
Non Spendable:				
460	Non Spendable Fund Balance	-	-	-
Restricted:				
425	Bond Refundings	-	-	-
464	Restricted Fund Balance	-	-	-
Unassigned:				
463	Unassigned Fund Balance	-	-	-

* Amounts differ from those reported on the fund-level balance sheet due to the need to reclassify negative restricted fund balance to unassigned fund balance for the financial statement.

OTHER REQUIRED REPORTS

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS 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
Ashby, 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 Independent School District No. 261 (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as findings 2020-001 through 2020-003 that we consider to be material weaknesses.

Board of Education
Independent School District No. 261

Compliance and Other Matters

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

The District's Responses to Findings

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Alexandria, Minnesota
September 24, 2020

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Independent School District
Ashby, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Independent School District No. 261 (the District) as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 24, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat., § 6.65, insofar as they relate to accounting matters, except as described in the schedule of findings and recommendations as item 2020-004. 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 purpose of this report is solely to describe the scope of our testing of compliance relating to the provision of the *Minnesota Legal Compliance Audit Guide for School Districts* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Alexandria, Minnesota
September 24, 2020

ASHBY PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 261
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020

Findings Related to Internal Control Over Financial Reporting

Finding: 2020-001	Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)
Condition:	The District does not have an internal control policy 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 generally accepted accounting principles (GAAP).
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 GAAP.
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.
Cause:	The District relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.
Repeat Finding:	Yes – See Finding 2019-001.
Recommendation:	Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.
Views of Responsible Officials:	There is no disagreement with the audit finding. The District will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures and will review and approve these prior to the issuance of the annual financial statements.

Findings Related to Internal Control Over Financial Reporting (Continued)

Finding: 2020-002	**Limited Segregation of Duties**
Condition:	Due to the limited size of the District's business office staff, the District has limited segregation of duties. Currently, payroll disbursements are not being directly reviewed before they are completed.
Criteria:	Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.
Effect:	Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.
Cause:	There is a limited number of staff in the business office.
Repeat Finding:	Yes – See finding 2019-002.
Recommendation:	We recommend that the District continue to segregate duties as best it can within the limits of what the District considers to be cost beneficial. We recommend the District implement review procedures to be performed by the superintendent over payroll disbursements.
Views of Responsible Officials:	There is no disagreement with the audit finding. The District reviews and makes improvements to its internal controls on an ongoing basis, and attempts to maximize the segregation of duties in all areas within the limits of the staff available.

Findings Related to Internal Control Over Financial Reporting (Continued)

Finding: 2020-003	**Audit Adjustments**
Condition:	As part of the audit, we proposed material adjustments related to property taxes, state aid, and unavailable revenue.
Criteria:	Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair representation in the financial statements in accordance with U.S. 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 statement to correct material misstatements and produce accurate financial statements on a timely basis.
Effect:	Controls over year-end closing could affect the District's ability to detect or prevent errors.
Cause:	The District does not have enough office staff with enough time to record these adjustments.
Repeat Finding:	Yes – See finding 2019-003.
Recommendation:	We recommend that District management and financial personnel continue to work on establishing a process to ensure the recording of all related transactions to properly adjust financial statements at year-end.
Views of Responsible Officials:	There is no disagreement with the audit finding. The District will create a process to ensure the proper and timely recording of all adjustments in order to produce accurate and timely financial statements.

Findings Related to Minnesota Legal Compliance

Finding: 2020-004	**Public Indebtedness**
Condition and Context:	The District did not submit the report until February 24.
Criteria:	Minnesota statutes require the principal accounting officer of the school district, to report on or before February 1 of each year to the auditor of each county in which the municipality is situated, the total number of outstanding obligations and the purpose for which issued, as of December 31 of the preceding year.
Effect:	The District is not in compliance with state statutes.
Cause:	Unknown.
Repeat Finding:	No.
Recommendation:	We recommend that District management ensures that the District complies with all statutes.
Views of Responsible Officials:	There is no disagreement with the audit finding.

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

Kennedy & Graven
CHARTERED

Offices in
Minneapolis
Saint Paul
St. Cloud

Fifth Street Towers
150 South Fifth Street, Suite 700
Minneapolis, MN 55402
(612) 337-9300 telephone
(612) 337-9310 fax
kennedy-graven.com
Affirmative Action, Equal Opportunity Employer

$_____
INDEPENDENT SCHOOL DISTRICT NO. 261
(ASHBY PUBLIC SCHOOL)
GRANT AND OTTER TAIL COUNTIES, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2021A

We have acted as bond counsel to Independent School District No. 261 (Ashby Public School), Grant and Otter Tail Counties, Minnesota (the "Issuer"), in connection with the issuance by the Issuer of its General Obligation School Building Bonds, Series 2021A (the "Bonds"), originally dated November ____, 2021, and issued in the original aggregate principal amount of $_____. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings, and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

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

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

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

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

5. The resolution adopted by the School Board of the Issuer on_____, 2021, obligates the Issuer to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of that law against the State of Minnesota (the "State") in the absence of appropiated and available funds to pay the obligations of the State thereunder.

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

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

Dated_____, 2021, at Minneapolis, Minnesota.

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)

$_____
INDEPENDENT SCHOOL DISTRICT NO. 261
(ASHBY PUBLIC SCHOOL)
GRANT AND OTTER TAIL COUNTIES, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2021A

CONTINUING DISCLOSURE CERTIFICATE

November ___, 2021

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 261 (Ashby Public School), Grant and Otter Tail Counties, Minnesota (the "District"), in connection with the issuance of its General Obligation School Building Bonds, Series 2021A (the "Bonds"), in the original aggregate principal amount of $_____. The Bonds are being issued pursuant to a resolution adopted by the School Board of the District (the "Resolution"). The Bonds are being delivered to _____, [as syndicate manager] (the "Purchaser"), on the date hereof. Pursuant to the Resolution, the District has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The District hereby covenants and agrees as follows:

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

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

"Annual Report" means the District's Audited Financial Statements.

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

"Bonds" means the General Obligation School Building Bonds, Series 2021A, issued by the District in the original aggregate principal amount of $_____.

"Disclosure Certificate" means this Continuing Disclosure Certificate.

"District" means Independent School District No. 261 (Ashby Public School), Grant and Otter Tail Counties, Minnesota, which is the obligated person with respect to the Bonds.

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

"Final Official Statement" means the Final Official Statement, dated _____, 2021, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

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

"Fiscal Year" means the fiscal year of the District.

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

"GASB" means the Governmental Accounting Standards Board.

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

"Material Event" means any of the events listed in Section 4(a) of this Disclosure Certificate.

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

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

"Purchaser" means _____, [as syndicate manager].

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

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

"SEC" means Securities and Exchange Commission, and any successor thereto.

Section 3. Provision of Annual Report.

(a) The District shall provide the Annual Report to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends June 30, 2021. The Annual Report may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The District shall clearly identify each such other document so incorporated by reference.

The Annual Report may be submitted as a single document or as separate documents comprising a package

Section 4. Reporting of Material Events.

(a) This Section 4 shall govern the giving of notice of the occurrence of any of the following events ("Material Events") with respect to the Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

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

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

Section 5. EMMA. The SEC has designated EMMA as a nationally-recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the District shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 6. Termination of Reporting Obligation. The District's obligations under the Resolution and this Disclosure Certificate shall terminate upon the redemption in full of all Bonds or payment in full of all Bonds.

Section 7. Agent. The District may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally-recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolution requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the District delivers to the Repository an opinion of nationally-recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolution and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively, or otherwise do not apply to the Bonds. The provisions of the Resolution requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the District to the Repository of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect compliance with the Rule.

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

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

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

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

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

INDEPENDENT SCHOOL DISTRICT NO. 261 (ASHBY PUBLIC SCHOOL), GRANT AND OTTER TAIL COUNTIES, MINNESOTA

_____
Board Chair

_____
Clerk

APPENDIX E

TERMS OF PROPOSAL

$5,900,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2021A
INDEPENDENT SCHOOL DISTRICT NO. 261 (ASHBY PUBLIC SCHOOL), MINNESOTA

Proposals for the purchase of $5,900,000* General Obligation School Building Bonds, Series 2021A (the "Bonds") of Independent School District No. 261 (Ashby Public School), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on October 19, 2021, at which time they will be opened, read and tabulated. The proposals will be presented to the School Board for consideration for award by resolution at a meeting to be held at 6:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, and a special ballot election at which voters approved the issuance of $5,900,000 in general obligation school building bonds. Proceeds of the Bonds will be used to provide funds for the acquisition and betterment of school sites and facilities in the District, including the construction and equipping of kindergarten classrooms, secondary classrooms, a science classroom, the construction of parking lot improvements, and other capital projects 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 10, 2021, 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*
2023	$225,000	2030	$285,000	2037	$325,000
2024	225,000	2031	290,000	2038	330,000
2025	235,000	2032	295,000	2039	335,000
2026	255,000	2033	300,000	2040	345,000
2027	260,000	2034	305,000	2041	355,000
2028	270,000	2035	310,000	2042	360,000
2029	280,000	2036	315,000		

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, 2022, 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 2023 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 to the date of optional redemption.

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

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

DELIVERY

On or about November 10, 2021, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the District, 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 $5,900,000 plus accrued interest on the principal sum of $5,900,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

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

2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:30 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact 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 $118,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

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

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

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

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

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

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

(d) <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 School Board

Independent School District No. 261
(Ashby Public School), Grant and Otter Tail Counties,
Minnesota

PROPOSAL FORM

The School Board **October 19, 2021**
Independent School District No. 261 (Ashby Public School), Grant and Otter Tail Counties, Minnesota (the "District")

RE: **$5,900,000* General Obligation School Building Bonds, Series 2021A (the "Bonds")**
DATED: **November 10, 2021**

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 $5,900,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____	% 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	_____	% due	2042
_____	% due	2029	_____	% due	2036			

* 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 2023 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 $118,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about November 10, 2021.

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

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

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

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

If the competitive sale requirements are not met, we elect to use either the: _____10% test, or the _____hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from November 10, 2021 of the above proposal is $_____and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the School Board of Independent School District No. 261 (Ashby Public School), Grant and Otter Tail Counties, Minnesota, on October 19, 2021.

By: _____ By: _____

Title: _____ Title: _____