PRELIMINARY OFFICIAL STATEMENT DATED APRIL 1, 2021

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., under existing federal and Minnesota laws, regulations, rulings and decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates and trusts for Minnesota income tax purposes; is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts and estates.

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. 696 (ELY), MINNESOTA
(St. Louis County)

(Minnesota School District Credit Enhancement Program)

$2,570,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2021A

PROPOSAL OPENING: April 12, 2021, 10:00 A.M., C.T. **CONSIDERATION**: April 12, 2021, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $2,570,000* General Obligation Facilities Maintenance Bonds, Series 2021A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 123B.595 (long-term facilities maintenance revenue) by Independent School District No. 696 (Ely), Minnesota (the "District") to finance deferred maintenance and health and safety/indoor air quality projects included in the District's revised ten-year facility plan and approved by the Commissioner of Education. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota.

DATE OF BONDS: May 6, 2021

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2023	$95,000	2028	$195,000	2033	$225,000
2024	100,000	2029	205,000	2034	230,000
2025	105,000	2030	210,000	2035	230,000
2026	110,000	2031	215,000	2036	235,000
2027	195,000	2032	220,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: February 1, 2022 and semiannually thereafter.

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

MINIMUM PROPOSAL: $2,544,300.

MAXIMUM PROPOSAL: $2,827,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $51,400 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Fryberger, Buchanan, Smith & Frederick, P.A.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

TABLE OF CONTENTS

ELY
SCHOOL BOARD

		Term Expires
Ray Marsnik	Chairperson	January 2023
Rochelle Sjoberg	Clerk	January 2023
Tom Omerza	Treasurer	January 2025
Tony Colarich	Member	January 2023
Hollee Coombe	Member	January 2025
Darren Visser	Member	January 2025

ADMINISTRATION

Erik Erie, Superintendent

Spencer Aune, Business Manager

PROFESSIONAL SERVICES

Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, Duluth, 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. 696 (Ely), Minnesota (the "District") and the issuance of its $2,570,000* General Obligation Facilities Maintenance 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 April 12, 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 May 6, 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 February 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, 2029 shall be subject to optional redemption prior to maturity on February 1, 2028 or any date thereafter, at a price of par plus accrued interest.

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

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

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 123B.595 (long-term facilities maintenance revenue) by the District to finance deferred maintenance (the "Deferred Maintenance Portion") and health and safety/indoor air quality projects (the "Health & Safety Portion") included in the District's revised ten-year facility plan and approved by the Commissioner of Education.

ESTIMATED SOURCES AND USES*

Sources	**Deferred Maintenance Portion**	**Health & Safety Portion**	**Total Bond Issue**
Par Amount of Bonds	$1,520,000	$1,050,000	$2,570,000
Reoffering Premium	91,966	59,609	151,575
Transfer From General Fund LTFM Revenue	27,494	-	27,494
Total Sources	**$1,639,460**	**$1,109,609**	**$2,749,069**
Uses			
Total Underwriter's Discount (1.000%)	$15,200	$10,500	$25,700
Costs of Issuance	32,691	22,584	55,275
Deposit to Capitalized Interest (CIF) Fund	27,494	17,740	45,234
Deposit to Project Construction Fund	1,564,075	1,058,785	2,622,860
Total Uses	**$1,639,460**	**$1,109,609**	**$2,749,069**

*Preliminary, subject to change.

Breakdown of Principal Payments*:

Payment Date	Deferred Maintenance Portion	Health & Safety Portion	Total Bond Issue
2/01/2023	$90,000	$5,000	$95,000
2/01/2024	95,000	5,000	100,000
2/01/2025	95,000	10,000	105,000
2/01/2026	100,000	10,000	110,000
2/01/2027	100,000	95,000	195,000
2/01/2028	105,000	90,000	195,000
2/01/2029	110,000	95,000	205,000
2/01/2030	110,000	100,000	210,000
2/01/2031	115,000	100,000	215,000
2/01/2032	115,000	105,000	220,000
2/01/2033	120,000	105,000	225,000
2/01/2034	120,000	110,000	230,000
2/01/2035	120,000	110,000	230,000
2/01/2036	125,000	110,000	235,000
Total	**$1,520,000**	**$1,050,000**	**$2,570,000**

*Preliminary, subject to change.

SECURITY

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

RATING

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

The District currently has a "A1" underlying rating from Moody's and will be requesting an underlying rating on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgement of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on February 8, 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 warrant and authorize the Commissioner of Education to pay to the Paying Agent for the debt obligation the specified amount on or before the date due. The amounts needed for purposes of subdivision are annually appropriated to the Department of Education from the state general fund."

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

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

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

CONTINUING DISCLOSURE

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

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

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

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

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, 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

The following is a summary of certain U. S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS") in addition to existing federal and Minnesota laws, regulations, rulings and decisions, all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Bonds. The District has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or any other authority with jurisdiction over such matters (including a court) will not take a contrary position regarding these matters.

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

Tax-Exempt Interest

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., as Bond Counsel to the District, under existing, federal and Minnesota laws, regulations, rulings and decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates and trusts for Minnesota income tax purposes; is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts and estates.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income. Accordingly, the District has made certain representations and covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

Collateral Tax Matters

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel expresses no opinion regarding such consequences. Prospective purchasers of the Bonds should consult their own tax advisors as to such consequences.

Backup Withholding

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

Federal and State Tax Law Developments

From time to time, legislative proposals are introduced in Congress and in the states which, if enacted, could alter or amend the federal and state tax matters referred to above or would adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal may be enacted or whether, if enacted, it would apply to bonds (such as the Bonds contemplated herein) issued prior to enactment. In addition, regulatory actions are from time-to-time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

The above, including the discussion concerning collateral tax matters, is not intended to be a comprehensive list of all federal or state 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 should consult their tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds, including without limitation the calculations of alternative minimum tax or foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income.

ORIGINAL ISSUE PREMIUM

To the extent that the initial offering price of certain of the Bonds is more than the principal amount payable at maturity, such Bonds ("Premium Bonds") will be considered to have bond premium.

Any Premium Bond purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. The amortizable bond premium of each Premium Bond is calculated on a daily basis from the issue date of such Premium Bond until its stated maturity date or (call date, if any) on the basis of a constant interest rate compounded at each accrual period (with straight line interpolation between the compounding dates). An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium; rather the amortizable bond premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Bonds. During each taxable year, such owner must reduce his or her tax basis in such Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the holder held such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Bond.

Owners of Premium Bonds who did not purchase such Premium Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Bonds.

Owners of Premium Bonds should consult their own tax advisors with respect to state and local tax consequences of owning the Premium Bonds.

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2020 have been audited by Walker, Giroux & Hahne, LLC, Virginia, 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.

Taconite Tax Loss: The District, in common with other Iron Range Communities, receives grants and aids which are derived from special taconite taxes and which may be reduced in the event of production curtailment. Also, homeowners now receive substantial homestead credits from taxes derived from taconite sources which may be reduced with a cut in production. Reduction of grants, state aids and credits could increase the District's need for other local taxes.

Iron Mining Economy: The District is located on Minnesota's Iron Range, with an economy directly related to the mining industry, including processing and shipping of iron ore (pellets) for the nation's steel industry and for foreign shipments. Beginning in 1981, economic downturns reduced demand for steel and for taconite pellets, and some taconite plants curtailed operations and employment.

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

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

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

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

Type of Property	2018/19	2019/20	2020/21
Residential homestead[1]	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead[1]	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,940,000 - 0.50% [2] Over \$1,940,000 - 1.00% [2]	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,880,000 - 0.50% [2] Over \$1,880,000 - 1.00% [2]	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% [2] Over \$1,900,000 - 1.00% [2]
Agricultural non-homestead	Land - 1.00% [2]	Land - 1.00% [2]	Land - 1.00% [2]
Seasonal recreational residential	First \$500,000 - 1.00% [3] Over \$500,000 - 1.25% [3]	First \$500,000 - 1.00% [3] Over \$500,000 - 1.25% [3]	First \$500,000 - 1.00% [3] Over \$500,000 - 1.25% [3]
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First \$139,000 - .75% Over \$139,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First \$150,000 - .75% Over \$150,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First \$150,000 - .75% Over \$150,000 - .25%
Industrial/Commercial/Utility[5]	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

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

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

3 Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2019/20 Economic Market Value[1] $742,674,114[2]

	2020/21 Assessor's Estimated Market Value	2020/21 Net Tax Capacity
Real Estate	$699,727,800	$6,851,404
Personal Property	2,007,700	31,704
Total Valuation	$701,735,500	$6,883,108
Less: Captured Tax Increment Tax Capacity[3]		(64,396)
Fiscal Disparities Contribution[4]		(194,389)
Taxable Net Tax Capacity		$6,624,323
Plus: Fiscal Disparities Distribution[4]		402,708
Adjusted Taxable Net Tax Capacity		$7,027,031

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

2 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 94.06% 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 $742,674,114.

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

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

2020/21 NET TAX CAPACITY BY CLASSIFICATION

	2020/21 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$ 2,376,183	34.52%
Agricultural	573,021	8.33%
Commercial/industrial	579,919	8.43%
Public utility	23,348	0.34%
Railroad operating property	2	0.00%
Non-homestead residential	803,553	11.67%
Commercial & residential seasonal/rec.	2,495,378	36.25%
Personal property	31,704	0.46%
Total	$ 6,883,108	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Adjusted Taxable Net Tax Capacity[2]	Percent +/- in Estimated Market Value
2016/17	$664,215,900	$621,285,076	$6,489,496	$6,585,945	-5.89%
2017/18	681,179,500	638,071,648	6,665,482	6,835,153	+2.55%
2018/19	696,589,900	653,288,958	6,831,082	7,027,689	+2.26%
2019/20	698,408,800	655,437,708	6,851,468	7,025,881	+0.26%
2020/21	701,735,500	657,821,325	6,883,108	7,027,031	+0.48%

[1] Net Tax Capacity is before fiscal disparities adjustments and includes tax increment values.

[2] Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments and does not include tax increment values.

LARGER TAXPAYERS

Taxpayer	Type of Property	2020/21 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Grand Ely Lodge, LLC	Commercial	$43,210	0.63%
Zupancich Bros, Inc.	Commercial	41,141	0.60%
The Conservation Fund	Rural Vacant	35,089	0.51%
Lake County Power	Utility	27,641	0.40%
Individual	Seasonal	26,010	0.38%
Individual	Seasonal	25,951	0.38%
Ely Senior Housing & Services	Apartment	21,821	0.32%
Berry Corp. of South Dakota	Seasonal	21,707	0.32%
Vereit	Commercial	19,436	0.28%
Individuals	Residential	18,960	0.28%
Total		$ 280,966	4.08%

District's Total 2020/21 Net Tax Capacity $6,883,108

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by St. Louis County.

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids[2] (includes the Bonds)*	$15,325,000

Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations[3]	$ 268,000

*Preliminary, subject to change.

---

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.

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

STATE AID FOR DEBT SERVICE

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

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

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

Some Districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to Districts to offset a portion of certain bond levies (Minn. Stat. Section 273.1387). The reimbursement percentages are 40% for taxes payable in 2018 and 2019, 50% for 2020, 55% for 2021, 60% for 2022, and 70% for 2023 and thereafter. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, and to rural vacant land and managed forest land. The amount of agricultural credit received in the debt service fund for taxes payable 2021 is approximately 4.9% of total annual debt service levies, based on the District’s 2019/20 qualifying agricultural land valuation.

Independent School District No. 696 (Ely), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 05/06/2021)

	School Building Bonds 1) Series 2011A (QECBs)		School Building Bonds Series 2020A		Facilities Maintenance Bonds Series 2021A							
Dated Amount	06/15/2011 $2,810,000		10/15/2020 $9,945,000		05/06/2021 $2,570,000*							
Maturity	06/15		02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2021	0	68,143	0	0	0	0	0	68,143	68,143	15,325,000	.00%	**2021**
2022	0	136,285	230,000	233,945	0	45,234	230,000	415,464	645,464	15,095,000	1.50%	**2022**
2023	0	136,285	300,000	173,830	95,000	61,450	395,000	371,565	766,565	14,700,000	4.08%	**2023**
2024	0	136,285	330,000	164,830	100,000	58,600	430,000	359,715	789,715	14,270,000	6.88%	**2024**
2025	0	136,285	355,000	154,930	105,000	55,600	460,000	346,815	806,815	13,810,000	9.89%	**2025**
2026	2,810,000	136,285	350,000	144,280	110,000	52,450	3,270,000	333,015	3,603,015	10,540,000	31.22%	**2026**
2027			530,000	133,780	195,000	49,150	725,000	182,930	907,930	9,815,000	35.95%	**2027**
2028			555,000	117,880	195,000	43,300	750,000	161,180	911,180	9,065,000	40.85%	**2028**
2029			570,000	101,230	205,000	37,450	775,000	138,680	913,680	8,290,000	45.91%	**2029**
2030			575,000	95,530	210,000	31,300	785,000	126,830	911,830	7,505,000	51.03%	**2030**
2031			580,000	89,780	215,000	27,100	795,000	116,880	911,880	6,710,000	56.22%	**2031**
2032			585,000	83,400	220,000	22,800	805,000	106,200	911,200	5,905,000	61.47%	**2032**
2033			595,000	76,673	225,000	18,400	820,000	95,073	915,073	5,085,000	66.82%	**2033**
2034			600,000	69,235	230,000	13,900	830,000	83,135	913,135	4,255,000	72.23%	**2034**
2035			610,000	61,135	230,000	9,300	840,000	70,435	910,435	3,415,000	77.72%	**2035**
2036			620,000	52,595	235,000	4,700	855,000	57,295	912,295	2,560,000	83.30%	**2036**
2037			625,000	43,605			625,000	43,605	668,605	1,935,000	87.37%	**2037**
2038			635,000	34,230			635,000	34,230	669,230	1,300,000	91.52%	**2038**
2039			645,000	24,388			645,000	24,388	669,388	655,000	95.73%	**2039**
2040			655,000	13,100			655,000	13,100	668,100	0	100.00%	**2040**
	2,810,000	749,568	9,945,000	1,868,375	2,570,000	530,734	15,325,000	3,148,676	18,473,676			

* Preliminary, subject to change.

1) The District has established a schedule of mandatory sinking fund deposits from its annual tax levies, providing for semi-annual deposits into the sinking fund of amounts sufficient for the payment of principal at maturity on June 15, 2026.

Independent School District No. 696 (Ely), Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 05/06/2021)

	Refunding Certificates of Participation Series 2011E		Certificates of Participation Series 2012A							
Dated	12/20/2011		07/12/2012							
Amount	$590,000		$305,000							
Maturity	02/01		07/15							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2022	60,000	4,800	23,000	5,288	83,000	10,088	93,088	185,000	30.97%	**2022**
2023	60,000	2,400	23,000	4,483	83,000	6,883	89,883	102,000	61.94%	**2023**
2024			24,000	3,600	24,000	3,600	27,600	78,000	70.90%	**2024**
2025			25,000	2,620	25,000	2,620	27,620	53,000	80.22%	**2025**
2026			26,000	1,600	26,000	1,600	27,600	27,000	89.93%	**2026**
2027			27,000	540	27,000	540	27,540	0	100.00%	**2027**
	120,000	7,200	148,000	18,130	268,000	25,330	293,330			

BONDED DEBT LIMIT

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

2019/20 Economic Market Value	$742,674,114
Multiply by 15%	0.15
Statutory Debt Limit	$111,401,117
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(15,325,000)
Unused Debt Limit*	$ 96,076,117

*Preliminary, subject to change.

OVERLAPPING DEBT[1]

Taxing District	2020/21 Adjusted Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
St. Louis County	$212,862,897	3.3012%	$112,485,000	$ 3,713,355
City of Ely	1,845,702	100.0000%	2,246,000	2,246,000
District's Share of Total Overlapping Debt				$ 5,959,355

DEBT PAYMENT HISTORY

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

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value ($742,674,114)	Debt/ Current Population Estimate (6,707)
Direct G.O. Debt Secured By Taxes and State Aids (includes the Bonds)*	$15,325,000	2.06%	$2,284.93
Less: State Agricultural Credit[1]	(750,925)		
Tax Supported General Obligation Debt*	$14,574,075	1.96%	$2,172.96
District's Share of Total Overlapping Debt	$ 5,959,355	0.80%	$888.53
Total*	$20,533,430	2.76%	$3,061.49

*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 4.9% 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 $750,925.

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	$1,514,078	$ 1,480,461	$ 1,509,602	99.70%
2017/18	1,511,089	1,483,874	1,504,924	99.59%
2018/19	1,653,827	1,620,342	1,643,432	99.37%
2019/20	1,640,992	1,612,809	1,613,850	98.35%
2020/21	2,169,064	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.

---

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

2 Collections are through December 31, 2020.

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. 696 (Ely)	14.922%	14.468%	15.936%	15.464%	23.230%
St. Louis County	68.830%	68.906%	68.625%	70.990%	69.341%
City of Ely	107.665%	96.326%	95.061%	95.882%	106.287%
Town of Morse[2]	8.355%	8.055%	7.872%	7.866%	8.623%
Referendum Market Value Rates:					
I.S.D. No. 696 (Ely)	0.17229%	0.16855%	0.16788%	0.17378%	0.18988%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by St. Louis County.

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 112, including 65 non-licensed employees and 47 licensed employees (44 of whom are teachers). The District provides education for 560 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
Ely Education Association	June 30, 2021
AFSCME	June 30, 2021
Principals	June 30, 2022
Confidential/Supervisory	June 30, 2022

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 shows a total OPEB liability of $5,521,728 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 audited Financial Statements.

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2016/17	57	276	243	576
2017/18	47	285	250	582
2018/19	28	291	244	563
2019/20	36	278	255	569
2020/21	38	266	256	560

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2021/22	35	250	272	557
2022/23	38	245	281	564
2023/24	38	227	289	554

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Washington Elementary	1914	--
Memorial High School	1923	1975

FUNDS ON HAND (as of February 28, 2021)

Fund	Total Cash and Investments
General	$2,432,873
Food Service	1,620
Community Service	78,364
Debt Service	1,198,642
Escrow Account	404,645
Building/Construction	9,898,634
Trust & Agency	140,794
Internal Service	15,216
Total Funds on Hand	$ 14,170,788

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 District's 2020 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				
	2017 Audited	**2018 Audited**	**2019 Audited**	**2020 Audited**	**2020-21 Revised Budget 1)**
Revenues					
Local property taxes	$1,921,385	$1,676,732	$1,638,066	$1,817,546	$1,776,035
Other local and county revenues	389,774	324,837	303,120	346,005	311,040
Revenues from state sources	5,404,366	5,498,845	5,698,176	5,736,103	5,794,140
Revenues from federal sources	269,725	262,949	260,029	277,349	548,227
Investment earnings	13,250	30,335	32,581	52,100	30,200
Sales and other conversion of assets	18,779	7,225	2,599	189	0
Total Revenues	$8,017,279	$7,800,923	$7,934,571	$8,229,292	$8,459,642
Expenditures					
Current:					
Administration	$520,785	$522,612	$624,694	$676,108	$614,189
District support services	372,497	392,099	452,008	413,855	444,422
Elementary & secondary regular instruction	3,360,673	3,412,848	3,490,583	3,796,197	3,942,567
Vocational education instruction	10,054	7,578	22,491	4,868	3,050
Exceptional instruction	1,006,346	1,093,240	1,050,477	1,163,009	1,111,261
Instructional support services	431,868	448,986	473,805	522,859	505,620
Pupil support services	341,800	388,271	498,874	494,453	432,575
Sites and buildings	755,056	831,654	911,388	1,089,078	942,464
Fiscal and other fixed cost programs	42,339	47,400	54,565	61,398	72,778
Debt service	166,512	160,389	93,583	0	92,000
Capital outlay	291,647	434,258	480,927	0	721,537
Total Expenditures	$7,299,577	$7,739,335	$8,153,395	$8,221,825	$8,882,463
Excess of revenues over (under) expenditures	$717,702	$61,588	($218,824)	$7,467	($422,821)
Other Financing Sources (Uses)					
Operating transfers out	$0	$0	($15,439)	$0	$0
Total Other Financing Sources (Uses)	$0	$0	($15,439)	$0	$0
Net changes in Fund Balances	$717,702	$61,588	($234,263)	$7,467	($422,821)
General Fund Balance July 1	$2,317,908	$3,035,610	$3,097,198	$2,862,935	
Prior Period Adjustment	0	0	0	25,293	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance June 30	$3,035,610	$3,097,198	$2,862,935	$2,895,695	
DETAILS OF JUNE 30 FUND BALANCE					
Restricted	$443,735	$476,457	$440,467	$214,947	
Committed	0	0	0	500,000	
Assigned	529,850	373,019	273,031	559,199	
Unassigned	2,062,025	2,247,722	2,149,437	1,621,549	
Total	$3,035,610	$3,097,198	$2,862,935	$2,895,695	

1) The 2020-21 budget was revised on December 14, 2020. The deficit in the adopted budget for Fiscal Year 2020-21 is primarily due to one-time expenditures for technology costs, which are included on the capital outlay line item above.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 5,053 and a current population estimate of 6,707, and comprising an area of 161,280 acres, is located approximately 110 miles northeast of Duluth and 260 miles north of the Twin Cities Metropolitan Area.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 696 (Ely)	Elementary and secondary education	112
Ely Bloomenson Community Hospital	Hospital	102
Vermillion Community College	Community college	75
US Forestry Department	Government- forestry services	60
Grand Ely Lodge, LLC	Hotels & motels	50
Northwoods Care Partners	Nursing & hospice care facilities	50
City of Ely	Municipal government and services	36
Essentia Health-Ely Clinic	Health services	30
Piragis Northwoods Co.	Sporting good stores	25
Voyager North Outfitters	Sporting good dealers	25

Source: *Data Axle Reference Solutions, written and telephone survey (February 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	5,446
2010 U.S. Census population	5,053
2019 Population Estimate	6,707
Percent of Change 2000 - 2010	-7.22%

Income and Age Statistics

	The District	**St. Louis County**	**State of Minnesota**	**United States**
2019 per capita income	$33,499	$31,537	$37,625	$34,103
2019 median household income	$67,444	$55,646	$71,306	$62,843
2019 median family income	$83,700	$76,907	$89,842	$77,263
2019 median gross rent	$769	$770	$977	$1,062
2019 median value owner occupied units	$196,600	$157,900	$223,900	$217,500
2019 median age	45.8 yrs.	41.1 yrs.	38.0 yrs.	38.1 yrs.

	State of Minnesota	**United States**
District % of 2019 per capita income	89.03%	98.23%
District % of 2019 median family income	93.16%	108.33%

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	**St. Louis County**	**St. Louis County**	**State of Minnesota**
2016	97,020	5.7%	3.9%
2017	97,844	4.6%	3.4%
2018	98,202	3.7%	2.9%
2019	99,044	4.1%	3.2%
2020	92,967	6.8%	6.1%
2021, January	92,783	5.6%	5.1%

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

APPENDIX A

FINANCIAL STATEMENTS

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

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

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2020

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

TABLE OF CONTENTS
June 30, 2020

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

TABLE OF CONTENTS
June 30, 2020

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

ORGANIZATION
June 30, 2020

SCHOOL BOARD MEMBERS

Chairperson	Ray Marsnik
Clerk	Rochelle Sjoberg
Treasurer	Tom Omerza
Director	Heidi Mann
Director	James Pointer
Director	Tony Colarich

SUPERINTENDENT OF SCHOOLS

Erik Erie

FINANCIAL SECTION

Walker, Giroux & Hahne LTD

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

P.O. Box 960 • 225 1st Street North, Suite 2400, Virginia, Minnesota 55792
218-749-4880 • FAX 218-749-8528

INDEPENDENT AUDITOR'S REPORT

To the School Board
Independent School District No. 696
Ely, 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 the Independent School District No. 696, Ely, Minnesota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 696, Ely, Minnesota, as of June 30, 2020, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, for the year ended June 30, 2020, the District adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Report on Partial Comparative Information

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Independent School District No. 696, Ely, Minnesota's basic financial statements for the year ended June 30, 2019, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison in our report dated December 19, 2019. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 696, Ely, Minnesota's basic financial statements as a whole. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

The combining and individual fund financial statements and schedules for the year ended June 30, 2019, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2019 combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 696, Ely, Minnesota's basic financial statements. The combining and individual fund financial statements and schedules and fiscal compliance report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 29, 2020, on our consideration of the Independent School District No. 696, Ely, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Independent School District No. 696, Ely, Minnesota'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 Independent School District No. 696, Ely, Minnesota's internal control over financial reporting and compliance.

Walker, Giroux & Hahne, LLC

Virginia, Minnesota
December 29, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

The Independent School District No. 696, Ely, Minnesota's management's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Independent School District No. 696, Ely, Minnesota's financial statements.

FINANCIAL HIGHLIGHTS

- Net position in the Statement of Net Position decreased $48,246 from the prior year to $(4,514,076). This decrease was primarily due to changes in the net pension liabilities, deferred outflows related to pensions, and deferred inflows related to pensions, as well as a decrease to net investment in capital assets.
- The District's total net position is $(4,514,076), of which $2,142,342 is net investment in capital assets, $1,927,241 is restricted to specific purposes, and $(8,583,659) is reported as unrestricted.
- The net cost of governmental activities was $6,933,001 for the current fiscal year. The net cost was funded by general revenues totaling $6,884,755.
- Governmental funds' fund balances increased by $238,760. The fund balances increased in the general fund by $7,467, increased in the debt service fund by $232,342, and decreased in the other governmental funds by $1,049. The most significant changes to the governmental funds' balances were due to decreased site, buildings, and equipment expenditures in the General Fund compared to the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. Independent School District No. 696, Ely, Minnesota's basic financial statements consists of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary and other information in addition to the basic financial statements themselves.

There are two government-wide financial statements. The statement of net position and the statement of activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The governmental fund financial statements explain how the District's programs were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The fiduciary fund statements provide information about the financial relationship in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

Government-wide Financial Statements

The statement of net position and the statement of activities report information about the District, as a whole, and about its activities in a way that helps the reader determine whether the District's financial condition has improved or declined as a result of the year's activities. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These government-wide statements report the District's net position and how they have changed. You can think of the District's net position — the amount by which assets and deferred outflows of resources, exceed liabilities and deferred inflows of resources—as one way to measure the District's financial health or financial position. Increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors, such as changes in the District's property tax base, student enrollment, and the condition of District buildings also need to be considered in assessing the overall health of the District.

In the statement of net position and the statement of activities, all activities are shown in the governmental activities:

- Governmental activities—All of the District's basic programs are reported here. Property taxes, state grants and aids, and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide detailed information about the District's funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The District has two types of funds—governmental and fiduciary.

- Governmental funds—All of the District's basic programs are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are accounted for using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic programs it provides. Governmental fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation following each governmental fund financial statement.

- Fiduciary funds—The District is the trustee, or *fiduciary*, for assets that belong to others, such as the Scholarship Trust Fund and the Flex Benefit Plan Custodial Fund. The

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

District is responsible for ensuring that the assets in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these funds from the government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary and Other Information

In addition to the basic financial statements and accompanying notes, this report also presents the schedule of changes in the District's net OPEB liability and related ratios and schedules of District's proportionate share of net pension liability and District's contributions for defined benefit pension plans as required supplementary information. Combining and individual fund financial statements and schedules and the fiscal compliance report are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The following tables show that in the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $(4,514,076), a decrease from the prior year.

Table 1
Net Position

	Governmental Activities	
	June 30	
	2020	2019
Current and other assets	$ 6,495,064	$ 6,315,484
Capital assets	5,281,149	5,523,284
Total assets	11,776,213	11,838,768
Deferred outflows of resources	3,406,917	4,866,288
Long-term liabilities outstanding	12,806,401	12,962,171
Other liabilities	246,818	293,429
Total liabilities	13,053,219	13,255,600
Deferred inflows of resources	6,643,987	7,940,579
Net position		
Net investment in capital assets	2,142,342	2,312,548
Restricted	1,927,241	1,919,923
Unrestricted	(8,583,659)	(8,723,594)
Total net position	$ (4,514,076)	$ (4,491,123)

The net position of the District's governmental activities decreased by 0.5 percent ($(4,514,076) compared to $(4,491,123)). Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—increased from a $8,723,594 deficit at June 30, 2019 to a $8,583,659 deficit at the end of this fiscal year.

Table 2
Changes in Net Position

	Governmental Activities Year Ended June 30, 2020	Governmental Activities Year Ended June 30, 2019
Revenues		
Program revenues		
Charges for services	$ 349,531	$ 329,287
Operating grants and contributions	1,651,698	1,716,664
Capital grants and contributions	120,645	145,593
General revenues		
Property taxes	2,145,437	1,950,696
Unrestricted interest earnings	59,836	62,558
Local grants and contributions	69,090	69,827
State grants and contributions	4,571,347	4,401,881
Miscellaneous	39,045	44,229
Total revenues	9,006,629	8,720,735
Program expenses		
Administration	717,335	535,360
District support services	432,633	533,254
Regular instruction	3,970,822	2,917,024
Vocational instruction	7,409	12,833
Special education instruction	1,215,777	831,346
Community education and services	134,777	88,072
Instructional support services	535,749	389,186
Pupil support services	788,556	639,686
Sites, buildings and equipment	1,033,374	775,006
Fiscal and other fixed costs programs	61,398	54,565
Interest on long-term debt	157,045	160,197
Total program expenses	9,054,875	6,936,529
Change in net position	(48,246)	1,784,206
Net position, July 1	(4,491,123)	(6,275,329)
Prior period adjustment	25,293	-
Net position, June 30	$ (4,514,076)	$ (4,491,123)

The District's revenues for all governmental activities were $9,006,629 for the year ended June 30, 2020 (an increase of 3.3% from the prior year). Local and state grants and contributions accounted for 51% of the revenues, while property taxes accounted for 24% of the revenues this year. Another 4% came from charges for services and 20% from operating and capital grants and contributions. Interest earnings and miscellaneous expenditures accounted for the remaining revenues (1%).

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

There was a $2,118,346 increase in total expenses for all governmental activities (31%). This was caused by significant changes in the net pension liabilities, deferred outflows related to pensions and deferred inflows related to pensions. The Regular instruction costs comprise the most significant percentage (44%) of total expenses; followed by special education instruction (13%); site, buildings and equipment (11%); pupil support services (9%); administration (8%); instructional support services (6%); and all other activities (9%).

As shown in the Statement of Activities, some of the cost was paid by those who directly benefited from the programs in the amount of $349,531 or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions in the amount of $1,772,343 resulting in a net cost of programs of $6,933,001. The "public benefit" portion of governmental activities was paid with $6,884,755 in general revenues, primarily state grants and aids, property taxes, and other revenues, such as interest and other local revenues. Property tax revenue in the fiscal year ended June 30, 2020 was $2,145,437.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The focus of the District's governmental funds is to provide information of near term inflows, outflows, and balances of spendable resources. In particular, the unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The District's governmental funds reported a total combined fund balance of $4,607,640 which is an increase from the prior year's fund balance of $4,343,587. Of the total governmental fund balances, $14,695 is nonspendable, which are amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. Restricted funds, which are considered unavailable for appropriation for general operations, comprised 42%, or $1,912,197, of the fund balance. Committed funds comprised 11%, or $500,000, of the fund balance and are established for specific purposes determined by the School Board. Assigned funds, which are neither restricted nor committed but are intended to be used for specific purposes were $559,199 or 12% of the fund balance; $1,621,549 (35%) was unassigned.

The General Fund had an increase in fund balance of $32,760 which is comprised by $7,467 of net change in fund balances and a $25,293 prior period adjustment. Revenues increased $294,721 (3.7%) compared to the prior year due to increased local property tax levies revenue. Expenditures increased $68,430 (0.8%) from the prior year.

The Debt Service fund balance increased $232,342 which is similar to the fund balance increase of $270,106 from the prior year. Revenues decreased $22,325 compared to the prior year. There were no changes in expenditures from the prior year.

The Other Governmental Funds' fund balances decreased by $1,049 during this fiscal year. Revenues were relative compared to the prior year, but expenditures increased in both the Food Service and Community Service Special Revenue Funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the School Board approved revisions to the General Fund budget. While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by $9,939, the actual results for the year show revenues exceeding expenditures by $7,467.

The general fund actual revenue amounts exceeded the budgeted revenues by $52,251 providing additional resources to fund existing operations. The actual expenditures were more than the budgeted expenditures by $34,845, with the most significant negative variances occurring in the district support services, special education instruction, and pupil support services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had $5,281,149 invested in capital assets, including land, land improvements, buildings, and equipment. (See Table 3 below.) This amount represents a net decrease (including additions and deductions) of $242,135 from last year.

Table 3
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities June 30	
	2020	2019
Land	$ 42,000	$ 42,000
Construction in progress	108,000	64,800
Land improvements	140,052	150,288
Buildings	4,280,794	4,552,252
Equipment	710,303	713,944
Totals	$ 5,281,149	$ 5,523,284

This year's major additions included:

- School bus
- High school gym doors
- Security system
- Secure entry project

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

BASIC FINANCIAL STATEMENTS

Long-Term Debt

At year-end, the District had $3,160,000 in bonds and certificates of participation outstanding versus $3,236,000 last year – a decrease of 2.3 percent - as shown in Table 4. More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.

Table 4
Outstanding Debt, at Year-end

	Governmental Activities	
	June 30	
	2020	2019
General obligation bonds (backed by the District)	$ 2,810,000	$ 2,810,000
Certificates of Participation	350,000	426,000
Totals	$ 3,160,000	$ 3,236,000

The State limits the amount of net debt that the District can issue to 15 percent of the market value of all taxable property in the District. The District's outstanding net debt is significantly below this $98,315,656 state-imposed limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The District's elected officials considered many factors when adopting the fiscal year June 30, 2021 budget and property tax levy.

- Property taxes for school year 2020-2021 were set at $1,797,064 amounting to a decrease of $14,395 from the previous year. The decrease is due to MDE equalization formulas which spread revenue between staid aid and local levy. Tax efforts are predicted to steadily increase over time due to continued long-term facilities maintenance capital improvement projects.

- The District will receive a 2.0% (approximately $129) per student increase to the state general education aid formula for FY21.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Superintendent, Erik Erie, or the Business Manager, Spencer Aune, Independent School District No. 696, 600 East Harvey Street, Ely, Minnesota 55731.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

STATEMENT OF NET POSITION
June 30, 2020
(with partial comparative information as of June 30, 2019)

	Governmental Activities	
	2020	2019
ASSETS		
Cash and investments	$ 3,987,431	$ 4,040,141
Receivables		
Current property taxes	1,044,165	1,028,100
Delinquent property taxes	74,101	71,106
Accounts receivable	152,690	92,405
Due from other Minnesota school districts	106,965	106,457
Due from State of Minnesota	873,368	820,775
Due from federal government through State of Minnesota	150,027	75,495
Due from federal government	54,139	4,997
Due from other governmental units	37,483	63,479
Inventory	14,695	12,529
Capital assets not being depreciated		
Land	42,000	42,000
Construction in progress	108,000	64,800
Capital assets net of accumulated depreciation		
Land improvements	140,052	150,288
Buildings	4,280,794	4,552,252
Equipment	710,303	713,944
TOTAL ASSETS	11,776,213	11,838,768
DEFERRED OUTLOWS OF RESOURCES		
Related to other postemployment benefits	350,192	368,172
Related to pensions	3,056,725	4,498,116
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,406,917	4,866,288
LIABILITIES		
Salaries payable	162,083	160,691
Accounts payable	14,999	38,110
Accrued interest payable	11,577	12,873
Due to other Minnesota school districts	22,943	44,311
Due to other governmental units	-	146
Payroll deductions and employer contributions	34,816	36,898
Unearned revenue	400	400
Noncurrent liabilities		
Other postemployment benefits	5,521,728	5,631,115
Net pension liability	4,016,396	3,977,018
Bonds, certificates of participation, and severance payable		
Due within one year	82,000	76,000
Due in more than one year	3,186,277	3,278,038
TOTAL LIABILITIES	13,053,219	13,255,600
DEFERRED INFLOWS OF RESOURCES		
Property taxes levied for subsequent year	1,578,082	1,620,235
Related to other postemployment benefits	195,087	291,188
Related to pensions	4,870,818	6,029,156
TOTAL DEFERRED INFLOWS OF RESOURCES	6,643,987	7,940,579
NET POSITION		
Net investment in capital assets	2,142,342	2,312,548
Restricted for:		
Capital outlay	41,752	4,319
Debt service	1,592,112	1,358,258
Community services	95,405	99,959
Food service	24,777	21,239
Other purposes	173,195	436,148
Unrestricted	(8,583,659)	(8,723,594)
TOTAL NET POSITION	$ (4,514,076)	$ (4,491,123)

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2020
(with partial comparative information for the year ended June 30, 2019)

	2020					2019
		Program Revenue			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Governmental Activities
PRIMARY GOVERNMENT						
Governmental Activities						
Administration	$ 717,335	$ 31,692	$ -	$ -	$ (685,643)	$ (495,842)
District support services	432,633	-	-	-	(432,633)	(533,254)
Regular instruction	3,970,822	143 869	665,606	-	(3,161,347)	(2,173,272)
Vocational instruction	7,409	-	-	-	(7,409)	(12,833)
Special education instruction	1,215,777	51,898	689,102	-	(474,777)	13,198
Community education and services	134,777	12,104	35,511	-	(87,162)	(27,980)
Instructional support services	535,749	-	-	-	(535,749)	(389,186)
Pupil support services	788,556	109,968	168,747	-	(509,841)	(374,078)
Sites, buildings, and equipment	1,033,374	-	-	120,645	(912,729)	(629,413)
Fiscal and other fixed cost programs	61,398	-	-	-	(61,398)	(54,565)
Interest on long-term debt	157,045	-	92,732	-	(64,313)	(67,760)
Total Governmental Activities	$ 9,054,875	$ 349,531	$ 1,651,698	$ 120,645	(6,933,001)	(4,744,985)
General Revenues						
Property taxes					2,145,437	1,950,696
Unrestricted interest earnings					59,836	62,558
Local grants and contributions not restricted to specific programs					69,090	69,827
State grants and contributions not restricted to specific programs					4,571,347	4,401,881
Miscellaneous					39,045	44,229
Total General Revenues					6,884,755	6,529,191
CHANGE IN NET POSITION					(48,246)	1,784,206
NET POSITION, JULY 1					(4,491,123)	(6,275,329)
Prior period adjustment					25,293	-
NET POSITION, JUNE 30					$ (4,514,076)	$ (4,491,123)

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020
(with partial comparative information as of June 30, 2019)

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds 2020	Total Governmental Funds 2019
ASSETS					
Cash and investments	$ 2,294,121	$ 1,602,045	$ 91,265	$ 3,987,431	$ 4,040,141
Current property taxes receivable	924,875	119,290	-	1,044,165	1,028,100
Delinquent property taxes receivable	62,174	11,265	662	74,101	71,106
Accounts receivable	14,083	138,607	-	152,690	92,405
Interfund receivable	8,668	-	-	8,668	6,656
Due from other Minnesota school districts	106,965	-	-	106,965	106,457
Due from State of Minnesota	866,715	3,174	3,479	873,368	820,775
Due from federal government through State of Minnesota	131,277	-	18,750	150,027	75,495
Due from federal government	54,139	-	-	54,139	4,997
Due from other governmental units	37,483	-	-	37,483	63,479
Inventory	-	-	14,695	14,695	12,529
TOTAL ASSETS	$ 4,500,500	$ 1,874,381	$ 128,851	$ 6,503,732	$ 6,322,140
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Salaries payable	$ 162,083	$ -	$ -	$ 162,083	$ 160,691
Accounts payable	14,999	-	-	14,999	38,110
Interfund payable	-	-	8,668	8,668	6,656
Due to other Minnesota school districts	22,943	-	-	22,943	44,311
Due to other governmental units	-	-	-	-	146
Payroll deductions and employer contributions	34,816	-	-	34,816	36,898
Unearned revenue	400	-	-	400	400
TOTAL LIABILITIES	235,241	-	8,668	243,909	287,212
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	62,174	11,265	662	74,101	71,106
Property taxes levied for subsequent year	1,307,390	270,692	-	1,578,082	1,620,235
TOTAL DEFERRED INFLOWS OF RESOURCES	1,369,564	281,957	662	1,652,183	1,691,341
FUND BALANCES					
Nonspendable	-	-	14,695	14,695	12,529
Restricted	214,947	1,592,424	104,826	1,912,197	1,908,590
Committed	500,000	-	-	500,000	-
Assigned	559,199	-	-	559,199	273,031
Unassigned	1,621,549	-	-	1,621,549	2,149,437
TOTAL FUND BALANCES	2,895,695	1,592,424	119,521	4,607,640	4,343,587
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 4,500,500	$ 1,874,381	$ 128,851	$ 6,503,732	$ 6,322,140

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENTS OF NET POSITION
June 30, 2020
(with partial comparative information as of June 30, 2019)

Amounts reported for governmental activities in the statement of net position are different because:	2020	2019
TOTAL FUND BALANCES, GOVERNMENTAL FUNDS	$ 4,607,640	$ 4,343,587
Net other postemployment benefit liability used in governmental activities is not a current financial resource and therefore is not reported in the governmental funds.	(5,521,728)	(5,631,115)
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	5,281,149	5,523,284
Unearned revenue in governmental funds is susceptible to full accrual on the government-wide statements.	74,101	71,106
Interest payable on long-term debt is susceptible to full accrual on the government-wide statements.	(11,577)	(12,873)
Long-term liabilities, including bonds, certificates of participation, net pension liability, and severance payable, are not due and payable in the current period and therefore not reported in the governmental funds.	(7,284,673)	(7,331,056)
Deferred outflows and inflows of resources related to other postemployment benefits and pensions are applicable to future periods and therefore not reported in the governmental funds		
Deferred outflows of resources	3,406,917	4,866,288
Deferred inflows of resources	(5,065,905)	(6,320,344)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ (4,514,076)	$ (4,491,123)

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2020
(with partial comparative information for the year ended June 30, 2019)

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds 2020	Total Governmental Funds 2019
REVENUES					
Local property tax levies	$ 1,817,546	$ 240,072	$ 76,724	$ 2,134,342	$ 1,951,136
Other local and county revenues	346,005	-	12,503	358,508	323,606
Revenue from state sources	5,736,103	30,747	44,115	5,810,965	5,784,916
Revenue from federal sources	277,349	92,732	159,744	529,825	481,494
Sales and other conversion of assets	189	-	109,969	110,158	126,910
Investment earnings	52,100	7,736	-	59,836	62,558
TOTAL REVENUES	8,229,292	371,287	403,055	9,003,634	8,730,620
EXPENDITURES					
Administration	676,108	-	-	676,108	624,694
District support services	413,855	-	-	413,855	452,008
Regular instruction	3,796,197	-	-	3,796,197	3,490,583
Vocational instruction	4,868	-	-	4,868	22,491
Special education instruction	1,163,009	-	-	1,163,009	1,050,477
Community education and services	-	-	128,927	128,927	111,614
Instructional support services	522,859	-	-	522,859	473,805
Pupil support services	494,453	-	275,177	769,630	764,067
Site, buildings, and equipment	1,089,078	-	-	1,089,078	1,485,898
Fiscal and other fixed cost programs	61,398	138,945	-	200,343	193,510
TOTAL EXPENDITURES	8,221,825	138,945	404,104	8,764,874	8,669,147
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,467	232,342	(1,049)	238,760	61,473
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	15,439
Transfers out	-	-	-	-	(15,439)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	7,467	232,342	(1,049)	238,760	61,473
FUND BALANCES, JULY 1	2,862,935	1,360,082	120,570	4,343,587	4,282,114
Prior period adjustment	25,293	-	-	25,293	-
FUND BALANCES, JUNE 30	$ 2,895,695	$ 1,592,424	$ 119,521	$ 4,607,640	$ 4,343,587

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

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
(with partial comparative information for the year ended June 30, 2019)

Amounts reported for governmental activities in the statement of activities are different because:	2020	2019
NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 238,760	$ 61,473
Governmental funds report outlays for capital assets as expenditures; however, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Expenditures for capital assets	191,874	452,317
Less current year depreciation	(434,009)	(430,868)
The issuance of long-term debt provides current financial resources in the governmental funds, but the issuance of debt is recorded as a liability in the statement of activities. Repayment of bond and certificates of participation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Bond premiums are amortized over the life of the debt issue and are netted against interest expense in the statement of activities.		
Amortization of bond discounts	(4,071)	(4,071)
Principal payments	76,000	75,000
Some revenues reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as revenues in governmental funds.		
Change in unavailable revenue - property taxes	2,995	(9,885)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest payable on long-term debt	1,296	1,402
Change in severance	13,832	64,109
Change in OPEB payable and related deferred outflows and inflows	187,508	202,288
Change in net pension liability and related deferred outflows and inflows	(322,431)	1,372,441
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ (48,246)	$ 1,784,206

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2020
(with comparative actual amounts for year ended June 30, 2019)

	2020				2019
	Budgeted Amounts			Variance with Final Budget -	
	Original	Final	Actual Amounts	Positive (Negative)	Actual Amounts
REVENUES					
Local property tax levies	$ 1,760,676	$ 1,760,676	$ 1,817,546	$ 56,870	$ 1,638,066
Other local and county revenues	295,740	295,740	346,005	50,265	303,120
Revenue from state sources	5,703,019	5,767,911	5,736,103	(31,808)	5,698,176
Revenue from federal sources	234,970	322,514	277,349	(45,165)	260,029
Sales and other conversion of assets	-	-	189	189	2,599
Investment earnings	30,200	30,200	52,100	21,900	32,581
TOTAL REVENUES	8,024,605	8,177,041	8,229,292	52,251	7,934,571
EXPENDITURES					
Administration	645,388	754,402	676,108	78,294	624,694
District support services	242,435	263,010	413,855	(150,845)	452,008
Regular instruction	3,822,152	3,891,574	3,796,197	95,377	3,490,583
Vocational instruction	7,050	3,050	4,868	(1,818)	22,491
Special education instruction	1,115,697	1,074,682	1,163,009	(88,327)	1,050,477
Instructional support services	434,327	520,230	522,859	(2,629)	473,805
Pupil support services	398,347	416,453	494,453	(78,000)	498,874
Site, buildings, and equipment	1,273,485	1,202,181	1,089,078	113,103	1,485,898
Fiscal and other fixed cost programs	80,100	61,398	61,398	-	54,565
TOTAL EXPENDITURES	8,018,981	8,186,980	8,221,825	(34,845)	8,153,395
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,624	(9,939)	7,467	17,406	(218,824)
OTHER FINANCING USES					
Transfers out	-	-	-	-	(15,439)
NET CHANGE IN FUND BALANCE	5,624	(9,939)	7,467	17,406	(234,263)
FUND BALANCE, JULY 1	2,862,935	2,862,935	2,862,935	-	3,097,198
Prior period adjustment	-	-	25,293	25,293	-
FUND BALANCE, JUNE 30	$ 2,868,559	$ 2,852,996	$ 2,895,695	$ 42,699	$ 2,862,935

The accompanying notes are an intergral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

STATEMENTS OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2020

	Private Purpose Scholarship Trust Fund	Flex Benefit Plan Custodial Fund
ASSETS		
Cash and investments	$ 113,915	$ 15,216
LIABILITIES		
Due to employees	-	14,787
NET POSITION		
Restricted for:		
Scholarship Trust	113,915	-
Flex Benefit Plan	-	429
TOTAL NET POSITION	$ 113,915	$ 429

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2020

	Private Purpose Scholarship Trust Fund	Flex Benefit Plan Custodial Fund
ADDITIONS		
Investment earnings		
Interest	$ 1,783	$ 429
Other Additions		
Gifts and donations	1,875	-
TOTAL ADDITIONS	3,658	429
DEDUCTIONS		
Scholarships	9,950	-
CHANGE IN NET POSITION	(6,292)	429
NET POSITION, JULY 1	120,207	-
NET POSITION, JUNE 30	$ 113,915	$ 429

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District complies with Generally Accepted Accounting Principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the District's financial activities for the year ended June 30, 2020.

A. Financial Reporting Entity

Independent School District No. 696, Ely, Minnesota (the District), was established pursuant to applicable Minnesota laws and statutes. The power and duties of the School Board are provided in Minnesota Statute Ch. 123. The governing body consists of a six member board, elected by eligible voters of the District. Officers of the school district are selected each January at the District's reorganizational meeting.

B. Basic Financial Statements

Government-wide Financial Statements
The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information about the primary 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 Statements of Fiduciary Net Position and Changes in Fiduciary Net Position at the fund financial statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: 1) charges to participants or applicants who purchase, use, or directly benefit from services, materials, or privileges provided by a given program and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements
The District segregates transactions related to certain programs or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Separate fund financial statements are provided for governmental and fiduciary funds even though the latter are excluded from the government-wide financial statements. The description of the funds included in this report are as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Governmental Funds

The General Fund is the primary operating fund of the District and is used to account for all financial resources relating to the administration, instruction, maintenance, pupil transportation services and capital expenditures of the District, except those required to be accounted for in another fund.

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

Nonmajor Governmental Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted for particular purposes.

Fiduciary Funds

The Private Purpose Scholarship Trust Fund is used to account for money held by the District in the capacity of trustee for others. The fund is used for the activity of a scholarship program.

The Flex Benefit Plan Custodial Fund is used to account for assets the District holds, in a purely custodial manner, for their flex benefit plan. The custodial fund is excluded from the government-wide financial statements because the District cannot use these assets to finance district operations.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. The economic resources measurement focus means all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts recognized in accordance with a statutory "tax shift" described later in this note. Grants and similar items are recognized when all requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Depreciation expense can be specifically identified by program and is included in the direct expenses of each program. 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 government-wide financial statements.

Governmental fund financial statements are reported using a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are both "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. State revenues are recognized in the year to which they apply according to Minnesota Statutes which establish state aid funding formulas for specific fiscal years. Grant revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year. Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements incurred in advance of the year in which the item or service is to be used and debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. Change in Accounting Principle

During the year ended June 30, 2020, the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which established criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by accounting for the extracurricular student activity funds in the General Fund and its governmental activities, rather than in a separate audit report as it has in the past. The standard required retroactive implementation, which resulted in the June 30, 2019 General Fund balance and Net Position of the Governmental Activities to increase by $25,293.

E. Budgeting

The District's administration prepares a proposed budget for the District's funds on the same basis as the fund financial statements. The School Board adopts an annual budget for the fiscal year for all of the District's governmental funds.

Legal budgetary control is at the fund account level; management control is exercised at line-item levels. Budget appropriations lapse at year end, if unexpended.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Final budgeted amounts presented include amendments approved by the School Board throughout the fiscal year. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents a comparison of budgetary data to actual results.

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances

1) Except for in certain restricted and special funds, cash and investments of the individual funds are combined to form a pool and are invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are distributed based on their prorated portion of monthly cash balances.

2) Current property taxes receivable represents current real and personal property tax levies which were certified the previous December and are payable in the current calendar year, less payments remitted by the county to the District for property taxes payable in 2020.

   Delinquent property taxes receivable represents taxes collectible in the years 2015 through 2019 that remain uncollected. No allowance for uncollectible taxes has been recorded as such amounts are not expected to be material.

3) The District's inventories are recorded using the consumption method of accounting. Food service inventory consists of food supplies, recorded at cost (first-in, first-out), and surplus commodities received from the federal government. Surplus commodities are stated at standardized commodities cost determined by the U. S. Department of Agriculture. Expenditures are recognized when inventories are consumed. Inventories of materials and supplies are not maintained by the District. The cost of materials and supplies is recorded as an expenditure when the items are purchased.

4) Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5) Capital assets are recorded in the government-wide financial statements. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition.

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

   Capital assets are 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

   improvements and buildings, and 5 to 20 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 buildings or other immovable property.

6) Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has two items in this category, related to other postemployment benefits and related to pensions. See Notes 7 and 15 for details.

7) Government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned. Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period and resources that have been received, but not yet earned.

8) In the government-wide financial statements, long-term debt obligations are reported as liabilities in the governmental activities statement of net position. Debt premiums and discounts are reported as deferred charges and amortized over the life of the related debt using the effective interest method. Debt issuance costs are recognized as an outflow of resources in the period incurred. Debts payable are reported net of the applicable premium or discount. On the government-wide statement of activities, unamortized debt premiums and discounts are deferred and amortized over the life of the debt. The governmental fund financial statements report debt premiums and discounts as other financing sources and uses, separately from the face amount of the debt issued. Debt issuance costs are reported as debt service expenditures. The long-term liabilities consist primarily of bonds and certificates of participation payable.

9) Defined Benefit Pension Plans

   Teachers Retirement Association
   For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

   TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association in 2015.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Employees Retirement Association
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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. 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.

10) Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The first is property taxes levied for subsequent year. As an imposed non-exchange revenue transaction, property taxes received or reported as a receivable before the period for which the property taxes are levied are reported as a deferred inflow of resources in the government-wide financial statements and in the governmental fund financial statements. The second type of deferred inflow is related to other postemployment benefits. See Note 7 for detail. The third type of deferred inflow of resources is related to pensions. See Note 15 for detail. The fourth type of deferred inflow of resources is delinquent property taxes. Governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. Delinquent taxes not collected within 60 days after the District's year-end are considered unavailable and reported as a deferred inflow of resources in the governmental fund financial statements.

11) Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources in the government-wide 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 government-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

In the fiduciary fund statements, restricted net position represents the net position to be used to provide flex benefits to employees and scholarships to students.

In the fund financial statements, fund balances of the governmental funds are classified as follows:

Nonspendable—amounts that cannot be spent either because they are in nonspendable form, such as inventory and prepaid items, or because they are legally or contractually required to be maintained intact.

Restricted—amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed—amounts that can be used only for specific purposes determined by a formal action of the School Board. The School Board is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the School Board.

Assigned—amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The School Board or an individual or committee authorized by the School Board may assign amounts for specific purposes.

Unassigned—all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School Board has provided otherwise in its commitment or assignment actions.

G. Revenues and Expenditures

1) The majority of District revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property 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."

Generally, property 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). Property taxes levied for subsequent year is equal to the amount levied by the School Board in December 2019 less various levies mandated by the State. These mandated portions of the levy are recognized as revenue in fiscal year 2020. The remaining portion of the levy will be recognized when measurable and available.

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

The District also receives revenue from taconite production taxes which is recognized when earned in accordance with Minnesota Statute 123 B.75.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal and other state revenues are reported under the legal and contractual requirements of the individual programs and are classified into essentially two types of revenues. In one, monies must be expended for the specific purpose before any amounts will be paid to the District; therefore, revenues are recognized based on expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure, and the resources are recorded as revenue at the time of receipt or earlier if they are available.

2) Employees earn vacation and sick leave based on various bargaining units and length of service. Vacation time must be used annually and therefor is not accrued. Sick leave is available to employees in the event of illness related absences and is recorded as an expenditure when taken. Unpaid sick leave does not vest and therefore is not accrued. Unused sick leave enters into the calculation of payments for some employees upon termination.

3) As provided in union and employment contracts, qualified employees meeting minimum age and length of service requirements may be eligible for certain other postemployment benefits from the District.

H. Use of Estimates

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

I. Prior Period Comparative Financial Information

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Net Position Deficit

For the year ended June 30, 2020, the District reported a total net position deficit of $4,514,076. The unrestricted net position deficit of $8,583,659 was largely due to net pension and net OPEB liabilities reported in the government-wide financial statements and is the primary cause of the total net position reporting a deficit.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Excess of Expenditures Over Budget

For the year ended June 30, 2020, expenditures exceeded appropriations in the following fund:

	Excess
General Fund	$ 34,845
Debt Service Fund	$ 96,345
Nonmajor Governmental Funds	
Food Service Special Revenue Fund	$ 12,988
Community Service Special Revenue Fund	$ 8,487

The overages were considered by District management to be the result of necessary expenditures and were funded by the available fund balance or excess revenue.

NOTE 3 - CASH AND INVESTMENTS

Except for cash and investments in certain restricted and special funds, the District's funds are combined (pooled) and invested to the extent available in various investments authorized by Minnesota statutes. This pool functions essentially as a demand account for all participating funds. Each fund type's portion of this pool is displayed on the balance sheet as "cash and investments". Several funds hold cash and investments separate from the cash and investment pool.

A reconciliation of cash and investments as reported on the statement of net position and the balance sheet follows:

Cash	$ 2,810,914
Petty Cash	150
Investments	1,305,498
Total cash and investments	$ 4,116,562

Reconciliation to financial statements:

Statement of Net Position	
Cash and investments	$ 3,987,431
Statement of Fiduciary Net Position	
Custodial funds' cash and investments	129,131
Total cash and investments	$ 4,116,562

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Deposits

Custodial Credit Risk – Deposits
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits. The District does not have a formal deposit policy for custodial credit risk.

The District maintains deposits at financial institutions authorized by the School Board. Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. State statutes authorize the types of securities which may be pledged as collateral and require that those securities be held in safekeeping by the District or in a financial institution other than that furnishing the collateral. At year-end, the carrying amount of the District's deposits, which includes certificates of deposit, was $2,810,914; the bank balance was $2,811,214. At year-end, the District's bank balances were entirely insured.

Investments

Custodial Credit Risk – Investments
For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or securities that are in the possession of an outside party. The District does not have a formal investment policy for custodial credit risk.

Credit Risk and Concentration of Credit Risk
The District does not have a formal investment policy for credit risk or concentration of credit risk. State statutes authorize the District to invest in qualified repurchase agreements, obligations of the U.S. government, obligations of the State of Minnesota or its municipalities, shares of certain investment companies, bankers' acceptance notes, commercial paper and guaranteed investment contracts.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District places no limit on the amount the District may invest in any one issuer and, as of June 30, 2020, had no investment in any issuer that exceeded five percent of total investments.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2020, the District had the following investments:

Investment	Fair Value	Rating
MN Trust		
Money Market Account	$ 834,154	AAAm (Standard and Poor's)
Wells Fargo Trust		
Money Market Account	70,571	AAAm (Standard and Poor's)
Minnesota School District Liquid Asset Fund		
Money Market Account	400,773	AAAm (Standard and Poor's)
Total Investments	$ 1,305,498	

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. The District does not have a formal investment policy that addresses interest rate risk, but manages its exposure to fair value losses arising from changing interest rates by purchasing investments with varying maturity dates.

During the year, the District utilized the Minnesota School District Liquid Asset Fund and the MN Trust which are external investment pools not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pools are the same as the value of the pool shares.

Fair Value of Investments
The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability – either directly or indirectly.
- Level 3: Unobservable inputs – market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The District's investments of $1,305,498 at June 30, 2020 are not subject to measurement.

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 42,000	$ -	$ -	$ 42,000
Construction in progress	64,800	43,200	-	108,000
Total capital assets, not being depreciated	106,800	43,200	-	150,000
Capital assets, being depreciated:				
Land improvements	522,561	-	-	522,561
Buildings	8,927,081	29,362	-	8,956,443
Equipment	2,171,108	119,312	(76,896)	2,213,524
Total capital assets, being depreciated	11,620,750	148,674	(76,896)	11,692,528
Less accumulated depreciation for:				
Land improvements	(372,273)	(10,236)	-	(382,509)
Buildings	(4,374,829)	(300,820)	-	(4,675,649)
Equipment	(1,457,164)	(122,953)	76,896	(1,503,221)
Total accumulated depreciation	(6,204,266)	(434,009)	76,896	(6,561,379)
Total capital assets, being depreciated, net	5,416,484	(285,335)	-	5,131,149
Governmental activities capital assets, net	$ 5,523,284	$ (242,135)	$ -	$ 5,281,149

Depreciation expense was charged to the District's programs as follows:

District and school administration	$ 30,576
District support services	12,258
Regular instruction	128,654
Vocational instruction	2,464
Special education instruction	34,446
Community education and services	3,819
Instructional support services	30,803
Pupil support services	99,963
Sites, buildings, and equipment	91,026
Total depreciation expense	$ 434,009

NOTE 5 - LEASE OBLIGATIONS

Photocopier Lease Agreements

The District leased photocopiers under an operating lease agreement. Total costs for the lease was $6,732 for the year ended June 30, 2020. The future minimum lease payments are as follows:

Year ending June 30	Amount
2021	$ 6,732
2022	1,682
Total	$ 8,414

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 - LONG-TERM LIABILITIES

The District issued a general obligation bond to finance the acquisition and improvement of District facilities. The District has also issued certificates of participation for construction of capital facilities. The general obligation bond is being repaid from the debt service fund. The certificates of participation are being repaid from the general fund. For the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

Components of long-term liabilities:

Issue	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
General Obligation Bond					
School Building Bonds 2011A	06/15/2011	4.85%	$ 2,810,000	06/15/2026	$ 2,810,000
Certificates of Participation					
2011E Certificates of Participation	12/20/2011	2.00-4.00%	$ 590,000	02/01/2023	180,000
2012A Certificates of Participation	07/12/2012	2.50-4.00%	$ 305,000	07/15/2026	170,000
Total Certificates of Participation					350,000
Other Long-Term Liabilities					
Severance Payable					129,470
Total Long-Term Liabilities					$ 3,289,470

On June 15, 2011, the District issued the 2011A G.O. School Building Bonds to finance improvements of school buildings. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. The annual future debt service levies authorized are equal to 105% of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Bonds Payable					
2011A Taxable GO School Building Bonds	$ 2,810,000	$ -	$ -	$ 2,810,000	$ -
Unamortized 2011A Bond Discount	(22,160)	-	3,185	(18,975)	-
Total Bonds Payable	2,787,840	-	3,185	2,791,025	-
Certificates of Participation (COP) Payable					
2011E Certificates of Participation	235,000	-	(55,000)	180,000	60,000
2012A Certificates of Participation	191,000	-	(21,000)	170,000	22,000
	426,000	-	(76,000)	350,000	82,000
Unamortized 2011E COP Discount	(3,104)	-	886	(2,218)	-
Total COP Payable	422,896	-	(75,114)	347,782	82,000
Total Bonds and COP Payable	3,210,736	-	(71,929)	3,138,807	82,000
Other Long-Term Liabilities					
Severance	143,302	-	(13,832)	129,470	-
Total Long-Term Liabilities	$ 3,354,038	$ -	$ (85,761)	$ 3,268,277	$ 82,000

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Minimum annual principal and interest payments required to retire long-term liabilities, excluding severance payable are as follows:

Year ending	General Obligation Bonds		Certificates of Participation		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ -	$136,285	$ 82,000	$13,125	$ 82,000	$ 149,410
2022	-	136,285	83,000	10,088	83,000	146,373
2023	-	136,285	83,000	6,883	83,000	143,168
2024	-	136,285	24,000	3,599	24,000	139,884
2025	-	136,285	25,000	2,620	25,000	138,905
2026-2030	2,810,000	136,285	53,000	2,140	2,863,000	138,425
Total	$ 2,810,000	$817,710	$350,000	$38,455	$ 3,160,000	$ 856,165

No interest was capitalized for the year ended June 30, 2020; interest incurred and charged to expense totaled $157,045.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The District operates a single-employer retiree benefit plan that provides postemployment health and life insurance benefits to eligible employees and their spouses. The liability is reported on the District's government-wide financial statements and is reported under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires the liability of the District's defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The liability is reported on the District's government-wide financial statements.

Benefits Provided

Benefits and eligibility are established and amended through contracts with bargaining units or other employment contracts. The District subsidizes the premium rates of the retirees by allowing them to participate in the plan at reduced or blended (implicitly subsidized) premium rates for both active and retired employees. These rates provided an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Additionally, certain retirees receive insurance at a lower (explicitly subsidized) premium rate than active employees.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Membership

At June 30, 2017, the measurement date of the total OPEB liability, plan membership consisted of the following:

Active employees electing coverage	54
Active employees waiving coverage	19
Retirees electing coverage	71
	144

Contributions

The District and retirees make contributions toward health insurance premiums based on their employment contracts. During the year ended June 30, 2020, the District pays postemployment benefits out of its General Fund on a pay-as-you-go method. Contributions into individual health accounts for current employees are also paid out of the General Fund on a pay-as-you-go method. The District has not advance-funded or established a funding methodology. The District will continue to contribute towards the medical premium for grandfathered retirees and employees hired before dates specified in employee contracts. The contribution amount is either part of or the full amount of the medical premium and continues for the life of the retiree. The District will not pay any premiums for future retirees.

Total OPEB Liability

At June 30, 2020, the District reported a total OPEB liability of $5,521,728. The total OPEB liability was calculated using the total OPEB liability measured as of June 30, 2017 which was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.56%
Expected return on plan assets	N/A
Inflation rate	2.50%
Mortality	Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments.
Healthcare cost trend rate	6.90% for FY2018, gradually decreasing over several decades to an ultimate rate of 4.00% in FY2075 and later years. In addition, the medical trend rates above were increased to reflect the projected effect of the Affordable Care Act's Excise Tax on high-cost health insurance plans. The additional trend rate adjustments vary by year, but average 0.36% beginning calendar year 2023 for plans other than Medicare plans.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The discount rate was based on the Fidelity 20-Year Municipal GO AA Index because it meets the GASB requirements and is based on a large amount of municipal security data.

The District has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of a prior fiscal year-end, but applied to the current fiscal year. The measurement date (when assets and liabilities are measured) is June 30, 2017.

Changes in the OPEB Liability

	Total OPEB Liability
Balance for fiscal year ending 6/30/2019	$ 5,631,115
Changes for the year:	
Service cost	96,902
Interest	161,883
Differences between expected and actual experience	-
Change of assumptions	-
Changes of benefit terms	-
Benefit payments	(368,172)
Net Changes	(109,387)
Balance for fiscal year ending 6/30/2020	$ 5,521,728

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%, an increase from the 2.92% discount rate used in the last actuarial report measured as of June 30, 2016.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District as well as what the District's net OPEB liability (as of June 30, 2018) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability (asset)	$ 6,528,427	$ 5,744,147	$ 5,100,907

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following represents the net OPEB liability of the District, as well as what the District's net OPEB liability (as of June 30, 2018) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

	1% Decrease	Current Trend Rates	1% Increase
Net OPEB liability (asset)	$ 5,044,735	$ 5,744,147	$ 6,615,531

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2020, the District recognized OPEB expense of $(187,508). At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in actuarial assumptions	$ -	$ 195,087
Contributions made for the reporting period ended June 30, 2020	350,192	-
Total	$ 350,192	$ 195,087

The contributions made for the reporting period ended June 30, 2020 will reduce the District's total OPEB liability in the year ending 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 Ended June 30:	OPEB Expense Amount
2021	$ (96,101)
2022	$ (96,101)
2023	$ (2,885)

NOTE 8 - INTERFUND ACTIVITY

Interfund Balances

The composition of interfund balances as of June 30, 2020 are as follows:

Interfund receivable/payable

$ 8,668	From General Fund to the Non-major Food Service Special Revenue Fund to eliminate deficit cash balance

NOTE 9 - FUND EQUITY

Restricted Net Position

The amount reported as net position restricted for other purposes on the Statement of Net Position is comprised of the following:

Restricted for -	Gifted and talented	$ 10,441
	Safe schools crime levy	37,395
	Staff development	57,998
	Basic skills	24,320
	Basic skills extended time	14,142
	Student activities	28,899
	Total	$ 173,195

Fund Balances

As of June 30, 2020, fund balances are comprised of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventory	$ -	$ -	$ 14,695	$ 14,695
Restricted:				
Staff development	57,998	-	-	57,998
Safe schools crime levy	37,395	-	-	37,395
Gifted and talented	10,441	-	-	10,441
Operating capital	38,514	-	-	38,514
LTFM	3,238	-	-	3,238
Basic skills	24,320	-	-	24,320
Basic skills extended time	14,142	-	-	14,142
Student activities	28,899	-	-	28,899
Debt service	-	1,592,424	-	1,592,424
Food service	-	-	10,082	10,082
Community education	-	-	10,569	10,569
Community service	-	-	544	544
$25 taconite early childhood learning	-	-	28,815	28,815
School readiness	-	-	12,579	12,579
Early childhood family education	-	-	42,237	42,237
Total Restricted	214,947	1,592,424	104,826	1,912,197
Committed:				
21st Century Learning	500,000	-	-	500,000
Assigned:				
Severance	129,470	-	-	129,470
Distance learning	300,000	-	-	300,000
Textbook replacement	57,597	-	-	57,597
Vehicle replacement	20,000	-	-	20,000
Capital improvements	52,132	-	-	52,132
Total Assigned	559,199	-	-	559,199
Unassigned	1,621,549	-	-	1,621,549
Total Fund Balances	$ 2,395,695	$ 1,592,424	$ 119,521	$ 4,107,640

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased commercial insurance to cover its risks of loss. There were no significant increases or decreases in insurance coverage from the previous year. Settled claims resulting from these risks did not exceed insurance coverage in any of the past three fiscal years.

NOTE 11 - OTHER COMMITMENTS AND CONTINGENCIES

Grants

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2020, may be impaired. In the opinion of the District, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

COVID-19 Pandemic

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. Due to the unknown breadth and duration of this pandemic, the impact of COVID-19 on the District's future operational and financial performance cannot be determined at this time and has not been reflected in the accompanying financial statements.

NOTE 12 - JOINT VENTURES

Northland Learning Center, Independent School District No. 6076

The Northland Learning Center, Independent School District No. 6076, was established as a joint powers educational center pursuant to applicable Minnesota laws and statutes and was created to organize, manage, undertake, implement and accomplish all the purposes, functions, services and programs designed and intended to: 1) ensure that all children with disabilities residing within the service area of the parties hereto have available to them a free appropriate public education that emphasizes special education and related services to meet their unique needs and to prepare them for employment and independent living; and 2) meet the needs of those students within its member districts whose experience in traditional learning environments has not been particularly beneficial or successful so as to better assure them a quality and efficacious educational and learning experience. The following school districts are members:

Independent School District No. 695, Chisholm
Independent School District No. 696, Ely
Independent School District No. 2154, Eveleth-Gilbert

NOTE 12 - JOINT VENTURES (CONTINUED)

Independent School District No. 2711, Mesabi East
Independent School District No. 712, Mountain Iron-Buhl
Independent School District No. 707, Nett Lake
Independent School District No. 706, Virginia
Independent School District No. 2142, St. Louis County
Independent School District No. 166, Cook County
Independent School District No. 361, International Falls

Each member school district is represented on the Northland Learning Center Board of Directors by its superintendent. In the event the members agree to terminate the joint powers agreement, any surplus monies and property shall be returned to the member school districts in proportion to each party's total contribution over the three years prior to termination.

It is the responsibility of the members to adequately fund the Center although funding may also come from other sources, including, but not limited to, grants and gifts. The contribution of each member shall be determined based on the total number of school district students served. During fiscal year 2020, the District disbursed $233,005 to Northland Learning Center for educational programs. Complete financial information may be obtained from the Northland Learning Center, Independent School District No. 6076, 1201 13th Avenue South, P.O. Box 1286, Virginia, MN 55792.

Northern St. Louis County Family Services Collaborative
The Northern St. Louis County Family Services Collaborative was established pursuant to Minn. Stat. §124D.23. The Collaborative includes St. Louis County; several St. Louis County agencies; Arrowhead Economic Opportunity Agency; Arrowhead Regional Corrections; Range Mental Health; Bois Forte Reservation; Northland Special Education Cooperative; and Independent School District Nos. 695, 696, 698, 701, 706, 707, 712, 2142, 2154, 2711, and 6076. The purpose of the Collaborative is to support partnerships, both regionally and locally, that promote and support healthy families. The Collaborative serves children and families by encouraging collaboration of integrated family centered services, which provide education, advocacy, and support.

Control of the Northern St. Louis County Family Services Collaborative is vested in a Board of Directors appointed by its members. Independent School District No. 2142 appoints two members to the Board; all other members appoint only one. Financing is provided by state and federal grants, appropriations from the Collaborative members, and miscellaneous revenues. Independent School District No. 2142 and St. Louis County are the fiscal agents for the Collaborative. The District receives funds from the Collaborative as reimbursement for eligible expenditures. Separate financial information can be obtained from the Northern St. Louis County Family Service Collaborative, 1701 North 9th Avenue, Virginia, Minnesota 55792.

NOTE 13 - RELATED ORGANIZATION

The District is a member of Arrowhead Regional Computing Consortium (ARCC), a consortium of Minnesota school districts that provides data processing services and support to its member districts. ARCC is a separate legal entity that is financially independent of the District. Furthermore, the District does not appoint a voting majority of ARCC's Board of Directors. Therefore, ARCC is not included as part of the District's reporting entity. During the fiscal year ended June 30, 2020, the District paid ARCC $28,842 for services provided.

NOTE 14 - SEVERANCE

Most employees are eligible for a one-time severance payment upon retirement. Severance is based upon the number of unused sick leave or vacation days multiplied by rates defined within their respective contractual agreements. Severance benefit expenditures are recognized when paid. During the year, the District expended $13,832 in severance benefits. At June 30, 2020, ten employees meet the age and years or service requirements for severance. A liability has been recorded in the government-wide financial statements in the amount of $129,470.

NOTE 15 - RETIREMENT PLANS

Substantially all employees of the District are required by State law to belong to pension plans administered by the Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), both of which are administered on a statewide basis. In addition, some District employees participate in tax-deferred annuity plans.

Disclosures relating to these plans follow:

A. Teachers Retirement Association

1. Plan Description

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

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

NOTE 15 - RETIREMENT PLANS (CONTINUED)

2. Benefits Provided

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

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

Tier I Benefits

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

With these provisions:

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

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

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

or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated members and 2.7 percent per year for Basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 percent 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.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 15 - RETIREMENT PLANS (CONTINUED)

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

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

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

3. Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2018, June 30, 2019 and June 30, 2020, were:

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

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

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

NOTE 15 - RETIREMENT PLANS (CONTINUED)

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

4. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2019
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.5%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality assumptions	
Pre-retirement:	RP–2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP–2015 scale.
Post-retirement:	RP–2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP–2015 scale.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 15 - RETIREMENT PLANS (CONTINUED)

Post-disability:	RP–2014 disabled retiree mortality table, without adjustment.

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

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

Asset Class	Final 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%
Unallocated cash	2.0%	0.00%
Total	**100%**	

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

Changes in actuarial assumptions since the 2018 valuation:

- The COLA was reduced from 2.0 percent each January 1 to 1.0 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1 percent each year until reaching the ultimate rate of 1.5 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of credit service are exempt.
- The COLA trigger provision, which would have increased COLA to 2.5% if the funded ratio was at least 90 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation of deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0 percent to 3.0 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5 percent to 7.5 percent, effective July 1, 2018.

NOTE 15 - RETIREMENT PLANS (CONTINUED)

- The employer contribution rate is increased each July 1 over the next 6 years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

5. Discount Rate

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

6. Net Pension Liability

On June 30, 2020, Independent School District No. 696, Ely, Minnesota reported a liability of $3,104,148 for its proportionate share of the 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. Independent School District No. 696, Ely, Minnesota's proportion of the net pension liability was based on Independent School District No. 696, Ely, Minnesota'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. District proportionate share was 0.0487% at the end of the measurement period and 0.0479% for the beginning of the year.

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

District's proportionate share of net pension liability	$ 3,104,148
State's proportionate share of the net pension liability associated with the District	$ 274,657

For the year ended June 30, 2020, the District recognized pension expense of $273,059. It also recognized $20,877 as an increase to pension expense for the support provided by direct aid.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 15 - RETIREMENT PLANS (CONTINUED)

On June 30, 2020, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 454	$ 75,616
Changes in actuarial assumptions	2,666,204	4,067,974
Net difference between projected and actual investment earnings on pension plan investments	-	253,104
Changes in proportion	41,872	239,500
District contributions to TRA subsequent to the measurement date	223,562	-
Total	$ 2,932,092	$ 4,636,194

The $223,562 reported as deferred outflows of resources, District contributions to TRA subsequent to the measurement date, will be recognized in pension expense for the year ended June 30, 2021. The remaining deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30:	Pension Expense Amount
2021	$ 163,024
2022	$ (35,247)
2023	$ (1,214,056)
2024	$ (844,008)
2025	$ 2,623

7. Pension Liability Sensitivity

The following presents the net pension liability of TRA using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate.

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate

1 percent decrease (6.50%)	Current (7.50%)	1 percent increase (8.50%)
$ 4,948,771	$ 3,104,148	$ 1,583,284

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

NOTE 15 - RETIREMENT PLANS (CONTINUED)

8. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN 55103-4000; or by calling 651-296-2409 or 800-657-3669.

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

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

B. Public Employees Retirement Association

1. Plan Description

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

General Employees Retirement Plan
All full-time and certain part-time employees of the District, 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. Benefits Provided

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

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 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 15 - RETIREMENT PLANS (CONTINUED)

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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit 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.

3. Contributions

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

General Employees Fund Contributions
Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2020 were $90,137. The District's contributions were equal to the required contributions as set by state statute.

4. Pension Costs

General Employees Fund Pension Costs
At June 30, 2020, the District reported a liability of $912,248 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 non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $28,332. 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 0.0165 percent at the end of the measurement period and 0.0175 percent for the beginning of the period.

NOTE 15 - RETIREMENT PLANS (CONTINUED)

District's proportionate share of the net pension liability	$ 912,248
State of Minnesota's proportionate share of the net pension liability associated with the District	28,332
Total	$ 940,580

There were no provision changes during the measurement period.

For the year ended June 30, 2020, the District recognized pension expense of $80,587 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $2,122 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 26,377	$ -
Changes in actuarial assumptions	-	76,215
Net collective difference between projected and actual investment earnings	-	100,842
Changes in proportion	8,119	57,567
Contributions paid to PERA subsequent to the measurement date	90,137	-
Total	$ 124,633	$ 234,624

The $90,137 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 pensions will be recognized in pension expense as follows:

Year Ended June 30:	Pension Expense Amount
2021	$ (67,175)
2022	$ (101,135)
2023	$ (33,288)
2024	$ 1,470

Total Pension Expense
The total pension expense for all plans recognized by the District for the year ended June 30, 2020, was $89,376.

NOTE 15 - RETIREMENT PLANS (CONTINUED)

5. 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:

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

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

Actuarial assumptions used in the June 30, 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 and plan provisions occurred in 2019:

General Employees Fund
Changes in Actuarial Assumptions:
- The mortality projection scale was changed from MP-2017 to MP-2018.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%
Total	100%	

NOTE 15 - RETIREMENT PLANS (CONTINUED)

6. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. 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:

Sensitivity Analysis			
Net Pension Liability (Asset) at Different Discount Rates			
	General Employees Fund		
1% Lower	6.50%	$	1,499,687
Current Discount Rate	7.50%	$	912,248
1% Higher	8.50%	$	427,201

8. Pension Plan Fiduciary Net Position

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

C. Tax-Deferred Annuity Plans

As established in contracts with bargaining units and other employee contracts, eligible District employees may participate in tax-deferred annuity plans under Section 403(b) of the Internal Revenue Code. Employee contracts determine which employees are eligible to participate and the District's matching contributions, if any. During the year, the District expended $25,650 as matching contributions to these plans.

NOTE 16 - SUBSEQUENT EVENT

On October 15, 2020, the District issued $9,945,000 in General Obligation School Building Bonds, Series 2020A for the purpose of financing the acquisition and betterment of school sites and facilities in the District. These bonds carry interest rates between 1% and 3%. Payments are due semiannually beginning August 1, 2021 until maturity in fiscal year 2040.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
Year Ended June 30, 2020

	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability			
Service cost	$ 96,902	$ 96,902	$ 96,902
Interest	161,883	165,083	181,637
Changes of assumptions	-	-	(483,390)
Benefit payments	(368,172)	(375,017)	(349,092)
Net change in OPEB liability	(109,387)	(113,032)	(553,943)
Total OPEB Liability - beginning of year	5,631,115	5,744,147	6,298,090
Total OPEB Liability - end of year	$ 5,521,728	$ 5,631,115	$ 5,744,147
Fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%
Covered Employee Payroll	$ 3,394,208	$ 3,318,941	$ 3,183,143
Net OPEB Liability as a % of employee payroll	162.7%	169.7%	180.5%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

See notes to required supplementary information.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY AND DISTRICT'S CONTRIBUTIONS FOR DEFINED BENEFIT PENSION PLANS
Year Ended June 30, 2020

TEACHERS RETIREMENT ASSOCIATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability (Asset) associated with Employer (b)	Total (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2019	0.0487%	$ 3,104,148	$ 274,657	$ 3,378,805	$ 2,823,000	110.0%	78.07%
June 30, 2018	0.0479%	$ 3,006,190	$ 282,661	$ 3,288,851	$ 2,644,333	113.7%	78.07%
June 30, 2017	0.0491%	$ 9,801,251	$ 946,640	$ 10,747,891	$ 2,641,303	371.1%	51.57%
June 30, 2016	0.0497%	$ 11,854,636	$ 1,190,145	$ 13,044,781	$ 2,585,973	458.4%	44.88%
June 30, 2015	0.0501%	$ 3,099,180	$ 379,838	$ 3,479,018	$ 2,542,493	121.9%	76.80%
June 30, 2014	0.0524%	$ 2,414,544	$ 169,902	$ 2,584,446	$ 2,391,867	100.9%	81.50%

Note: This schedule is provided prospectively beginning with the fiscal year ended June 30, 2015.

Note: For purposes of this schedule, covered payroll is defined as "pensionable wages".

TEACHER'S RETIREMENT ASSOCIATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
June 30, 2020	$ 223,562	$ 223,562	$ -	$ 2,899,637	7.71%
June 30, 2019	$ 211,725	$ 211,725	$ -	$ 2,823,000	7.50%
June 30, 2018	$ 198,325	$ 198,325	$ -	$ 2,644,333	7.50%
June 30, 2017	$ 198,098	$ 198,098	$ -	$ 2,641,303	7.50%
June 30, 2016	$ 193,948	$ 193,948	$ -	$ 2,585,973	7.50%
June 30, 2015	$ 190,687	$ 190,687	$ -	$ 2,542,493	7.50%

Note: This schedule is provided prospectively beginning with the fiscal year ended June 30, 2015.

Note For purposes of this schedule, covered payroll is defined as "pensionable wages".

See notes to required supplementary information.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY AND DISTRICT'S CONTRIBUTIONS FOR DEFINED BENEFIT PENSION PLANS
Year Ended June 30, 2020

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT PLAN

Fiscal Year Ending	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with District (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with District (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2019	0.0165%	$ 912,248	$ 28,332	$ 940,580	$1,150,987	81.72%	80.20%
June 30, 2018	0.0175%	$ 970,828	$ 31,714	$ 1,002,542	$1,173,919	85.40%	79.50%
June 30, 2017	0.0180%	$ 1,149,108	$ 14,478	$ 1,163,586	$1,161,895	100.15%	75.90%
June 30, 2016	0.0176%	$ 1,429,033	$ 18,632	$ 1,447,665	$1,092,625	132.49%	68.91%
June 30, 2015	0.0183%	$ 948,401	$ -	$ 948,401	$1,073,643	88.33%	78.19%
June 30, 2014	0.0185%	$ 869,037	$ -	$ 869,037	$ 972,853	89.33%	78.75%

Note: This schedule is provided prospectively beginning with the fiscal year ended June 30, 2015

Note For purposes of this schedule, covered payroll is defined as 'pensionable wages'.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT PLAN

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
June 30, 2020	$ 90,137	$ 90,137	$ -	$ 1,201,827	7.50%
June 30, 2019	$ 86,324	$ 86,324	$ -	$ 1,150,987	7.50%
June 30, 2018	$ 88,045	$ 88,045	$ -	$ 1,173,919	7.50%
June 30, 2017	$ 87,143	$ 87,143	$ -	$ 1,161,895	7.50%
June 30, 2016	$ 81,948	$ 81,948	$ -	$ 1,092,625	7.50%
June 30, 2015	$ 79,367	$ 79,367	$ -	$ 1,073,643	7.39%

Note: This schedule is provided prospectively beginning with the fiscal year ended June 30, 2015

Note For purposes of this schedule, covered payroll is defined as "pensionable wages".

See notes to required supplementary information.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

NOTES TO REQUIRED SUPPLEMEMTARY INFORMATION
Year Ended June 30, 2020

NOTE 1 - POSTEMPLOYMENT BENEFIT PLAN CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

June 30, 2017 Measurement Date Changes

- The discount rate was changed from 2.92 percent to 3.56 percent based on updated 20-year municipal bond rates.

Changes since the most recent GASB 45 valuation are as follows:

- The discount rate was changed from 4.00 percent to 2.92 percent based on updated 20-year municipal bond rates.
- The actuarial cost method changed from using the Projected Unit Credit cost method to the Entry Age Normal level percent of pay cost method due to new GASB 74/75 accounting rules.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Withdrawal, retirement and mortality were updated from the rates used in the 7/1/2014 PERA General Employees Retirement Plan and 7/1/2014 Teachers Retirement Association valuations to the rates used in the 7/1/2017 valuations.
- A salary scale assumption was added to reflect the cost method change. Rates are from the 7/1/2017 PERA General Employees Retirement Plan and 7/1/2017 Teachers Retirement Association valuations.
- The percent of future retirees not eligible for a direct subsidy assumed to elect coverage at retirement changed from 50 percent to 20 percent to reflect recent plan experience.
- The percent of retirees electing spouse coverage changed from 50 percent to 30 percent to reflect recent plan experience.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.
- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings. The following table provides the changes for the assumed percent electing each plan:

Medical Plan	7/1/2014 Valuation	6/30/2017 Valuation
PEIP Advantage	n/a	45%
PEIP Value	n/a	30%
PEIP HSA	n/a	25%
BCBS VEBA	100%	n/a

NOTE 2 - TEACHERS RETIREMENT ASSOCIATION RETIREMENT FUND CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

June 30, 2018 Measurement Date Changes
Changes in Actuarial Assumptions:

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

June 30, 2017 Measurement Date Changes
Changes in Actuarial Assumptions:

- The cost of living adjustment (COLA) was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5 percent, but remain at 2.0 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4 percent to 0.0 percent, the vested inactive load increased from 4.0 percent to 7.0 percent and the non-vested inactive load increased from 4.0 percent to 9.0 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

NOTES TO REQUIRED SUPPLEMEMTARY INFORMATION
Year Ended June 30, 2020

NOTE 2 - TEACHERS RETIREMENT ASSOCIATION RETIREMENT FUND CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS (CONTINUED)

June 30, 2016 Measurement Date Changes
Changes in Actuarial Assumptions:

- The discount rate used to measure the total pension liability was 4.66 percent. This is a decrease from the discount rate at the prior measurement date of 8.00 percent.

June 30, 2015 Measurement Date Changes
Changes in Actuarial Assumptions:

- The annual COLA for the June 30, 2015, valuation assumed 2 percent. The prior year valuation used 2 percent with an increase to 2.5 percent commencing in 2034. The discount rate used to measure the total pension liability was 8.0 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent. Details, if necessary, can be obtained from the TRA CAFR.

Changes in Plan Provisions:

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

NOTE 3 - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION RETIREMENT FUND CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

June 30, 2019 Measurement Date Changes:
Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

June 30, 2018 Measurement Date Changes:
Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.

NOTE 3 - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION RETIREMENT FUND CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS (CONTINUED)

- Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

June 30, 2017 Measurement Date Changes:
Changes in Actuarial Assumptions:
- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

Changes in Plan Provisions:
- The State's special funding contribution increased from $6 million to $16 million.

June 30, 2016 Measurement Date Changes:
Changes in Actuarial Assumptions:
- The assumed post-retirement benefit increase rate changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years.
- The assumed investment return changed from 7.9 percent to 7.5 percent. The single discount rate changed from 7.9 percent to 7.5 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

June 30, 2015 Measurement Date Changes:
Changes in Actuarial Assumptions:
- The assumed post-retirement benefit increase rate changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

NOTE 3 - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION RETIREMENT FUND CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS (CONTINUED)

Changes in Plan Provisions:
- On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6 million, which meets the special funding situation definition, is due September 2015.

OTHER INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted for particular purposes.

Food Service Special Revenue Fund – This fund is used to record financial activities of the District's food service program. Food service includes activities for the purpose of preparation and service of milk, meals, and snacks in connection with school and community service activities.

Community Service Special Revenue Fund – This fund is used to record all financial activities of the community service program. The community service programs include activities relating to community service, community education, early childhood family education, school readiness, and adult basic education.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020
(with partial comparative information as of June 30, 2019)

	Food Service Special Revenue Fund	Community Service Special Revenue Fund	Total Nonmajor Governmental Funds 2020	Total Nonmajor Governmental Funds 2019
ASSETS				
Cash and investments	$ -	$ 91,265	$ 91,265	$ 104,059
Current property taxes receivable	-	-	-	7,766
Delinquent property taxes receivable	-	662	662	628
Accounts receivable	-	-	-	164
Due from State of Minnesota	-	3,479	3,479	3,849
Due from federal government through State of Minnesota	18,750	-	18,750	15,244
Inventory	14,695	-	14,695	12,529
TOTAL ASSETS	$ 33,445	$ 95,406	$ 128,851	$ 144,239
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Salaries payable	$ -	$ -	$ -	$ 309
Accounts payable	-	-	-	42
Interfund payables	8,668	-	8,668	6,656
TOTAL LIABILITIES	8,668	-	8,668	7,007
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - delinquent taxes	-	662	662	628
Property taxes levied for subsequent years	-	-	-	16,034
TOTAL DEFERRED INFLOWS OF RESOURCES	-	662	662	16,662
FUND BALANCES				
Nonspendable	14,695	-	14,695	12,529
Restricted for:				
Food service	10,082	-	10,082	8,710
$25 Taconite	-	28,815	28,815	14,340
Community education	-	10,569	10,569	8,808
Early childhood family education	-	42,237	42,237	56,900
School readiness	-	12,579	12,579	18,773
Community services	-	544	544	510
TOTAL FUND BALANCES	24,777	94,744	119,521	120,570
TOTAL LIABILITIES AND FUND BALANCES	$ 33,445	$ 95,406	$ 128,851	$ 144,239

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2020
(with partial comparative information for the year ended June 30, 2019)

	Food Service Special Revenue Fund	Community Service Special Revenue Fund	Total Nonmajor Governmental Funds 2020	Total Nonmajor Governmental Funds 2019
REVENUES				
Local property tax levies	$ -	$ 76,724	$ 76,724	$ 76,711
Other local and county revenues	-	12,503	12,503	20,486
Revenue from state sources	9,002	35,113	44,115	51,878
Revenue from federal sources	159,744	-	159,744	129,028
Sales and other conversion of assets	109,969	-	109,969	124,311
Investment earnings	-	-	-	23
TOTAL REVENUES	278,715	124,340	403,055	402,437
EXPENDITURES				
Community education and services	-	128,927	128,927	111,614
Pupil support services	275,177	-	275,177	265,193
TOTAL EXPENDITURES	275,177	128,927	404,104	376,807
NET CHANGE IN FUND BALANCES	3,538	(4,587)	(1,049)	25,630
FUND BALANCES, JULY 1	21,239	99,331	120,570	94,940
FUND BALANCES, JUNE 30	$ 24,777	$ 94,744	$ 119,521	$ 120,570

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and investments	$ 2,294,121	$ 2,538,150
Current property taxes receivable	924,875	884,008
Delinquent property taxes receivable	62,174	59,429
Accounts receivable	14,083	-
Interfund receivable	8,668	6,656
Due from other Minnesota school districts	106,965	106,457
Due from State of Minnesota	866,715	812,446
Due from federal government through State of Minnesota	131,277	60,251
Due from federal government	54,139	4,997
Due from other governmental units	37,483	63,479
TOTAL ASSETS	$ 4,500,500	$ 4,535,873
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Salaries payable	$ 162,083	$ 160,382
Accounts payable	14,999	38,068
Due to other Minnesota school districts	22,943	44,311
Due to other governmental units	-	146
Payroll deductions and employer contributions	34,816	36,898
Unearned revenue	400	400
TOTAL LIABILITIES	235,241	280,205
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	62,174	59,429
Property taxes levied for subsequent years	1,307,390	1,333,304
TOTAL DEFERRED INFLOWS OF RESOURCES	1,369,564	1,392,733
FUND BALANCES		
Restricted for:		
Staff development	57,998	103,992
Operating capital	38,514	4,319
Gifted and talented	10,441	70,441
Safe schools crime levy	37,395	37,395
Basic skills	24,320	218,357
Basic skills extended time	14,142	5,963
Long-term facilities maintenance	3,238	-
Student activities	28,899	-
Committed	500,000	-
Assigned	559,199	273,031
Unassigned	1,621,549	2,149,437
TOTAL FUND BALANCES	2,895,695	2,862,935
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 4,500,500	$ 4,535,873

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended June 30, 2020 and 2019

	2020	2019
REVENUES		
Local property tax levies	$ 1,817,546	$ 1,638,066
Other local and county revenues	346,005	303,120
Revenue from state sources	5,736,103	5,698,176
Revenue from federal sources	277,349	260,029
Sales and other conversion of assets	189	2,599
Investment earnings	52,100	32,581
TOTAL REVENUES	8,229,292	7,934,571
EXPENDITURES		
Administration	676,108	624,694
District support services	413,855	452,008
Regular instruction	3,796,197	3,490,583
Vocational instruction	4,868	22,491
Special education instruction	1,163,009	1,050,477
Instructional support services	522,859	473,805
Pupil support services	494,453	498,874
Site, buildings, and equipment	1,089,078	1,485,898
Fiscal and other fixed cost programs	61,398	54,565
TOTAL EXPENDITURES	8,221,825	8,153,395
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,467	(218,824)
OTHER FINANCING USES		
Transfers out	-	(15,439)
NET CHANGE IN FUND BALANCE	7,467	(234,263)
FUND BALANCE, JULY 1	2,862,935	3,097,198
Prior period adjustment	25,293	-
FUND BALANCE, JUNE 30	$ 2,895,695	$ 2,862,935

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

STUDENT ACTIVITY ACCOUNTS (INCLUDED IN GENERAL FUND)
SCHEDULE OF REVENUES AND EXPENDITURES
As of and for the Year Ended June 30, 2020

	Balances 7/01/19	Revenues	Expen-ditures	Transfers In	Transfers Out	Balances 6/30/20
Band	$ 6,336	$ -	$ -	$ -	$ -	$ 6,336
Choir Sr High	569	454	480	-	-	543
Class of 2020	1,261	-	-	-	1,250	11
Class of 2021	1,335	924	446	-	250	1,563
Class of 2022	1,142	175	19	-	250	1,048
Class of 2023	-	470	128	-	250	92
E Club	1,299	1,312	1,411	-	-	1,200
German Club	2,765	185	370	-	-	2,580
IRYA	416	-	86	-	-	330
Memorial Fund	2,858	463	157	-	-	3,164
National Honor Society	385	-	385	-	-	-
Social Studies Club	361	70,408	69,852	-	-	917
Speech	716	-	31	-	-	685
Student Council	2,470	1,743	473	-	-	3,740
Timberlane	3,380	1,310	-	2,000	-	6,690
Total	$ 25,293	$ 77,444	$ 73,838	$ 2,000	$ 2,000	$ 28,899

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

FOOD SERVICE SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2020 and 2019

	2020	2019
ASSETS		
Accounts receivable	$ -	$ 164
Due from federal government through State of Minnesota	18,750	15,244
Inventory	14,695	12,529
TOTAL ASSETS	$ 33,445	$ 27,937
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ -	$ 42
Interfund payables	8,668	6,656
TOTAL LIABILITIES	8,668	6,698
FUND BALANCE		
Nonspendable	14,695	12,529
Restricted for:		
Food service	10,082	8,710
TOTAL FUND BALANCE	24,777	21,239
TOTAL LIABILITIES AND FUND BALANCE	$ 33,445	$ 27,937

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

FOOD SERVICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2020
(with comparative actual amounts for year ended June 30, 2019)

	2020				2019
	Budgeted Amounts		Actual	Variance with Final Budget - Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
REVENUES					
Revenue from state sources	$ 12,750	$ 12,750	$ 9,002	$ (3,748)	$ 12,269
Revenue from federal sources	123,420	123,420	159,744	36,324	129,028
Sales and other conversion of assets	127,816	127,816	109,969	(17,847)	124,311
Investment earnings	-	-	-	-	23
TOTAL REVENUES	263,986	263,986	278,715	14,729	265,631
EXPENDITURES					
Pupil support services	262,189	262,189	275,177	(12,988)	265,193
NET CHANGE IN FUND BALANCE	1,797	1,797	3,538	1,741	438
FUND BALANCE, JULY 1	21,239	21,239	21,239	-	20,801
FUND BALANCE, JUNE 30	$ 23,036	$ 23,036	$ 24,777	$ 1,741	$ 21,239

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

COMMUNITY SERVICE SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and investments	$ 91,265	$ 104,059
Current property taxes receivable	-	7,766
Delinquent property taxes receivable	662	628
Due from State of Minnesota	3,479	3,849
TOTAL ASSETS	$ 95,406	$ 116,302
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Salaries payable	$ -	$ 309
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue - delinquent taxes	662	628
Property taxes levied for subsequent years	-	16,034
TOTAL DEFERRED INFLOWS OF RESOURCES	662	16,662
FUND BALANCES		
Restricted for:		
$25 Taconite	28,815	14,340
Community education	10,569	8,808
Early childhood family education	42,237	56,900
School readiness	12,579	18,773
Community services	544	510
TOTAL FUND BALANCES	94,744	99,331
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 95,406	$ 116,302

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

COMMUNITY SERVICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2020
(with comparative actual amounts for year ended June 30, 2019)

	2020				2019
	Budgeted Amounts			Variance with Final Budget -	
	Original	Final	Actual Amounts	Positive (Negative)	Actual Amounts
REVENUES					
Local property tax levies	$ 77,069	$ 77,069	$ 76,724	$ (345)	$ 76,711
Other local and county revenues	17,300	17,300	12,503	(4,797)	20,486
Revenue from state sources	38,308	38,308	35,113	(3,195)	39,609
TOTAL REVENUES	132,677	132,677	124,340	(8,337)	136,806
EXPENDITURES					
Community education and service	120,440	120,440	128 927	(8,487)	111,614
NET CHANGE IN FUND BALANCE	12,237	12,237	(4,587)	(16,824)	25,192
FUND BALANCE, JULY 1	99,331	99,331	99,331	-	74,139
FUND BALANCE, JUNE 30	$ 111,568	$ 111,568	$ 94,744	$ (16,824)	$ 99,331

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and investments	$ 1,602,045	$ 1,397,932
Current property taxes receivable	119,290	136,326
Delinquent property taxes receivable	11,265	11,049
Accounts receivable	138,607	92,241
Due from State of Minnesota	3,174	4,480
TOTAL ASSETS	$ 1,874,381	$ 1,642,028
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES	$ -	$ -
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	11,265	11,049
Property taxes levied for subsequent year	270,692	270,897
TOTAL DEFERRED INFLOWS OF RESOURCES	281,957	281,946
FUND BALANCE		
Restricted for Qualified School Construction Bonds	1,587,818	1,360,082
Restricted for debt service	4,606	-
TOTAL FUND BALANCES	1,592,424	1,360,082
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$ 1,874,381	$ 1,642,028

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2020
(with comparative actual amounts for year ended June 30, 2019)

	2020				2019
	Budgeted Amounts			Variance with Final Budget -	
	Original	Final	Actual Amounts	Positive (Negative)	Actual Amounts
REVENUES					
Local property tax levies	$ 248,837	$ 248,837	$ 240,072	$ (8,765)	$ 236,359
Revenue from state sources	22,060	22,060	30,747	8,687	34,862
Revenue from federal sources	-	-	92,732	92,732	92,437
Investment earnings	-	-	7,736	7,736	29,954
TOTAL REVENUES	270,897	270,897	371,287	100,390	393,612
EXPENDITURES					
Fiscal and other fixed cost programs	42,600	42,600	138,945	(96,345)	138,945
EXCESS OF REVENUES OVER EXPENDITURES	228,297	228,297	232,342	4,045	254,667
OTHER FINANCING SOURCES					
Transfers in	-	-	-	-	15,439
NET CHANGE IN FUND BALANCE	228,297	228,297	232,342	4,045	270,106
FUND BALANCE, JULY 1	1,360,082	1,360,082	1,360,082	-	1,089,976
FUND BALANCE, JUNE 30	$ 1,588,379	$ 1,588,379	$ 1,592,424	$ 4,045	$ 1,360,082

Fiscal Compliance Report - 6/30/2020

District: ELY (696-1)

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$8,229,292	$8,229,292	$0
Total Expenditures	$8,221,825	$8,221,825	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$28,899	$28,899	$0
4.02 Scholarships	$0	$0	$0
4.03 Staff Development	$57,998	$57,998	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$38,514	$38,514	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$10,441	$10,441	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$24,320	$24,320	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$37,395	$37,395	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$14,142	$14,142	$0
4.67 LTFM	$3,238	$3,238	$0
4.72 Medical Assistance	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$500,000	$500,000	$0
Assigned:			
4.62 Assigned Fund Balance	$559,199	$559,199	$0
Unassigned:			
4.22 Unassigned Fund Balance	$1,621,549	$1,621,549	$0
02 FOOD SERVICES			
Total Revenue	$278,715	$278,715	$0
Total Expenditures	$275,177	$275,177	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$14,695	$14,695	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$10,082	$10,082	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0
04 COMMUNITY SERVICE			
Total Revenue			

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$371,287	$371,287	$0
Total Expenditures	$138,945	$138,945	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$1,587,818	$1,587,818	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$4,606	$4,606	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$3,658	$3,658	$0
Total Expenditures	$9,950	$9,950	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$113,915	$113,915	$0
18 CUSTODIAL			
Total Revenue	$429	$429	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
20 INTERNAL SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
45 OPEB IRREVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

	$124,340	$124,341	($1)
Total Expenditures	$128,927	$128,927	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$28,815	$28,815	$0
4.31 Community Education	$10,569	$10,569	$0
4.32 E.C.F.E	$42,237	$42,236	$1
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$12,579	$12,579	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$544	$544	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

47 OPEB DEBT SERVICE

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

Walker, Giroux & Hahne LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

P.O. Box 960 • 225 1st Street North, Suite 2400, Virginia, Minnesota 55792
218 749 4880 • FAX 218 749 8528

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

To the School Board
Independent School District No. 696,
Ely, 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. 696, Ely, Minnesota as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Independent School District No. 696, Ely, Minnesota's basic financial statements, and have issued our report thereon dated December 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent School District No. 696, Ely, Minnesota's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independent School District No. 696, Ely, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 696, Ely, Minnesota's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2020-002 and 2020-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2020-001 to be a significant deficiency.

Compliance

As part of obtaining reasonable assurance about whether Independent School District No. 696, Ely, Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 696, Ely, Minnesota 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 related to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Manual for Activity Fund Accounting

The provisions of the *Manual for Activity Fund Accounting (MAFA)*, issued by the Minnesota Department of Education. Minn. Stat. §123B.49, subd. 4(c) requires an annual audit of extracurricular activities. In connection with our audit, nothing came to our attention that caused us to believe the Independent School District No. 696, Ely, Minnesota failed to comply with the provisions of the *MAFA*. 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.

Other Matters

We noted certain matters that we reported to management of Independent School District No. 696, Ely, Minnesota, in a separate letter dated December 29, 2020, included under this cover.

Independent School District No. 696, Ely, Minnesota's Response to Findings

Independent School District No. 696, Ely, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Independent School District No. 696, Ely, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Walker, Giroux & Hahne, LLC

Virginia, Minnesota
December 29, 2020

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2020

Prior Audit Financial Statement Findings

FINDING 2019-001. SEGREGATION OF DUTIES

Summary of Condition
Due to the limited number of personnel within the District's business office, the segregation of accounting functions necessary to ensure adequate internal accounting control is not possible.

Summary of Corrective Action Previously Reported
The administration is monitoring transactions and the structure of duties of office personnel to help ensure as much segregation of duties as possible within the District's staffing limitations and funding constraints.

Current Status
Ongoing.

FINDING 2019-002. LACK OF CONTROL OVER FINANCIAL REPORTING PROCESS

Summary of Condition
Management requested that the auditor prepare a draft of the District's financial statements, including related notes to financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management did not possess the technical expertise to comply with governmental accounting reporting standards.

Summary of Corrective Action Previously Reported
Management determined that the cost and training involved to review or prepare the District's financial statements exceeded the benefit that would result.

Current Status
Ongoing.

INDEPENDENT SCHOOL DISTRICT NO. 696
ELY, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2020

2020-001. SEGREGATION OF DUTIES

Criteria
The concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal accounting control point of view.

Condition
Due to the limited number of personnel within the District's business office, the segregation of accounting functions necessary to ensure adequate internal control is not possible.

Effect
Because of the weakness in segregation of duties, the District has not provided adequate internal control.

Cause
This occurred because of staffing limitations caused by fiscal constraints.

Auditor Recommendations
Officials and management of the District should constantly be aware of this condition, attempt to segregate duties as much as possible, and provide oversight to partially compensate for this deficiency.

Views of Responsible Officials and Planned Corrective Action
Management agrees with the audit finding. The business manager will continue to monitor all transactions and the District's administration will structure the duties of office and school personnel to help ensure as much segregation of duties as possible within the District's staffing limitations and funding constraints.

2020-002. LACK OF CONTROL OVER FINANCIAL REPORTING PROCESS

Condition and Criteria
As part of the audit, management requested that the auditor prepare a draft of the District's financial statements, including the related notes to financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management does not possess the technical expertise to comply with governmental accounting standards.

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

Cause
This occurred because of staffing limitations caused by fiscal constraints.

Auditor Recommendations
In order to provide controls over the financial statement preparation services at an appropriate level, we suggest management establish effective review policies and procedures.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2020

Views of Responsible Officials and Planned Corrective Action
Management agrees with the audit finding. Management has determined that the cost and training involved to review or prepare the District's financial statements exceeds the benefit that would result.

2020-003. REPORTING REQUIREMENTS UNDER GASB STATEMENT NO. 75

Criteria
An actuarial valuation of the District's net OPEB liability is required by Governmental Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Condition
The District did not have an actuarial valuation of their net OPEB liability as required by Governmental Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Effect
The District's net OPEB liability was estimated using the most recent actuarial (completed for the year ended June 20, 2018) and actual payments made. Any possibly changes due to changes in assumptions have not been accounted for.

Cause
This occurred because information was not submitted to the District's actuary.

Auditor Recommendations
We recommend that the District have an actuarial valuation of their net OPEB liability in accordance with Governmental Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* to comply with accounting principles generally accepted in the United States of America.

Views of Responsible Officials and Planned Corrective Action
Management agrees with the audit finding and will submit applicable information to their actuary in order to have an actuarial valuation for their net OPEB liability.

CORRECTIVE ACTION PLAN
Year Ended June 30, 2020

Finding Number: 2020-001
Finding Title: SEGREGATION OF DUTIES

Name of Contact Person Responsible for Corrective Action
Erik Erie, Superintendent

Corrective Action Planned
Management will attempt to monitor transactions and structure the duties of office personnel to help ensure as much segregation of duties as possible within the District's staffing limitations and funding constraints.

Anticipated Completion Date
Ongoing.

Finding Number: 2020-002
Finding Title: LACK OF CONTROL OVER FINANCIAL REPORTING PROCESS

Name of Contact Person Responsible for Corrective Action
Erik Erie, Superintendent

Corrective Action Planned
Management has determined that the cost and training involved to review or prepare the District's financial statements exceeds the benefit that would result.

Anticipated Completion Date
Ongoing.

Finding Number: 2020-003
Finding Title: REPORTING REQUIREMENTS UNDER GASB STATEMENT NO. 75

Name of Contact Person Responsible for Corrective Action
Erik Erie, Superintendent

Corrective Action Planned
Management agrees with the finding and will submit applicable information to their actuary in order to have an actuarial valuation for their net OPEB liability.

Anticipated Completion Date
June 30, 2021

Walker, Giroux & Hahne LTD

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

P.O. Box 960 • 225 1st Street North, Suite 2400, Virginia, Minnesota 55792
218-749-4880 • FAX 218-749-8528

MANAGEMENT LETTER

To the School Board
Independent School District No. 696,
Ely, Minnesota

In planning and performing our audit of the financial statements of Independent School District No. 696, Ely, Minnesota as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing 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.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. A separate report dated December 29, 2020, included under this cover, contains our communication of significant deficiencies or material weaknesses in the District's internal control. This letter does not affect our report dated December 29, 2020, on the financial statements of Independent School District No. 696, Ely, Minnesota.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

1) Voided checks were not properly defaced. We suggest cutting out the signature area and writing "void" across the check to properly deface checks.

2) Student Activities compliance with MAFA:

   a. The summary spreadsheet provided which shows the total revenues and expenditures for each fund was mathematically incorrect. The individual funds appeared correct, but the totals were not.
   b. During a sample test of expenditures, we noted one check written with only one signature. All student activity fund checks require two signatures.
   c. There were no Fundraising Approval Forms on file for the 10th Grade cookie sale or the DC Sr. spaghetti dinners. All fundraisers need to be approved and a Fundraising Approval Form needs to be kept on file with other student activity records.
   d. The Class of 2020 activity fund had a balance at June 30, 2020. Any amount left in graduation classes after graduation must be disposed of no later than September 1st of that year and the fund should be closed.
   e. The termination instructions on the Activity Purpose Form for the Memorial Fund list the Memorial Fund. A different fund needs to be listed for the disposition of this fund upon termination.

This communication is intended solely for the information and use of management, the School Board, and the State of Minnesota, and is not intended to be and should not be used by anyone other than these specified parties.

Walker, Giroux & Hahne, LLC

Virginia, Minnesota
December 29, 2020

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

FRYBERGER
LAW FIRM

May 6, 2021

Independent School District No. 696 [PURCHASER]
600 East Harvey Street
Ely, MN 55731

RE: Independent School District No. 696 (Ely), Minnesota
$_______ General Obligation Facilities Maintenance Bonds, Series 2021A

We have acted as Bond Counsel in connection with the authorization, issuance and delivery by Independent School District No. 701 (Hibbing), Minnesota (the "District"), of its $___________ General Obligation Facilities Maintenance Bonds, Series 2021A, dated as of the date hereof as the date of original issue (the "Bonds"). The Bonds are issued pursuant to Minnesota Statutes, Section 123B.595 and Chapter 475.

A. Scope of Examination. For the purpose of rendering this opinion letter, we have examined the following:

1. a resolution of the Issuer adopted on April 12, 2021 authorizing the issuance and delivery of the Bonds (the "Resolution");

2. the Officers' Certificate of the Issuer dated the date hereof setting forth and certifying as to certain matters, including but not limited to the use and investment of the proceeds of the Bonds (the "Tax Certificate");

3. applicable law and certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the Issuer and others with respect to the authorization, sale and issuance of the Bonds; and

4. such other documents as we consider necessary in order to render this opinion.

B. Reliance. As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officers of the Issuer and others without undertaking to verify such facts by independent investigation. We have also relied, without independent investigation, upon representations and certifications made by the Issuer in the Tax Certificate and the representations and certifications made by the Issuer, agents of the Issuer and others in connection with the issuance of the Bonds as to: (a) the nature, cost, use and useful economic life of the facilities and/or improvements financed by the Bonds, (b) the application to be made of the proceeds of the Bonds, (c) the investment of such proceeds and (d) other matters material to the tax-exempt status of the interest borne by the Bonds, including the anticipated sources of repayment of the Bonds.

C. Assumptions.

1. In rendering the opinions contained in Section D below, we have assumed: (a) the legal capacity for all purposes relevant hereto of all natural persons, (b) with respect to all parties to agreements or instruments relevant hereto other than the Issuer, that such parties had the requisite power and authority (corporate or otherwise) to execute, deliver and perform such agreements or instruments, (c) that such agreements or instruments are the valid, binding and enforceable obligations of each such party, other than the Issuer, (d) the authenticity of all documents submitted to us as originals and the authenticity of the originals, (e) the conformity to original documents of all documents submitted to us as certified or photostatic copies, (f) the genuineness of the signatures on all documents submitted to us, and (g) the accuracy of the facts and representations stated in all documents submitted to us.

2. In rendering the opinions contained in paragraphs 3 and 4 of Section D below, we have assumed that the proceeds of the Bonds will be applied in accordance with the provisions of the Resolution and the representations made by the Issuer in the Tax Certificate and that the Issuer will make or cause to be made any necessary calculations and pay to the United States any amounts required under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

3. For the purpose of rendering the opinion set forth in paragraph 3 of Section D, below, we have also assumed compliance by the Issuer with requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. The Issuer has covenanted to comply with each such requirement.

D. Opinions. Based upon such examination, assumptions and reliance, on the basis of federal and State of Minnesota (the "State") laws, regulations, rulings and decisions in effect on the date hereof, but excluding any pending legislation which may have a retroactive date prior to the date hereof, and subject to certain limitations set forth in Section E below, it is our opinion that:

1. The Bonds are valid and binding general obligations of the Issuer enforceable in accordance with their terms.

2. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the principal of and interest on the Bonds.

3. The Bonds, as of their date of issuance, bear interest which is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, trusts and estates for State income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of State franchise tax. Interest on the Bonds is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax or the State alternative minimum tax imposed on individuals, trusts and estates.

4. Based solely on factual representations by the Issuer, the Bonds have been designated by the Issuer as "qualified tax-exempt obligations" under and within the meaning of Section 265(b)(3)(b) of the Code.

E. Qualifications and Limitations. The opinions expressed in Section D above are subject to the following:

1. We express no opinion as to federal or state tax consequences arising from ownership of the Bonds other than as set forth in Section D hereof.

2. The rights of the owners and enforceability of the Bonds are subject to and may be limited by (a) state and federal laws, rulings, decisions and principles of equity affecting remedies, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing, and other similar doctrines affecting the enforceability of agreements generally (regardless of whether considered in a proceeding in equity or at law); (b) the effect of any applicable bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance or other similar laws affecting the enforcement of creditors' or secured creditors' rights or laws relating to creditors' or secured creditors' rights against public instrumentalities heretofore or hereafter enacted to the extent constitutionally applicable; (c) the exercise of judicial discretion in appropriate cases; and (d) federal and state securities laws and public policy relating thereto.

3. Failure by the Issuer to comply with applicable requirements of the Code could cause the interest on the Bonds to be includable in the gross income of the owners thereof for federal income taxation, either prospectively or retroactively to the date hereof.

4. Our opinions expressed in Section D above are limited to the law of the State and the federal law of the United States of America, and we assume no responsibility as to the applicability to this transaction, or the effect thereon, of the law of any other jurisdiction.

5. Except as expressly stated in this opinion, we express no opinion as to compliance with any federal securities laws or any state securities or Blue Sky laws.

6. This opinion is rendered as of the date set forth above and we express no opinion as to circumstances or events which may occur subsequent to such date.

7. The foregoing opinions are being furnished to you solely for your benefit and may not be relied upon by, nor may copies be delivered to, any other person without our prior written consent.

8. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Bonds, and we express no opinion relating thereto.

Respectfully submitted,

Fryberger, Buchanan, Smith & Frederick, P.A.

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 696 (Ely), Minnesota (the "Issuer") in connection with the issuance of the General Obligation Facilities Maintenance Bonds, Series 2021A, dated May 6, 2021 (the "Obligations"). The Obligations are being issued pursuant to a Resolution of the Issuer dated April 12, 2021 (the "Resolution"). The Issuer covenants and agrees as follows:

Section 1. (a) Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the Rule (defined below). References in this Disclosure Certificate to holders of the Obligations shall include the beneficial owners of the Obligations. This Disclosure Certificate constitutes the written understanding under the Rule.

(b) Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

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

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

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Code" means the Internal Revenue Code of 1986, as amended.

"Dissemination Agent" means such person from time to time designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" means, with respect to the Issuer 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 one of the foregoing. The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this rule.

"IRS" means the Internal Revenue Service of the Department of the Treasury.

"Listed Events" means any of the events listed in Sections 5(a) and 5(b) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, whose current address is 1300 I Street NW, Suite 1000, Washington, DC 20005.

"Official Statement" means the Official Statement, dated __________, 2021, delivered in connection with the original issuance and sale of the Obligations, together with any amendments thereto or supplements thereof.

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

"Rule" means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time. Reference is also made to SEC Release No. 34-83885 (File No. S7-01-17) for additional information relating to the Issuer's compliance with this Certificate.

"SEC" means the Securities and Exchange Commission or any successor to its functions governing state and municipal securities.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 12 months after the end of the fiscal year (presently June 30), commencing with the fiscal year ended June 30, 2020, provide to the MSRB, filed in accordance with Section 1(b) of this Disclosure Certificate, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date; provided, however, unaudited financial information will be provided and the Audited Financial Statements will be submitted to the MSRB when and if available. The Issuer may provide the Annual Report by specific reference to documents previously provided to the MSRB or filed with the SEC; provided, however, that if the document so referenced is a final official statement within the meaning of the Rule, such final official statement must be available from the MSRB.

(b) Not later than 15 days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Issuer is not the Dissemination Agent).

(c) If the Issuer is unable or fails to provide an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of such fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

(a) Current Property Valuations

(b) Direct Debt

(c) Tax Levies & Collections

(d) Student Body

(e) Employment/Unemployment

Section 5. Reporting of Significant Events.

(a) The Issuer shall give, or cause to be given notice of the occurrence of any of the following events with respect to the Obligations, in a timely manner not in excess of 10 business days after the occurrence of the event:

(1) principal and interest payment delinquencies;

(2) unscheduled draws on debt service reserves reflecting financial difficulties;

(3) unscheduled draws on credit enhancements reflecting financial difficulties;

(4) substitution of credit or liquidity providers, if any, or their failure to perform;

(5) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);

(6) tender offers;

(7) defeasances;

(8) rating changes;

(9) bankruptcy, insolvency, receivership or similar event of the Issuer; or

(10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Obligations, *if material*, in a timely manner not in excess of 10 business days after the occurrence of the event:

(1) non-payment related defaults;

(2) unless described in (a)(5) above, other notices or determinations by the IRS with respect to the tax-exempt status of the Obligations, or other events affecting the tax-exempt status of the Obligations;

(3) modifications to rights of holders of the Obligations;

(4) bond calls;

(5) release, substitution or sale of property securing repayment of the Obligations;

(6) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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;

(7) appointment of a successor or additional trustee or the change of name of a trustee; or

(8) incurrence of a Financial Obligation or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect security holders.

(c) For the purposes of the event identified in subsection (a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event under subsection (b), the Issuer shall as soon as possible determine if such event would constitute material information for holders of Obligations.

(e) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

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

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer 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 the undertaking herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

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

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Obligations, and shall create no rights in any other person or entity.

Section 13. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Certificate if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated as of May 6, 2021.

INDEPENDENT SCHOOL DISTRICT NO. 696 (ELY), MINNESOTA

By ________________________________
Chair

By ________________________________
Clerk

M:\DOCS\12224\000014\CER\19J5845.DOCX

APPENDIX E

TERMS OF PROPOSAL

$2,570,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2021A
INDEPENDENT SCHOOL DISTRICT NO. 696 (ELY), MINNESOTA

Proposals for the purchase of $2,570,000* General Obligation Facilities Maintenance Bonds, Series 2021A (the "Bonds") of Independent School District No. 696 (Ely), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on April 12, 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 Section 123B.595 (long-term facilities maintenance revenue) by the District to finance deferred maintenance and health and safety/indoor air quality projects included in the District's revised ten-year facility plan and approved by the Commissioner of Education. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated May 6, 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	$95,000	2028	$195,000	2033	$225,000
2024	100,000	2029	205,000	2034	230,000
2025	105,000	2030	210,000	2035	230,000
2026	110,000	2031	215,000	2036	235,000
2027	195,000	2032	220,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 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, 2029 shall be subject to optional redemption prior to maturity on February 1, 2028 or any date thereafter, at a price of par plus accrued interest.

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

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

DELIVERY

On or about May 6, 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 Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, 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 $2,544,300 plus accrued interest on the principal sum of $2,570,000 from date of original issue of the Bonds to date of delivery. **The maximum proposal allowed will be $2,827,000.** Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

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

2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

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

A good faith deposit ("Deposit") in the amount of $51,400 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

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

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

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

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

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

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

10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PRELIMINARY OFFICIAL STATEMENT

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

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

By Order of the School Board

Independent School District No. 696 (Ely), Minnesota

PROPOSAL FORM

The School Board **April 12, 2021**
Independent School District No. 696 (Ely), Minnesota

RE: **$2,570,000* General Obligation Facilities Maintenance Bonds, Series 2021A (the "Bonds")**
DATED: **May 6, 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 more than $2,827,000**, or not less than $2,544,300) 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	2028	________	% due	2033
________	% due	2024	________	% due	2029	________	% due	2034
________	% due	2025	________	% due	2030	________	% due	2035
________	% due	2026	________	% due	2031	________	% due	2036
________	% due	2027	________	% due	2032			

* 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 $51,400 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about May 6, 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 May 6, 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. 696 (Ely), Minnesota, on April 12, 2021.

By: ______________________ By: ______________________

Title: ______________________ Title: ______________________