PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 20, 2021

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The District will not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986. See "TAX CONSIDERATIONS" herein.

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

INDEPENDENT SCHOOL DISTRICT NO. 727 (BIG LAKE), MINNESOTA
(Sherburne County)

(Minnesota School District Credit Enhancement Program)
$30,000,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2022A

PROPOSAL OPENING: January 6, 2022, 10:00 A.M., C.T. **CONSIDERATION**: January 6, 2022, 6:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $30,000,000* General Obligation School Building Bonds, Series 2022A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, and a special election held November 2, 2021 by Independent School District No. 727 (Big Lake), Minnesota (the "District") for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

DATE OF BONDS: January 27, 2022

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2023	$305,000	2030	$500,000	2037	$3,050,000
2024	875,000	2031	525,000	2038	3,130,000
2025	1,160,000	2032	550,000	2039	3,210,000
2026	435,000	2033	565,000	2040	3,290,000
2027	450,000	2034	625,000	2041	3,375,000
2028	470,000	2035	650,000	2042	3,455,000
2029	485,000	2036	2,895,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2022 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2031 and thereafter are subject to call for prior optional redemption on February 1, 2030 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: $30,000,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $600,000 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Dorsey & Whitney LLP

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

BIG LAKE
SCHOOL BOARD

		Term Expires
Tonya Reasoner	Chairperson	January 2023
Tony Scales	Clerk	January 2025
Amber Sixberry	Treasurer	January 2025
Lenette Brown	Member	January 2023
Derek Nelson	Member	January 2025
Dan Nygaard	Member	January 2023

ADMINISTRATION

Tim Truebenbach, Superintendent of Schools
Angie Manuel, Director of Business Services

PROFESSIONAL SERVICES

Dorsey & Whitney LLP, Bond Counsel, Minneapolis, Minnesota

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 727 (Big Lake), Minnesota (the "District") and the issuance of its $30,000,000* General Obligation School Building Bonds, Series 2022A (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 January 6, 2022.

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 January 27, 2022. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2022, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 or any date thereafter, at a price of par plus accrued interest.

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

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

AUTHORITY; PURPOSE

The Bonds are being issued by the District pursuant to Minnesota Statutes, Chapter 475, and a special election held November 2, 2021, at which voters approved a building program by a vote of 1,012 - 776. Proceeds of the Bonds will be used to provide funds for the acquisition and betterment of school sites and facilities.

ESTIMATED SOURCES AND USES*

Sources			
	Par Amount of Bonds	$30,000,000	
	Reoffering Premium	758,866	
	Total Sources		**$30,758,866**
Uses			
	Total Underwriter's Discount (0.800%)	$240,000	
	Costs of Issuance	139,250	
	Deposit to Project Construction Fund	30,379,616	
	Total Uses		**$30,758,866**

*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 "Aa3" 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 judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on December 16, 2021 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

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

The Law also requires, after receipt of a notice which requests a payment pursuant to the Law, after consultation with the Paying Agent and District, and after verifying the accuracy of the information provided, the Commissioner of Education shall notify the Commissioner of Management and Budget of the potential default. The State Payment Law provides that "upon receipt of this notice . . . the commissioner of management and budget shall issue a payment and authorize the commissioner of education to pay to the paying agent for the debt obligation the specified amount on or before the date due. The amounts needed for the purposes of this 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 September 9, 2021, for General Obligation State Bonds, Series 2021A and 2021B, the State of Minnesota disclosed the following information about the State Credit Enhancement Program for School Districts.

> "As of June 30, 2021, the date of this Official Statement, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2050, is approximately $16,995,000,000. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of June 30, 2021 is currently estimated at $2,500,000,000, with the maximum amount of principal and interest payable in any one month being $975,700,000. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.
>
> The State has not had to make any debt service payments on behalf of school districts or intermediate school districts under the program and does not expect to make any payments in the future. If such payments are made the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the school districts and intermediate school districts."

CONTINUING DISCLOSURE

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

On the date of issue and delivery, 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 in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the District.

TAX CONSIDERATIONS

The following is a summary of certain U.S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the "Code") and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS"), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of 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 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.

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Bonds. It does not address the application of the alternative minimum tax or the additional tax on net investment income, nor does it address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent specified herein. This summary is limited to consequences to U.S. holders that purchase the Bonds for cash at original issue and hold the Bonds as "capital assets" (generally, property held for investment).

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

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

Tax Exempt Interest

In the opinion of Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Code, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

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 and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of Bond proceeds and other amounts. The District has made certain representations and has 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.

Original Issue Discount

Bonds may be issued at a discount from their principal amount (any such Bonds being "Discount Bonds"). The excess of the principal amount payable on Bonds of a given maturity over their issue price constitutes "original issue discount" ("OID"). OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder's federal and Minnesota tax bases. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

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

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

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

Market Discount

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

Bond Premium

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

Related Tax Considerations

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally, no deduction is allowed under Section 265(b) of the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations". Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchaser of the Bonds. The Bonds are not "qualified tax exempt obligations" for purposes of Section 265(b)(3) of the Code.

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

Sale or Other Disposition

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

Information Reporting and Backup Withholding

Payments of 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 holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the District in connection with the issuance of the 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, 2021 have been audited by BerganKDV, Ltd., Minneapolis, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the 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 (state aids) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the District in time to pay debt service when due.

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

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

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

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the bond 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 United States or State of Minnesota income taxation, retroactive to the date of issuance.

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

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

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

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

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

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

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

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

On March 13, 2020, Minnesota Governor Tim Walz signed Emergency Executive Order 20-01 and declared a peacetime emergency. In subsequent executive orders, the Governor extended the peacetime emergency by 30 days. On May 14, 2021, the Governor signed Executive Order 21-23 to end the statewide mask requirement and align with new Centers for Disease Control and Prevention (CDC) guidance on face coverings. The Minnesota Legislature ended the peacetime emergency declaration on July 1, 2021.

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

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

VALUATIONS

OVERVIEW

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

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

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

Type of Property	2018/19	2019/20	2020/21
Residential homestead[1]	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%
Agricultural homestead[1]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,940,000 - 0.50% [2] Over $1,940,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,880,000 - 0.50% [2] Over $1,880,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,900,000 - 0.50% [2] Over $1,900,000 - 1.00% [2]
Agricultural non-homestead	Land - 1.00% [2]	Land - 1.00% [2]	Land - 1.00% [2]
Seasonal recreational residential	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]
Residential non-homestead:	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $139,000 - .75% Over $139,000 - .25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $150,000 - .75% Over $150,000 - .25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $162,000 - .75% Over $162,000 - .25%
Industrial/Commercial/Utility[5]	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%

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

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

3 Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2020/21 Economic Market Value $2,032,972,083[1]

	2020/21 Assessor's Estimated Market Value	2020/21 Net Tax Capacity
Real Estate	$1,893,265,900	$18,832,134
Personal Property	13,215,800	263,494
Total Valuation	$1,906,481,700	$19,095,628
Less: Captured Tax Increment Tax Capacity[2]		(189,357)
Power Line Adjustment[3]		(802)
Taxable Net Tax Capacity		$18,905,469

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1 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 93.78% 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 $2,032,972,083.

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

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

2020/21 NET TAX CAPACITY BY CLASSIFICATION

	2020/21 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$14,345,388	75.12%
Agricultural	396,151	2.07%
Commercial/industrial	1,981,484	10.38%
Public utility	27,597	0.14%
Railroad operating property	52,744	0.28%
Non-homestead residential	1,737,696	9.10%
Commercial & residential seasonal/rec.	286,072	1.50%
Other	5,002	0.03%
Personal property	263,494	1.38%
Total	$19,095,628	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Taxable Net Tax Capacity[2]	Percent increase/decrease in Estimated Market Value
2016/17	$1,386,685,800	$1,262,907,129	$13,631,692	$13,533,329	4.16%
2017/18	1,509,486,400	1,388,852,325	14,863,408	14,730,778	8.86%
2018/19	1,650,937,100	1,535,394,144	16,361,339	16,199,894	9.37%
2019/20	1,781,780,200	1,670,710,818	17,758,089	17,579,358	7.93%
2020/21	1,906,481,700	1,796,762,112	19,095,628	18,905,469	7.00%

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

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

LARGER TAXPAYERS

Taxpayer	Type of Property	2020/21 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Xcel Energy	Utility	$123,402	0.65%
Minnegasco Property Accounting	Utility	104,130	0.55%
Big Lake 2018, LLC	Commercial	92,094	0.48%
Northern Star Apartments, LLC	Apartments	90,820	0.48%
Remmele Engineering, Inc.	Industrial	88,402	0.46%
Riverwood Bank	Commercial	70,247	0.37%
Keller Lake Acq., LLC	Apartments	66,121	0.35%
LISI Medical Remmele, Inc.	Industrial	64,560	0.34%
Cargill Kitchens	Commercial	59,338	0.31%
Centracare Health Systems	Commercial	54,546	0.29%
Total		$813,660	4.26%

District's Total 2020/21 Net Tax Capacity $19,095,628

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

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by tax abatement revenues and state aids[2]	$2,310,000
Total G.O. debt secured by taxes and state aids[2] (includes the Bonds)*	75,115,000
Total General Obligation Debt*	$77,425,000

Other Obligations

Wright Technical Center, No. 966, Buffalo, Minnesota, issued $1,515,282.11 Refunding Lease Agreement, dated March 21, 2018 and $650,000 Facilities Maintenance Bonds, Series 2018A, dated October 25, 2018. The District is obligated to pay a portion of these debts. The District's share for 2022 is $29,368.

*Preliminary, subject to change.

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

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

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 and Certificates not eligible for the program include all alternative facilities bonds, facilities maintenance bonds, capital facilities bonds, OPEB bonds, building bonds with relatively short maturities, and Certificates of Participation (COPs).

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

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

Some school districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minn. Stat. Section 273.1387). The reimbursement percentages are 60% for 2022, and 70% for 2023 and thereafter. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, and to rural vacant land and managed forest land. The amount of agricultural credit received in the debt service fund for taxes payable 2022 is approximately 1.0% of total annual debt service levies, based on the District’s 2020/21 qualifying agricultural land valuation. Although the District expects to receive a small amount of Agricultural Credit in its debt service fund, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aid.

Independent School District No. 727 (Big Lake), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 01/27/2022)

	Tax Abatement Bonds 1) Series 2019A								
Dated	02/14/2019								
Amount	$2,435,000								
Maturity	02/01								
Fiscal Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**	
2022	130,000	39,000	130,000	39,000	169,000	2,180,000	5.63%	**2022**	
2023	135,000	72,800	135,000	72,800	207,800	2,045,000	11.47%	**2023**	
2024	140,000	67,400	140,000	67,400	207,400	1,905,000	17.53%	**2024**	
2025	150,000	61,800	150,000	61,800	211,800	1,755,000	24.03%	**2025**	
2026	155,000	55,800	155,000	55,800	210,800	1,600,000	30.74%	**2026**	
2027	160,000	49,600	160,000	49,600	209,600	1,440,000	37.66%	**2027**	
2028	160,000	43,200	160,000	43,200	203,200	1,280,000	44.59%	**2028**	
2029	165,000	38,400	165,000	38,400	203,400	1,115,000	51.73%	**2029**	
2030	170,000	33,450	170,000	33,450	203,450	945,000	59.09%	**2030**	
2031	175,000	28,350	175,000	28,350	203,350	770,000	66.67%	**2031**	
2032	185,000	23,100	185,000	23,100	208,100	585,000	74.68%	**2032**	
2033	190,000	17,550	190,000	17,550	207,550	395,000	82.90%	**2033**	
2034	195,000	11,850	195,000	11,850	206,850	200,000	91.34%	**2034**	
2035	200,000	6,000	200,000	6,000	206,000	0	100.00%	**2035**	
	2,310,000	548,300	2,310,000	548,300	2,858,300				

1) This represents the $2,435,000 Tax Abatement Portion of the $3,750,000 General Obligation Tax Abatement and Facilities Maintenance Bonds, Series 2019A.

Independent School District No. 727 (Big Lake), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 01/27/2022)

	Refunding Bonds Series 2012B		School Building Refunding Bonds Series 2015A		Facilities Maintenance Bonds Series 2016A		School Building Bonds Series 2016B		School Building Bonds Series 2017A	
Dated	04/25/2012		11/03/2015		02/18/2016		07/27/2016		02/16/2017	
Amount	$8,730,000		$14,490,000		$5,120,000		$4,000,000		$5,080,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2022	0	218,250	3,955,000	98,875	330,000	55,013	0	43,869	0	64,950
2023					340,000	96,825	0	87,738	0	129,900
2024					355,000	83,225	0	87,738	0	129,900
2025					370,000	69,025	0	87,738	0	129,900
2026					385,000	54,225	465,000	87,738	580,000	129,900
2027					390,000	46,525	505,000	78,438	595,000	112,500
2028					400,000	38,725	500,000	68,338	610,000	97,625
2029					410,000	30,225	490,000	58,338	625,000	82,375
2030					415,000	21,000	500,000	48,538	645,000	66,750
2031					425,000	10,625	505,000	38,538	660,000	50,625
2032							515,000	27,175	675,000	34,125
2033							520,000	14,300	690,000	17,250
2034										
2035										
2036										
2037										
2038										
2039										
2040										
2041										
2042										
	0	218,250	3,955,000	98,875	3,820,000	505,413	4,000,000	728,481	5,080,000	1,045,800

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Independent School District No. 727 (Big Lake), Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 01/27/2022)

	Facilities Maintenance Bonds Series 2017B		Facilities Maintenance Bonds 1) Series 2019A		Facilities Maintenance Bonds Series 2020A		Facilities Maintenance Bonds Series 2021A		Refunding Bonds Series 2021B	
Dated	12/28/2017		02/14/2019		02/13/2020		02/18/2021		11/10/2021	
Amount	$3,900,000		$1,315,000		$7,350,000		$7,975,000		$8,020,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2022	135,000	54,000	0	20,575	0	90,500	0	59,006	0	0
2023	175,000	103,950	0	41,150	0	181,000	0	118,013	2,945,000	491,225
2024	165,000	98,700	35,000	41,150	0	181,000	0	118,013	3,030,000	253,750
2025	200,000	93,750	40,000	39,750	415,000	181,000	125,000	118,013	2,045,000	102,250
2026	235,000	87,750	45,000	38,150	450,000	164,400	380,000	115,513		
2027	275,000	80,700	50,000	36,350	400,000	146,400	350,000	107,913		
2028	315,000	72,450	55,000	34,350	435,000	130,400	340,000	100,913		
2029	225,000	63,000	70,000	32,700	500,000	113,000	335,000	94,113		
2030	235,000	56,250	75,000	30,600	505,000	103,000	340,000	87,413		
2031	245,000	49,200	70,000	28,350	525,000	92,900	345,000	80,613		
2032	685,000	41,850	75,000	26,250	235,000	82,400	635,000	73,713		
2033	710,000	21,300	75,000	24,000	240,000	77,700	650,000	67,363		
2034			725,000	21,750	1,075,000	72,900	1,100,000	60,050		
2035					1,770,000	51,400	1,180,000	47,675		
2036					800,000	16,000	0	32,925		
2037							720,000	32,925		
2038							735,000	22,125		
2039							740,000	11,100		
2040										
2041										
2042										
	3,600,000	822,900	1,315,000	415,125	7,350,000	1,684,000	7,975,000	1,347,394	8,020,000	847,225

1) This represents the $1,315,000 Facilities Maintenance Portion of the $3,750,000 General Obligation Tax Abatement and Facilities Maintenance Bonds, Series 2019A.

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Independent School District No. 727 (Big Lake), Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 01/27/2022)

	School Building Bonds Series 2022A							
Dated	01/27/2022							
Amount	$30,000,000*							
Maturity	02/01							
Fiscal Year Ending	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2022	0	0	4,420,000	705,038	5,125,038	70,695,000	5.88%	**2022**
2023	305,000	820,871	3,765,000	2,070,671	5,835,671	66,930,000	10.90%	**2023**
2024	875,000	799,650	4,460,000	1,793,125	6,253,125	62,470,000	16.83%	**2024**
2025	1,160,000	764,650	4,355,000	1,586,075	5,941,075	58,115,000	22.63%	**2025**
2026	435,000	718,250	2,975,000	1,395,925	4,370,925	55,140,000	26.59%	**2026**
2027	450,000	700,850	3,015,000	1,309,675	4,324,675	52,125,000	30.61%	**2027**
2028	470,000	682,850	3,125,000	1,225,650	4,350,650	49,000,000	34.77%	**2028**
2029	485,000	664,050	3,140,000	1,137,800	4,277,800	45,860,000	38.95%	**2029**
2030	500,000	644,650	3,215,000	1,058,200	4,273,200	42,645,000	43.23%	**2030**
2031	525,000	624,650	3,300,000	975,500	4,275,500	39,345,000	47.62%	**2031**
2032	550,000	614,150	3,370,000	899,663	4,269,663	35,975,000	52.11%	**2032**
2033	565,000	603,150	3,450,000	825,063	4,275,063	32,525,000	56.70%	**2033**
2034	625,000	590,438	3,525,000	745,138	4,270,138	29,000,000	61.39%	**2034**
2035	650,000	576,375	3,600,000	675,450	4,275,450	25,400,000	66.19%	**2035**
2036	2,895,000	560,125	3,695,000	609,050	4,304,050	21,705,000	71.10%	**2036**
2037	3,050,000	487,750	3,770,000	520,675	4,290,675	17,935,000	76.12%	**2037**
2038	3,130,000	411,500	3,865,000	433,625	4,298,625	14,070,000	81.27%	**2038**
2039	3,210,000	333,250	3,950,000	344,350	4,294,350	10,120,000	86.53%	**2039**
2040	3,290,000	253,000	3,290,000	253,000	3,543,000	6,830,000	90.91%	**2040**
2041	3,375,000	170,750	3,375,000	170,750	3,545,750	3,455,000	95.40%	**2041**
2042	3,455,000	86,375	3,455,000	86,375	3,541,375	0	100.00%	**2042**
	30,000,000	11,107,333	75,115,000	18,820,796	93,935,796			

* Preliminary, subject to change.

BONDED DEBT LIMIT

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

2020/21 Economic Market Value	$2,032,972,083
Multiply by 15%	0.15
Statutory Debt Limit	$304,945,812
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(75,115,000)
Unused Debt Limit*	$229,830,812

*Preliminary, subject to change.

OVERLAPPING DEBT[1]

Taxing District	2020/21 Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Sherburne County	$114,209,977	16.5533%	$40,125,000	$6,642,012
City of Big Lake	9,693,044	98.6825%	11,375,000	11,225,134
Town of Big Lake	9,452,198	56.1018%	340,000	190,746
District's Share of Total Overlapping Debt				$18,057,892

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 ($2,032,972,083)	Debt/ Current Population Estimate (19,573)[1]
Direct G.O. Debt Secured By:			
Tax Abatement Revenues and State Aids	$2,310,000		
Taxes and State Aids*	75,115,000		
Total General Obligation Debt (includes the Bonds)*	$77,425,000	3.81%	$3,955.70
District's Share of Total Overlapping Debt	$18,057,892	0.89%	$922.59
Total*	$95,482,892	4.70%	$4,878.30

*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] The District population estimate in pay 2022 levy limitation certification.

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	$8,634,272	$8,550,863	$8,630,025	99.95%
2017/18	8,944,397	8,878,338	8,937,433	99.92%
2018/19	9,726,704	9,630,976	9,682,898	99.55%
2019/20	10,451,726	10,362,779	10,395,159	99.46%
2020/21	10,613,285	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 September 2021.

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. 727 (Big Lake)	44.224%	42.994%	42.813%	41.451%	38.279%
Sherburne County	50.460%	49.356%	47.928%	47.426%	45.835%
City of Big Lake	57.936%	55.643%	50.898%	49.223%	48.471%
City of Big Lake - RSD	20.540%	17.502%	16.868%	13.597%	13.026%
Town of Big Lake[2]	17.972%	19.797%	20.720%	22.801%	23.550%
Big Lake EDA	0.726%	0.674%	1.574%	1.441%	1.341%
Sherburne County Rail Authority	1.656%	1.501%	N/A	N/A	N/A
Referendum Market Value Rates:					
I.S.D. No. 727 (Big Lake)	0.20450%	0.18664%	0.18183%	0.19103%	0.19020%

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

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

2 Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 446, including 210 non-licensed employees and 236 licensed employees (221 of whom are teachers). The District provides education for 3,090 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
Administrators	June 30, 2022
Teachers	June 30, 2021
Secretaries/paraprofessionals	June 30, 2022
Custodians	June 30, 2022

Status of Contracts

The contract which expired on June 30, 2021 has a tentative agreement and is expected to be submitted for approval at the January 6, 2022 meeting.

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. 74/75 (GASB 74/75). The District's most recent addendum to the actuarial study shows a total OPEB liability of $2,215,961 as of June 30, 2021. The District has been funding these obligations on a pay-as-you-go basis, but in June of 2009 they issued $2,960,000 in OPEB bonds to fund an irrevocable trust. The fiduciary net position of the trust as of June 30, 2021 was $1,618,341 leaving a net OPEB liability of $597,620. Future OPEB costs will be paid partially from the trust and partially from operating fund.

Source: The District's most recent addendum to the actuarial study.

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2017/18	225	1,426	1,391	3,042
2018/19	222	1,381	1,379	2,982
2019/20	237	1,398	1,424	3,059
2020/21	220	1,294	1,460	2,974
2021/22	276	1,333	1,481	3,090

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2022/23	250	1,367	1,495	3,112
2023/24	260	1,398	1,467	3,125
2024/25	260	1,453	1,428	3,141

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Independence Elementary	1981	1987, 1998
Liberty Elementary	2003	--
Big Lake Middle School	1966	1974, 1984, 1987, 1998, 2002
Big Lake High School	1994	1997, 2002

FUNDS ON HAND (as of October 31, 2021)

Fund	Total Cash and Investments
General	$13,969,122
Food Service	407,633
Community Service	953,844
Debt Service	5,345,125
Building/Construction	2,074,560
Trust & Agency	1,726,356
Total Funds on Hand	$24,476,640

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 2021 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				
	2018 Audited	2019 Audited	2020 Audited	2021 Audited	2021-2022 Revised Budget 1)
Revenues					
Local property taxes	$4,048,135	$3,975,596	$4,365,929	$4,932,335	$5,026,373
Other local and county revenues	800,916	1,354,599	1,379,372	1,085,439	802,073
Revenues from state sources	28,172,631	28,288,383	28,924,577	29,664,130	30,083,687
Revenues from federal sources	369,680	417,371	456,482	1,658,060	1,622,690
Sales and other conversion of assets	106,326	79,008	58,752	19,005	58,600
Total Revenues	$33,497,688	$34,114,957	$35,185,112	$37,358,969	$37,593,423
Expenditures					
Current:					
Administration	$1,230,181	$1,247,091	$1,262,764	$1,296,301	$1,439,276
District support services	1,011,280	1,002,615	1,020,735	1,126,490	1,339,215
Elementary & secondary regular instruction	14,430,326	15,319,976	14,496,297	16,063,398	16,741,316
Vocational education instruction	536,148	525,431	626,477	645,875	686,134
Special education instruction	6,101,022	6,547,683	7,667,631	7,737,616	8,642,246
Instructional support services	2,113,971	2,323,086	1,937,460	2,505,470	2,653,685
Pupil support services	2,849,328	2,965,035	2,748,158	2,831,593	3,377,157
Sites and buildings	3,181,858	3,505,499	3,196,135	3,227,113	3,444,836
Fiscal and other fixed cost programs	151,341	152,677	173,974	209,634	197,957
Community education and services	24,943	26,532	11,436	0	0
Capital outlay	955,137	381,524	524,204	401,413	1,006,918
Debt service	0	57,458	57,458	57,457	57,457
Total Expenditures	$32,585,535	$34,054,607	$33,722,729	$36,102,360	$39,586,197
Excess of revenues over (under) expenditures	$912,153	$60,350	$1,462,383	$1,256,609	($1,992,774)
Other Financing Sources (Uses)					
Insurance recovery	$0	$182,967	$520	$0	$0
Proceeds from sale of capital assets	0	64,040	0	3,965	0
Proceeds from capital leases	222,520	0	0	0	0
Total Other Financing Sources (Uses)	$222,520	$247,007	$520	$3,965	$0
Net changes in Fund Balances	$1,134,673	$307,357	$1,462,903	$1,260,574	($1,992,774)
General Fund Balance July 1	7,217,155	8,351,828	8,659,185	10,137,738	11,398,312
Prior Period Adjustment	0	0	0	0	0
Change in Accounting Principle	0	0	15,650	0	0
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance June 30	$8,351,828	$8,659,185	$10,137,738	$11,398,312	$9,405,538
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$351,159	$156,849	$118,522	$156,596	$156,596
Restricted	693,983	685,647	1,224,347	1,488,070	980,304
Committed	716,575	603,480	649,311	924,794	891,447
Assigned	467,259	464,497	597,000	995,517	563,708
Unassigned	6,122,852	6,748,712	7,548,558	7,833,335	6,813,483
Total	$8,351,828	$8,659,185	$10,137,738	$11,398,312	$9,405,538

1) The 2021-22 budget was revised on December 16, 2021.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 17,313 and a current population estimate of 19,573, and comprising an area of 63 square miles, is located approximately 39 miles northwest of the Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 727 (Big Lake)	Elementary and secondary education	446
LISI Medical Remmele, Inc.	Machine Shop	190
Cargill, Inc.	Food manufacturing and processing	131
Howmet Aerospace	Titanium manufacturers	91
Options	Employment opportunities for people with disabilities	70
McDonald’s	Restaurant	68
City of Big Lake	Municipal government and services	55
Coborn’s	Grocery	50
Russell’s on the Lake	Restaurant	40
Peterson Brothers Potato Company	Potato wholesale	40

Source: *Data Axle Reference Solutions, written and telephone survey (August 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	12,528
2010 U.S. Census population	17,317
2020 Population Estimate	19,573[1]
Percent of Change 2000 - 2010	38.23%

Income and Age Statistics

	The District	Sherburne County	State of Minnesota	United States
2019 per capita income	$36,235	$35,439	$37,625	$34,103
2019 median household income	$90,912	$89,250	$71,306	$62,843
2019 median family income	$98,958	$97,430	$89,842	$77,263
2019 median gross rent	$968	$995	$977	$1,062
2019 median value owner occupied units	$221,400	$230,500	$223,900	$217,500
2019 median age	34.9 yrs.	36.0 yrs.	38.0 yrs.	38.1 yrs.

	State of Minnesota	United States
District % of 2019 per capita income	96.31%	106.25%
District % of 2019 median family income	110.15%	128.08%

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	Sherburne County	Sherburne County	State of Minnesota
2017	49,472	3.7%	3.4%
2018	50,069	3.2%	3.0%
2019	50,479	3.6%	3.2%
2020	48,795	5.8%	6.2%
2021, October	49,782	2.3%	2.2%

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

[1] The District population estimate in pay 2022 levy limitation certification.

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.

bergankdv

Independent School District No. 727
Big Lake, Minnesota

Basic Financial Statements

June 30, 2021

Independent School District No. 727
Table of Contents

Independent School District No. 727
Table of Contents

Independent School District No. 727
Board of Education and Administration
June 30, 2021

Board of Education	Position	Term Expires
Tonya Reasoner	Chairperson	December 31, 2022
Amber Sixberry	Treasurer	December 31, 2024
Tony Scales	Clerk	December 31, 2024
Lenette Brown	Director	December 31, 2022
Dan Nygaard	Director	December 31, 2022
Lori Kampa	Director	December 31, 2024
Administration		
Tim Truebenbach	Superintendent	
Angie Manuel	Director of Business Services	
Robert Dockendorf	High School Principal	
Mark Ernst	Middle School Principal	
Caryl Gordy	Liberty Elementary Principal	
Jona Deveal	Independence Elementary Principal	

Independent Auditor′s Report

To the School Board
Independent School District No. 727
Big Lake, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 727, Big Lake, Minnesota, as of and for the year ended June 30, 2021, and the related notes to basic financial statements, which collectively comprise the District′s basic financial statements as listed in the Table of Contents.

Management′s Responsibility for the Basic Financial Statements
The management of Independent School District No. 727 is responsible for the preparation and fair presentation of these basic 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 basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor′s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District′s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District′s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic 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 in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 727, Big Lake, Minnesota, as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Required Supplementary Information 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 Government Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 basic financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The accompanying supplementary information identified in the Table of Contents and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information and the Schedule of Expenditures of Federal Awards 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 November 9, 2021, on our consideration of the District's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BerganKDV Ltd.

Minneapolis, Minnesota
November 9, 2021

This section of the District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2020-2021) and the prior year (2019-2020) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2020-2021 fiscal year include the following:

- Net Position increased from $(4,025,609) to $(1,448,340), an increase of $2,577,269, due to improvement in the general fund balance as well as decreases in severance and pension liabilities.
- General Fund revenues were $37,358,969 as compared to expenditures of $36,102,360 for revenues over expenditures of $1,256,609.
- Total General Fund balance increased $1,260,574. Unassigned General Fund Balance increased by $284,777, due to larger than expected special education aid and underspending of general fund operational expenses. Restricted and Committed/Assigned Fund balances increased by $937,723 because of delays in budgeted projects and initiatives due to COVID-19 pandemic as well as set aside of funds for severance obligations. Nonspendable Fund balance increased by $38,074.
- The District increased its long-term liabilities by $3,313,837 as a result of issuing general obligation facilities maintenance bonds to finance the second phase of a large heating and ventilation project at the Big Lake Middle School.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

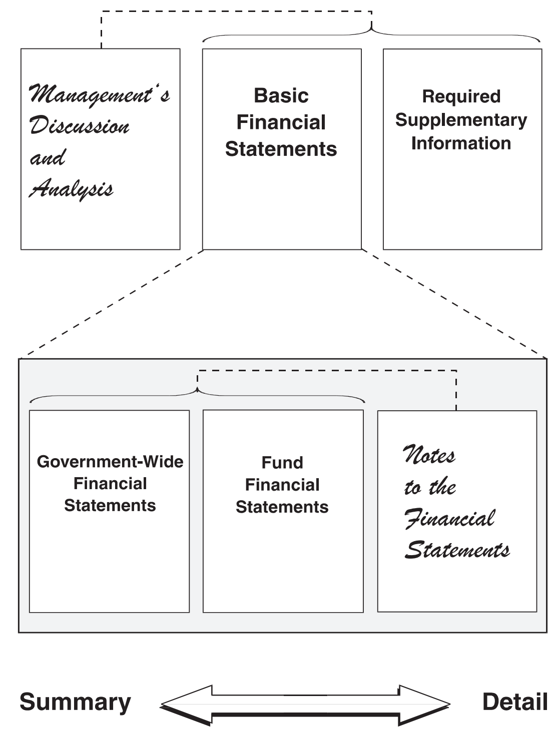
- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Annual Report Format



OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

		Fund Statements		
Type of Statements	**Government-wide**	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire District's government (except fiduciary funds) and the Districts Component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, & changes in fund balances	• Statement of net position • Statement of changes in net position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Statements (Continued)

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

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

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

Fund Financial Statements

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

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

The District has two types of funds:

- **Governmental Funds**: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position
The District's combined Net Position was ($1,448,340) on June 30, 2021, an increase of $2,577,269. (See Table A-1) This increase is mainly the result of an increase in the total general fund balance and increase in investment of capital assets. The fluctuations in the deferred outflows and deferred inflows of resources are related to various TRA and PERA state pension differences and changes in assumptions and proportion.

Table A-1

	Governmental Activities 2021	Governmental Activities 2020	Percentage Change
Current and other assets	$ 36,734,170	$ 33,150,748	10.81%
Capital and noncurrent assets	63,376,978	57,991,690	9.29%
Total assets	100,111,148	91,142,438	9.84%
Deferred outflows of resources	9,819,235	16,254,178	-39.59%
Current liabilities	12,507,128	10,181,776	22.84%
Long-term liabilities	69,940,903	65,286,717	7.13%
Total liabilities	82,448,031	75,468,493	9.25%
Deferred inflows of resources	28,930,692	35,953,732	-19.53%
Net position			
Invested in capital assets, net of related debt	17,986,139	16,027,753	12.22%
Restricted	4,105,451	3,549,047	15.68%
Unrestricted	(23,539,930)	(23,602,409)	0.26%
Net position	$ (1,448,340)	$ (4,025,609)	64.02%

Changes in Net Position
The District's total revenues were $46,432,605 for the year ended June 30, 2021. Property taxes, unrestricted state formula aid, and other revenue accounted for 73% of total revenue for the year (See Figure A-3). The remaining 27% came from other program revenues (charges for services, operating and capital grants, and contributions). The decline in charges for services is due to limited activities, athletic, and community education programming due to the COVID-19 pandemic. Investment earnings decreased because of declining interest rates. Operating grants increased due to the receipt of COVID relief grants from the federal government.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Table A-2 Change in Net Position

	Governmental Activities for the Fiscal Year Ended June 30, 2021	Governmental Activities for the Fiscal Year Ended June 30, 2020	Total Percentage Change
Revenues			
Program revenues			
Charges for services	$ 2,165,760	$ 2,895,528	-25.20%
Operating grants and contributions	9,650,100	7,058,959	36.71%
Capital grants and contributions	1,048,197	1,098,584	-4.59%
General revenues			
Property taxes	10,544,723	9,901,243	6.50%
Unrestricted state aid	22,898,122	23,284,116	-1.66%
Investment earnings	75,754	301,278	-74.86%
Other	49,949	42,619	17.20%
Total revenues	46,432,605	44,582,327	4.15%
Expenses			
Administration	1,382,632	1,370,328	0.90%
District support services	1,082,117	1,043,134	3.74%
Regular instruction	18,115,859	16,821,807	7.69%
Vocational education instruction	675,998	654,377	3.30%
Special education instruction	7,939,332	8,107,966	-2.08%
Instructional support services	2,816,760	2,323,077	21.25%
Pupil support services	2,868,407	2,853,430	0.52%
Sites and buildings	4,482,422	4,778,379	-6.19%
Fiscal and other fixed cost programs	209,634	173,974	20.50%
Food service	1,401,260	1,527,738	-8.28%
Community service	1,788,402	2,119,054	-15.60%
Interest and fiscal charges on Long-term liabilities	1,092,513	1,097,096	-0.42%
Total expenses	43,855,336	42,870,360	2.30%
Increase (decrease) in net position	2,577,269	1,711,967	50.54%
Beginning net position	(4,025,609)	(5,753,226)	
Change in accounting principle	-	15,650	
Ending net position	$ (1,448,340)	$ (4,025,609)	

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Figure A-3 Sources of District Revenue for Fiscal 2021

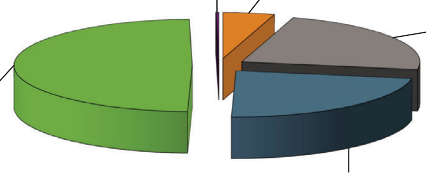
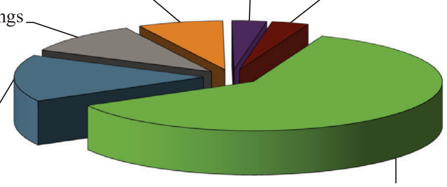


Figure A-4 District Expenses for Fiscal 2021



The total cost of all programs and services was $43,855,336 for fiscal year 2021. The District's expenses are predominately related to educating and caring for students (77%). (See Figure A-4). Another 3% of expenses are related to interest and fiscal costs for the District's bonds. Another 10% supports the facilities maintenance needs of the entire District. Only 3% of costs are for administration. Finally, 7% of total expenses are for food and community service programs.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The cost of all governmental activities this year was $43,855,336.

- Some of the cost was paid by the users of the District's programs ($2,165,760).
- The federal and state governments subsidized certain programs with grants and contributions ($10,698,297).
- Most of the District's costs ($32,442,845); however, were paid for by District taxpayers and taxpayers of the State of Minnesota.

Typically the District does not incorporate funds allocated to direct instruction as part of an analysis of expenditures in all governmental funds. Funding for general operation of the District is controlled by the state and the District does not have latitude to allocate money received from entrepreneurial-type funds like Food Service and Community Education. Therefore, a more accurate analysis would be limited to the allocation of resources received for the general operation of the District and would show that 77% of those resources are spent on instruction and support services associated with education.

Table A-3
Program Expenses and Net Cost of Services

	Total Cost of Services		%	Net Cost of Services		%
	2021	2020	Change	2021	2020	Change
Administration	$ 1,382,632	$ 1,370,328	0.90%	$ 1,382,632	$ 1,370,828	0.86%
District support services	1,082,117	1,043,134	3.74%	1,071,437	1,043,125	2.71%
Regular instruction	18,115,859	16,821,807	7.69%	14,419,419	13,486,282	6.92%
Vocational education instruction	675,998	654,377	3.30%	623,853	599,374	4.08%
Special education instruction	7,939,332	8,107,966	-2.08%	3,703,492	4,623,054	-19.89%
Instructional support services	2,816,760	2,323,077	21.25%	1,728,450	1,861,303	-7.14%
Pupil support services	2,868,407	2,853,430	0.52%	2,744,643	2,802,028	-2.05%
Sites and buildings	4,482,422	4,778,379	-6.19%	3,797,065	4,207,906	-9.76%
Fiscal and other fixed cost programs	209,634	173,974	20.50%	209,634	173,974	20.50%
Food service	1,401,260	1,527,738	-8.28%	186,050	68,684	170.88%
Community service	1,788,402	2,119,054	-15.60%	32,091	484,135	-93.37%
Interest and fiscal charges on long-term liabilities	1,092,513	1,097,096	-0.42%	1,092,513	1,097,096	-0.42%
Total	$ 43,855,336	$ 42,870,360	2.30%	$ 30,991,279	$ 31,817,789	-2.60%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $18,948,640. Revenues for the District's governmental funds were $46,368,262 while total expenditures were $53,117,798, for a decrease of $6,749,536. After other financing sources of $8,153,585, the combined fund balance increased $1,404,049. This increase is the result of a $1.26 million surplus in the General Fund as well as the issuance of the District's 2021A General Obligation Facilities Maintenance Bonds to fund costs of the second phase of a heating and ventilation construction project in the Big Lake Middle School.

GENERAL FUND

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

The majority of General Fund revenue is generated by state general education aid. The basic formula allowance in 2021 was $6,567 per adjusted marginal cost per pupil unit (AMCPU). Other factors that influence the general education aid formula include operating referendum allowance, age of school buildings, transportation sparsity index, percent of eligible free and reduced students, number of English Learner (EL) students, number of Gifted and Talented students, and number of open enrolled students in and out of the District. Total general education aid was $25,328,735 which represents 68% of total General Fund revenue. The other major General Fund revenue is state special education aid. Total special education aid in 2021 was $3,728,656, 10% of total General Fund revenue. Other state formulas then determine what portion of the general fund revenue will be provided by property taxes. Property taxes totaled $4,932,335, 13% of total General Fund revenue. After factoring in general education aid, special education aid and property taxes, which are all formula driven, only 9% of General Fund revenues are generated by other miscellaneous state aids, aid from the federal government and local revenues such as fees or sales.

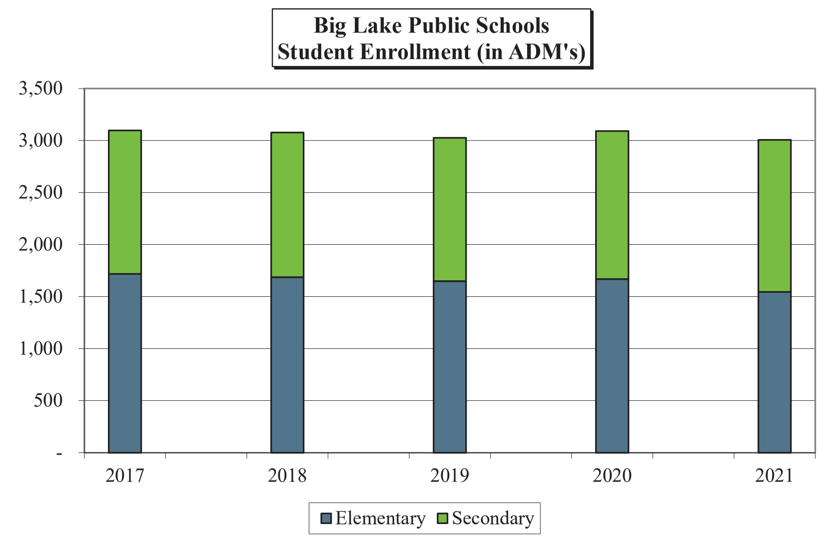
GENERAL FUND - ENROLLMENT

Enrollment is a critical factor in determining revenue with most of the General Fund revenue being determined by student counts. The chart on the next page indicates that enrollment decreased after increasing in 19-20. The 2.75% decrease in 20-21 enrollment was a direct result of the COVID-19 pandemic. The District experienced a large increase in home school students and students leaving to attend online schools. Fortunately, the decrease in enrollment was only temporary as the 21-22 enrollment is back to pre-pandemic levels. More discussion on enrollment is outlined in the section titled "Factors Bearing on the District's Future".

GENERAL FUND – ENROLLMENT (CONTINUED)

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

	2017	2018	2019	2020	2021
Elementary	1,718	1,686	1,649	1,668	1,545
Secondary	1,379	1,391	1,377	1,423	1,461
Total	3,097	3,077	3,026	3,091	3,006
		-0.65%	-1.66%	2.15%	-2.75%



GENERAL FUND – REVENUES/EXPENDITURES

The table below presents a summary of General Fund Revenues:

Table A-5
General Fund Revenues

	Year Ended June 30,		Change	
Fund	2021	2020	Increase (Decrease)	Percent
Local sources				
Property taxes	$ 4,932,335	$ 4,365,929	$ 566,406	12.97%
Investment earnings	44,126	169,371	(125,245)	-73.95%
Other	1,060,318	1,268,753	(208,435)	-16.43%
State sources	29,664,130	28,924,577	739,553	2.56%
Federal sources	1,658,060	456,482	1,201,578	263.23%
Total	$ 37,358,969	$ 35,185,112	$ 2,173,857	6.18%

Revenues from the General Fund totaled $37,358,969, an increase of 6.18% from the prior year. Property taxes increased in the general fund mainly due to decreased equalization aid from the state of Minnesota, resulting in a greater property tax burden on the local taxpayers. Investment earnings decreased due to the decline in interest rates because of the economic impact of the COVID-19 pandemic. Other sources decreased 16.43% due to less charges for services and other fees because of cancellation or delays of programs and activities due to the COVID-19 pandemic. The most significant increase in revenue was COVID relief grants from the federal government. The District received $1,306,511 in general fund COVID related funding.

GENERAL FUND – REVENUES/EXPENDITURES (Continued)

The following schedule presents a summary of General Fund Expenditures:

Table A-6
General Fund Expenditures

	Year Ended June 30,		Change	
	2021	2020	Increase (Decrease)	Percent
Salaries	$ 21,106,016	$ 19,847,256	$ 1,258,760	6.34%
Employee benefits	8,046,695	7,469,920	576,775	7.72%
Purchased services	4,392,038	4,766,820	(374,782)	-7.86%
Supplies and materials	2,006,431	965,230	1,041,201	107.87%
Capital expenditures	401,414	524,204	(122,790)	-23.42%
Debt service	57,457	57,458	(1)	N/A
Other expenditures	92,309	91,841	468	0.51%
Total	$ 36,102,360	$ 33,722,729	$ 2,379,631	7.06%

Total General Fund expenditures increased 7.06% from the prior year. Salaries and benefits increased because of contract increases as well as the addition of long-term building subs to assist with coverage of classrooms due to COVID-19 quarantines. The purchased services decrease is a result of paying 85% of the District's transportation contract during distance learning and savings in utilities during times of distance learning. The large increase in supplies and materials is due to the District implementing a 1:1 technology device initiative as a result of the COVID-19 pandemic. Capital expenditures decreased due to equipment purchases that were made in 19-20 that were not paid in 20-21.

Total General Fund balance increased $1,260,574. Unassigned General Fund Balance increased by $284,777, due to larger than expected special education aid and underspending of general fund operational expenses. Restricted and Committed/Assigned Fund balances increased by $937,723 because of delays in budgeted projects and initiatives due to COVID-19 pandemic as well as set aside of funds for severance obligations. Nonspendable Fund balance increased by $38,074. The Unassigned Fund Balance, or fund balance available for operations, is 21.7% of total General Fund expenditures.

Fund balance is the single best measure of overall financial health. It is the goal of the Big Lake Board of Education to maintain an unassigned fund balance of 8% of general fund operating expenditures. For the fiscal year ended June 30, 2021, the Big Lake School District is in compliance with that fund balance goal.

GENERAL FUND – BUDGETARY HIGHLIGHTS

Actual revenues were $313,816 over the final budget, a .8% variance. The variance is due to larger than expected special education aid. Actual expenditures were $1,064,518 under budget, a 2.9% variance. The expenditure variance is mainly the result of delay of certain projects due to the COVID-19 pandemic and less than expected salaries and benefits.

The General Fund budget is adjusted several times throughout the year for changes in enrollment, changes in special education funding assumptions, changes in other state aids, and expenditure changes such as staffing costs, transportation, utilities and capital expenditures. In fiscal year 2021, revenue was adjusted for decreased enrollment, changes in special education funding, and receipt of federal COVID relief grants. As for expenditures, the budget was changed throughout the year for changes in staffing and benefit assumptions, decreased utilities expenditures from a mild winter, decrease in transportation costs, and increased costs for COVID related expenses.

DEBT SERVICE FUND

The Debt Service Fund revenues exceeded expenditures and other financing sources by $100,062 in 2020-2021. $180,140 in capitalized interest from the 2021A General Obligation Facilities Maintenance bond proceeds were required to be deposited to the debt service fund, per bond covenants. Without the deposit of this capitalized interest, the Debt Service Fund would have decreased by $80,078. School districts in Minnesota are only allowed to keep 5% of the following year's bond principal and interest payments due in their ending fund balance. Any excess fund balance is returned to the local taxpayers in a subsequent year property tax levy.

CAPITAL PROJECTS FUND

In 2019-2020 the District issued $7,350,000 in General Obligation Facilities Maintenance Bonds for Phase I of renovating and updating the Big Lake Middle School heating, ventilation, and air conditioning (HVAC) system. The bonds also funded replacement of boilers at Independence Elementary. The project was expected to be completed over two years and $7,975,000 in General Obligation Facilities Maintenance Bonds were issued in 2020-2021 for Phase II of the Middle School HVAC project. The project is expected to be substantially completed in 2021-2022.

OTHER NON-MAJOR FUNDS

The Food Service Fund balance decreased $64,811 for an ending fund balance of $201,634. The deficit is the result of reduced meal counts due to the COVID-19 pandemic and increased labor costs to support pick up and meal delivery to students in distance learning. The ending fund balance represents slightly over one and a half months of expenditures.

The Community Service Fund experienced challenges at the beginning of 2020-2021 fiscal year with mandated shutdowns because of the COVID-19 pandemic. School age care and preschool programs were operational but most of the community and recreational programs could not be held. Fortunately, federal COVID relief funds from Big Lake Township and Sherburne County offset the extra costs required to run the school age care and preschool programs. Towards the end of 2020-2021, the

OTHER NON-MAJOR FUNDS (Continued)

economy started opening up and regular community education programming was allowed. As a result, the Community Service Fund experienced a $240,029 increase in fund balance. The ending fund balance represents approximately 33% of expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets
By the end of 2021, the District had invested approximately $104 million in a broad range of capital assets, including school buildings, athletic facilities and fields, computers, and other technology equipment. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was $2.6 million.

Table A-7
Capital Assets (Net of Accumulated Depreciation)

	2021	2020	Percentage Change
Land	$ 784,389	$ 784,389	0.00%
Construction on progress	10,414,004	5,389,338	93.23%
Land improvements	6,757,833	4,658,459	45.07%
Buildings and improvements	43,037,929	44,543,980	-3.38%
Equipment	2,382,823	2,615,524	-8.90%
Total	$ 63,376,978	$ 57,991,690	9.29%

Each year, departments review their machinery and equipment capital inventories. Disposals are then accounted for accordingly as items are sold or deemed obsolete. The overall increase in capital assets is a result of the addition of Construction in Progress from the Middle School heating, ventilation, and air conditioning project.

Construction – Next Five Years

On November 2nd, 2021, the Big Lake School District successfully passed a $30 million bond referendum to restore and renew school facilities for future generations. Over the next 3-4 years the District will be repairing and replacing roofs at all buildings, improving air quality and adding air conditioning at Independence Elementary, updating career and technical education spaces, redesigning and improving media centers and special education spaces across the district, and redesign of Liberty elementary parking lot.

LONG-TERM LIABILITIES

At year-end, the District had $50,333,806 in total long-term debt, an increase of 7.05% from last year, as shown in Table A-8. Included in this total, the District has $306,308 in severance liabilities. More detailed information about long-term liabilities can be found in Note 5 to the financial statements.

Table A-8
Long-Term Liabilities

	Total Cost of Services 2021	Total Cost of Services 2020	Percentage Change
General obligation bonds	$ 48,135,000	$ 44,460,000	8.27%
Premium	1,620,309	1,854,965	-12.65%
Capital lease	56,386	111,721	-49.53%
Severance payable	306,308	381,806	-19.77%
Compensated absences payable	215,803	211,477	2.05%
Total	$ 50,333,806	$ 47,019,969	7.05%

General obligation bonds increased 8% due to the issuance of the 2021A General Obligation Facilities Maintenance Bonds. The capital lease is a technology lease with a term of four years; therefore, the total amount decreased 49% from 19-20 to 20-21. Severance payable decreased 20% due to retirement of qualified employees from a closed retirement plan.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Despite the challenges brought on by COVID-19 pandemic, which included a large decrease in enrollment, the District realized significant improvement in its financial condition in fiscal year 20-21. This improvement was due, in part, to the receipt of federal COVID relief grants. Subsequent to June 30th, 2021, the District has qualified for several more federal COVID relief funding streams for pandemic related costs as well as to address the significant learning loss experienced by students during times of distance learning in school year 20-21. COVID related federal grants to address learning loss will be available in fiscal years 2022 and beyond.

FACTORS BEARING ON THE DISTRICT'S FUTURE (Continued)

The most positive news after June 30th, 2021, has been the District's increase in enrollment at the start of school year 21-22. The District has returned to pre pandemic enrollment levels and expects a positive gain in enrollment of 2.5%-3% in the next fiscal year. At the time of this writing, the District has 275 students enrolled in kindergarten. This is the largest kindergarten class in over 10 years. In addition, the District was approved by the Minnesota Department of Education to provide an online learning program for the 21-22 school year. In its inaugural year, Big Lake Online has enrolled over 200 students, both full time and part-time students. Big Lake Online has provided a learning choice for parents that may still be uncomfortable with their student returning to in person learning. In addition, high school students have the opportunity to enroll part-time in Big Lake Online, with the rest of the day spent working at various businesses that have partnered with Big Lake Schools in providing an apprenticeship program for its high school students. This apprenticeship program has proven to be very popular with high school students and families.

Also subsequent to June 30th, 2021, the District learned a major business has decided to move its headquarters and manufacturing operations to the City of Big Lake. The addition of this key business to the community will bring hundreds of jobs to the City of Big Lake and almost certainly will result in growth of single family homes and students to the Big Lake School District. In addition, the business has expressed an interest in partnering with the Big Lake High School in its apprenticeship program. This news has brought excitement to the Big Lake community and should bring positive enrollment gains to the school district.

And last, on November 2nd, 2021, the District successfully passed a building bond referendum to restore and renew school facilities for future generations. Construction projects over the next three to four years will complete important outstanding deferred maintenance items that could not be done with the remaining long term facilities maintenance funding. In addition to the deferred maintenance needs, the District will be expanding and improving career and technical education spaces, improving and updating special education spaces, and remodeling media centers for 21st century learning. It is an exciting time for the students of Big Lake!

The District remains committed to providing academic excellence and educational opportunities for its students within a framework of financial fiduciary responsibility.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Business Services, Independent School District 727, 501 Minnesota Avenue, Big Lake, Minnesota, 55309-9246.

BASIC FINANCIAL STATEMENTS

Independent School District No. 727
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash and investments including cash equivalents)	$ 28,278,873
Current property taxes receivable	5,111,373
Delinquent property taxes receivable	173,072
Accounts receivable	230,563
Interest receivable	16,291
Due from Department of Education	2,013,927
Due from Federal Government through Department of Education	247,697
Due from other Minnesota school districts	403,234
Due from other governmental units	66,457
Inventory	36,087
Prepaid items	156,596
Capital assets, not being depreciated	
Land	784,389
Construction in progress	10,414,004
Capital assets, net of accumulated depreciation	
Land improvements	6,757,833
Buildings	43,037,929
Machinery and equipment	2,382,823
Total assets	100,111,148
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	9,708,922
Deferred outflows of resources related to OPEB	110,313
Total deferred outflows of resources	9,819,235
Total assets and deferred outflows of resources	$ 109,930,383
Liabilities	
Accounts and contracts payable	$ 2,608,626
Salaries and benefits payable	3,913,666
Interest payable	615,604
Due to other Minnesota school districts	175,194
Due to other governmental units	282,392
Unearned revenue	278,934
Equity interest in joint venture	18,072
Bond principal payable	
Payable within one year	4,550,000
Payable after one year	45,205,309
Capital lease payable	
Payable within one year	56,386
Compensated absences payable	
Payable after one year	215,803
Severance payable	
Payable within one year	8,254
Payable after one year	298,054
Net other post employment benefits (OPEB) liability	597,620
Net pension liability	23,624,117
Total liabilities	82,448,031
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	17,451,871
Deferred inflows of resources related to OPEB	1,133,429
Property taxes levied for subsequent year's expenditures	10,345,392
Total deferred inflows of resources	28,930,692
Net Position	
Net investment in capital assets	17,986,139
Restricted for	
Debt service	1,380,304
Capital projects	385,939
Other purposes	2,339,208
Unrestricted	(23,539,930)
Total net position	(1,448,340)
Total liabilities, deferred inflows of resources, and net position	$ 109,930,383

See notes to basic financial statements.

Independent School District No. 727
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 1,382,632	$ -	$ -	$ -	$ (1,382,632)
District support services	1,082,117	-	10,680	-	(1,071,437)
Elementary and secondary regular instruction	18,115,859	244,740	2,892,484	559,216	(14,419,419)
Vocational education instruction	675,998	-	52,145	-	(623,853)
Special education instruction	7,939,332	483,701	3,752,139	-	(3,703,492)
Instructional support services	2,816,760	43,720	1,044,590	-	(1,728,450)
Pupil support services	2,868,407	6,324	117,440	-	(2,744,643)
Sites and buildings	4,482,422	14,674	181,702	488,981	(3,797,065)
Fiscal and other fixed cost programs	209,634	-	-	-	(209,634)
Food service	1,401,260	77,459	1,137,751	-	(186,050)
Community education and services	1,788,402	1,295,142	461,169	-	(32,091)
Interest and fiscal charges on long-term debt	1,092,513	-	-	-	(1,092,513)
Total governmental activities	$ 43,855,336	$ 2,165,760	$ 9,650,100	$ 1,048,197	(30,991,279)
General revenues					
Taxes					
Property taxes, levied for general purposes					4,940,651
Property taxes, levied for community service					391,890
Property taxes, levied for debt service					5,212,182
State aid-formula grants					22,898,122
Other general revenues					45,984
Investment income					75,754
Gain of sale of assets					3,965
Total general revenues					33,568,548
Change in net position					2,577,269
Net position - beginning					(4,025,609)
Net position - ending					$ (1,448,340)

See notes to baisc financial statements.

Independent School District No. 727
Balance Sheet - Governmental Funds
June 30, 2021

	General	Capital Projects	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	$ 15,483,887	$ 6,885,863	$ 4,608,659	$ 1,300,464	$ 28,278,873
Current property taxes receivable	2,411,680	-	2,555,141	144,552	5,111,373
Delinquent property taxes receivable	76,742	-	89,885	6,445	173,072
Accounts receivable	196,016	-	-	34,547	230,563
Interest receivable	7,705	8,586	-	-	16,291
Due from Department of Education	1,945,764	-	39,542	28,621	2,013,927
Due from Federal Government through Department of Education	182,200	-	-	65,497	247,697
Due from other Minnesota school districts	397,068	-	-	6,166	403,234
Due from other governmental units	35,657	-	22,113	8,687	66,457
Inventory	-	-	-	36,087	36,087
Prepaid items	156,596	-	-	-	156,596
Total assets	$ 20,893,315	$ 6,894,449	$ 7,315,340	$ 1,631,066	$ 36,734,170
Liabilities					
Accounts and contracts payable	$ 434,744	$ 2,087,654	$ -	$ 86,228	$ 2,608,626
Salaries and benefits payable	3,811,633	-	-	102,033	3,913,666
Due to other Minnesota school districts	175,146	-	-	48	175,194
Due to other governmental units	74,456	-	-	207,936	282,392
Unearned revenue	191,879	-	-	87,055	278,934
Severance payable	8,254	-	-	-	8,254
Total liabilities	4,696,112	2,087,654	-	483,300	7,267,066
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	76,742	-	89,885	6,445	173,072
Property taxes levied for subsequent year's expenditures	4,722,149	-	5,319,432	303,811	10,345,392
Total deferred inflows of resources	4,798,891	-	5,409,317	310,256	10,518,464
Fund Balances					
Nonspendable	156,596	-	-	36,087	192,683
Restricted	1,488,070	4,806,795	1,906,023	831,304	9,032,192
Committed	924,794	-	-	-	924,794
Assigned	995,517	-	-	-	995,517
Unassigned	7,833,335	-	-	(29,881)	7,803,454
Total fund balances	11,398,312	4,806,795	1,906,023	837,510	18,948,640
Total liabilities, deferred inflows of resources, and fund balances	$ 20,893,315	$ 6,894,449	$ 7,315,340	$ 1,631,066	$ 36,734,170

See notes to basic financial statements.

Independent School District No. 727
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2021

Total fund balances - governmental funds		$ 18,948,640
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.		
Cost of capital assets	104,607,892	
Less accumulated depreciation	(41,230,914)	
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bond principal payable (net of premiums)	(49,755,309)	
Capital lease payable	(56,386)	
Compensated absences payable	(215,803)	
Severance payable	(298,054)	
Net pension liability	(23,624,117)	
OPEB obligation	(597,620)	
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.		
Deferred outflows of resources related to pensions	9,708,922	
Deferred inflows of resources related to pensions	(17,451,871)	
Deferred outflows of resources related to OPEB	110,313	
Deferred inflows of resources related to OPEB	(1,133,429)	
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	173,072	
Equity interest in underlying capital assets of joint ventures are not reported in the funds because they do not represent current financial assets (liabilities).		
Equity interest in joint venture - Wright Technical Center	(18,072)	
Governmental funds do not report a liability for accrued interest on bonds until due and payable.	(615,604)	
Total net position - governmental activities		$ (1,448,340)

See notes to basic financial statements.

Independent School District No. 727
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2021

	General	Capital Projects	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	$ 4,932,335	$ -	$ 5,206,596	$ 391,393	$ 10,530,324
Other local and county revenues	1,085,439	16,427	11,851	1,329,439	2,443,156
Revenue from state sources	29,664,130	-	407,575	302,518	30,374,223
Revenue from federal sources	1,658,060	-	-	1,254,879	2,912,939
Sales and other conversion of assets	19,005	-	-	88,615	107,620
Total revenues	37,358,969	16,427	5,626,022	3,366,844	46,368,262
Expenditures					
Current					
Administration	1,296,301	-	-	-	1,296,301
District support services	1,126,490	-	-	-	1,126,490
Elementary and secondary regular instruction	16,063,398	-	-	-	16,063,398
Vocational education instruction	645,875	-	-	-	645,875
Special education instruction	7,737,616	-	-	-	7,737,616
Instructional support services	2,505,470	-	-	-	2,505,470
Pupil support services	2,831,593	-	-	-	2,831,593
Sites and buildings	3,227,113	433,509	-	-	3,660,622
Fiscal and other fixed cost programs	209,634	-	-	-	209,634
Food service	-	-	-	1,281,051	1,281,051
Community education and services	-	-	-	1,892,810	1,892,810
Capital outlay					
Elementary and secondary regular instruction	124,551	-	-	-	124,551
Vocational education instruction	1,200	-	-	-	1,200
Special education instruction	50,801	-	-	-	50,801
Instructional support services	67,783	-	-	-	67,783
Pupil support services	581	-	-	-	581
Sites and buildings	156,497	7,583,384	-	-	7,739,881
Community education and services	-	-	-	17,765	17,765
Debt service					
Principal	55,335	-	4,300,000	-	4,355,335
Interest and fiscal charges	2,122	-	1,506,919	-	1,509,041
Total expenditures	36,102,360	8,016,893	5,806,919	3,191,626	53,117,798
Excess of revenues over (under) expenditures	1,256,609	(8,000,466)	(180,897)	175,218	(6,749,536)
Other Financing Sources					
Proceeds from sale of capital assets	3,965	-	-	-	3,965
Bond issuance	-	7,794,860	180,140	-	7,975,000
Bond premium	-	174,620	-	-	174,620
Transfers in	-	-	100,819	-	100,819
Transfers out	-	-	-	(100,819)	(100,819)
Total other financing sources	3,965	7,969,480	280,959	(100,819)	8,153,585
Net change in fund balances	1,260,574	(30,986)	100,062	74,399	1,404,049
Fund Balances					
Beginning of year	10,137,738	4,837,781	1,805,961	763,111	17,544,591
End of year	$ 11,398,312	$ 4,806,795	$ 1,906,023	$ 837,510	$ 18,948,640

See notes to basic financial statements.

Independent School District No. 727
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Funds
Year Ended June 30, 2021

Net change in fund balances - total governmental funds		$ 1,404,049
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays	8,051,634	
Depreciation expense	(2,573,157)	
Loss on disposal	(93,189)	
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.		(4,326)
Severance payments are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.		75,699
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on the full accrual perspective.		
Pension expense		(1,014,310)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.		4,355,335
OPEB obligations are recognized when paid in the governmental funds but recognized when incurred in the Statement of Activities.		96,086
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		7,252
Proceeds from the sale of bonds are recognized as other financing sources in the governmental funds increasing fund balance but having no effect on net position in the Statement of Activities.		(7,975,000)
Governmental funds report debt issuance premiums and discounts as an other financing source or use at the time of issuance. Premiums and discounts are reported as an unamortized asset or liability in the government-wide financial statements.		
Debt issuance premium		234,656
Net loss from the equity interest in joint venture does not provide current financial resources and is not reported as revenue in the funds.		(1,859)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		14,399
Change in net position - governmental activities		$ 2,577,269

See notes to basic financial statements.

Independent School District No. 727
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund
Year Ended June 30, 2021

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Local property taxes	$ 4,844,116	$ 4,983,953	$ 4,932,335	$ (51,618)
Other local and county revenues	1,064,200	1,040,691	1,085,439	44,748
Revenue from state sources	29,656,528	29,245,429	29,664,130	418,701
Revenue from federal sources	715,112	1,748,986	1,658,060	(90,926)
Sales and other conversion of assets	84,325	26,094	19,005	(7,089)
Total revenues	36,364,281	37,045,153	37,358,969	313,816
Expenditures				
Current				
Administration	1,331,711	1,308,658	1,296,301	(12,357)
District support services	1,240,357	1,234,392	1,126,490	(107,902)
Elementary and secondary regular instruction	15,715,030	16,005,679	16,063,398	57,719
Vocational education instruction	669,087	667,829	645,875	(21,954)
Special education instruction	8,432,575	8,057,916	7,737,616	(320,300)
Instructional support services	2,403,892	2,749,949	2,505,470	(244,479)
Pupil support services	3,133,067	2,928,708	2,831,593	(97,115)
Sites and buildings	3,524,743	3,396,457	3,227,113	(169,344)
Fiscal and other fixed cost programs	206,000	195,664	209,634	13,970
Capital outlay				
Administration	1,200	-	-	-
District support services	29,329	-	-	-
Elementary and secondary regular instruction	296,908	188,308	124,551	(63,757)
Vocational education instruction	1,200	1,200	1,200	-
Special education instruction	53,000	50,801	50,801	-
Instructional support services	293,759	67,835	67,783	(52)
Pupil support services	-	-	581	581
Sites and buildings	130,525	256,025	156,497	(99,528)
Debt service				
Principal	55,335	55,335	55,335	-
Interest and fiscal charges	2,122	2,122	2,122	-
Total expenditures	37,519,840	37,166,878	36,102,360	(1,064,518)
Excess of revenues over (under) expenditures	(1,155,559)	(121,725)	1,256,609	1,378,334
Other Financing Sources				
Proceeds from sale of capital assets	-	3,965	3,965	-
Net change in fund balances	$ (1,155,559)	$ (117,760)	1,260,574	$ 1,378,334
Fund Balance				
Beginning of year			10,137,738	
End of year			$ 11,398,312	

See notes to basic financial statements.

Independent School District No. 727
Statement of Fiduciary Net Position
Year Ended June 30, 2021

	Custodial Fund	Other Post Employment Benefits Irrevocable Trust Fund
Assets		
Current		
Deposits	$ 1,443	$ 646,100
Investments		
Goldman sachs government money market	-	1,732
Vanguard total stock market ETF	-	351,833
Vanguard total bond market ETF	-	256,811
MN Trust limited term duration	-	483,472
MN Trust investment shares portfolio	-	220
Total investments	-	1,094,068
Interest receivable	-	7,900
Total assets	$ 1,443	$ 1,748,068
Liabilities		
Accounts payable	$ 1,443	85,772
Benefits payable	-	43,954
Total liabilities	$ 1,443	$ 129,726
Net Position		
Held in trust for OPEB		$ 1,618,342

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2021

	Other Post Employment Benefits Irrevocable Trust Fund
Additions	
Investment income	$ 141,323
Total additions	141,323
Deductions	
Benefit payments	125,709
Miscellaneous expense	4,065
Total deductions	129,774
Change in net position	11,549
Net Position	
Beginning of year	1,606,793
End of year	$ 1,618,342

See notes to basic financial statements.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a six member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity
The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization′s governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are under the School Board′s control and are not reported separately.

B. Basic Financial Statement Information
The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and the Statement of 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 given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not included among program revenues; instead, they are properly reported as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)
The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

C. Measurement Focus and Basis of Accounting
The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner.

1. Revenue Recognition
Revenue is recognized when it becomes measurable and available. ″Measurable″ means the amount of the transaction can be determined and ″available″ means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures
Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement of Focus and Basis of Accounting (Continued)

Description of Funds:

Major Funds:

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

Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of, G.O. bond principal, interest, and related costs.

Capital Projects Fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue.

Nonmajor Funds:

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

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs, or other similar services.

OPEB Debt Service Fund – This fund is used to account for the financial resources relating to the bond issued for post employment benefits.

Fiduciary Funds:

OPEB Irrevocable Trust Fund – This fund is used to account for the financial resources relating to post employment benefits.

Custodial Fund – This fund is used to account for assets held by a governmental unit as an agent for individuals, private organization, other governmental units, and other funds.

D. Deposits and Investments

The District′s total deposits and investments are comprised of two major components, each with its own set of legal and contractual provisions as described on the following page.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

District Funds Other than OPEB Trust Fund

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Minnesota Statutes requires all deposits be protected by federal depository insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. State statutes authorize the government and the District to invest in obligations of the U.S. Treasury, corporate bonds, commercial paper, and the State Treasurer′s Investment Pool. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investment held by investment pools are measured at amortized cost.

The District′s cash and cash equivalents are considered to be cash on hand, deposits, and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

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

Cash and investments at June 30, 2021, were comprised of deposits, shares in the Minnesota Trust (MNTrust) Term Series, shares in the MNTrust Investment Shares Portfolio and MN Trust Limited Term Duration. In accordance with GASB Statement No. 79, the various MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from MNTrust. Seven days′ notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

OPEB Trust Fund

These funds represent investments administered by the District′s OPEB Trust Fund investment managers. As of June 30, 2021, they were comprised of shares in the MN Trust Investment Shares Portfolio, MN Trust Limited Term Duration, money markets and Vanguard Total Stock Market Exchange Traded Funds. The District′s investment policy, discussed previously, extends to the OPEB Trust Fund investments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

OPEB Trust Fund (Continued)
Minnesota Statutes authorize the OPEB Trust Fund to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers′ acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments. Investments are stated at fair value.

The OPEB Trust Agreement indicates permitted investments include one or more series of MN Trust shares relating to a separate portfolio of investments, or from multi-class shares of MN Trust within the same portfolio.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represents uncollected taxes for the past six years, and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

F. Property Taxes Levied for Subsequent Year′s Expenditures

Property taxes levied for subsequent year′s expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District′s following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2020, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in the fiscal year 2021. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Sherburne County is the collecting agency for the levy and remits the collections to the District three times a year. The Tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

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.

J. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than $3,000 and an estimated useful life in excess of one year. Such 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 costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets 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 purpose. Useful lives vary from 20 to 50 years for land 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, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. Deferred outflows of resources related to pensions, and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources (Continued)
In addition to liabilities, the Statement of Net Position and fund balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. Deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to OPEB is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

L. Long-Term Obligations
In the government-wide financial statements long-term debt and other long term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium.

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

M. Compensated Absences
District employees earn vacation days based upon the number of completed years of service. The District compensates employees for unused vacation upon termination of employment.

The District maintains various sick leave plans for its employee groups. All District employees are entitled to sick leave at various rates. Sick leave may be accumulated to a maximum of 120 days for all employee groups. Unused sick leave is a factor in the calculation of an employee′s severance pay upon retirement under some collective bargaining agreements. The amount of compensated absences is recorded in the Statement of Net Position.

N. Severance Benefits
The District maintains various severance plans for its employee groups. Severance benefits consist of lump sum early retirement incentive payments, severance based upon experience and sick leave balances.

O. Post Employment Health Benefits
Under the terms of certain collectively bargained employment contracts, the District is required to pay the hospital/medical insurance premiums and dental insurance premiums for retired employees until they reach specified age requirements such as Medicare eligibility. The amount to be paid is equal to the full monthly premium cost for insurance coverage available under the appropriate current employment contract.

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis, and Minneapolis School District. The direct aid is a result of the 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 (DTRFA) in 2015.

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

R. Risk Management
The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District′s insurance coverage during the year ending June 30, 2021.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Equity

1. Classification
In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact and include inventory and prepaid items.

- Restricted Fund Balances – These are amounts that are restricted to specific purposes either by constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through enabling legislation.

- Committed Fund Balances – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the School Board (highest level of decision making authority) through resolution.

- Assigned Fund Balances – The School Board delegates to the Director of Business Services, after consultation with the Finance Committee, the authority to assign fund balances for specific purposes.

- Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose in the General Fund.

The District′s policy is to spend resources from fund balance classifications in the following order (first to last) if resources from more than one fund balance classification could be spent: restricted, committed, assigned, and unassigned.

2. Minimum Fund Balance Policy
The District will strive to maintain a minimum General Fund unassigned fund balance of 8% of General Fund operating expenditures. When the District is projected to drop below its minimum fund balance, District administration shall initiate measures to either generate additional revenue or to reduce expenditures through a budget reduction plan, or a combination of both.

T. Net Position
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 on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. 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. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

V. Budgetary Information
The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Director of Business Services submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Director of Business Services is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General, Food Service, Community Service, Capital Projects, and Debt Service Funds.
4. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

District Funds Other than OPEB Trust Fund
Custodial Credit Risk – Deposits: For deposits, this is the risk in the event of a bank failure, the District′s deposits may not be returned to it. The District has a policy that requires the District′s deposits be collateralized by obtaining collateral or bond for all uninsured amounts on deposit and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law.

The District′s pooled deposits had a book balance as follows:

Checking	$ 865,131
Certificates of deposit	4,494,400
Total deposits	$ 5,359,531

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

Bond Proceeds
The District's nonpooled deposits related to Bonds had a book balance as follows:

Certificates of deposit	$ 1,859,700

OPEB Trust Fund
As of June 30, 2021, the District's OPEB Trust Fund has the following non pooled deposits:

Certificates of deposit	$ 646,100

B. Investments

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy refers to *Minnesota Statutes* governing investments. Statutes limits investments in the top two ratings issued by nationally recognized statistical rating organizations. The policy also states the District will prequalify the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business. As of June 30, 2021, the District's investments were rated in the table on following page.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's policy states the District will diversify the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. Diversification strategies shall be determined and revised periodically by the investment officer for all funds as allowed by law.

Interest Rate Risk: This is the risk that the market value of securities will fall due to the changes in market interest rates. The District's policy states interest rate risk will be managed by structuring the investment portfolio, so securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter term securities, money market mutual funds or similar investment pools and limiting the average maturity of the portfolio.

Custodial Credit Risk – Investments: For an investment, this is the risk in the event of the failure of the counterparty; the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy states an annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the investment officer. In addition, the School Board shall annually designate one or more official depositories for District funds. The Finance Manager of the District may also exercise the power of the School Board to designate a depository.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

As of June 30, 2021, the District had the following investments:

Investment Type	Fair Value	Investment Maturities Less Than 1 Year	Investment Maturities 1 to 3 Years	S & P Credit Ratings
Pooled				
MN Trust Term Series	$ 5,000,000	$ 5,000,000	$ -	AAA
MN Trust Limited Term Duration	4,065,194	4,065,194	-	AAA
MN Trust Investment Shares Portfolio	6,420,868	6,420,868	-	AAA
Total pooled investments	15,486,062	15,486,062	-	
Non Pooled				
Bond Proceeds Investments				
MN Trust Investment Shares Portfolio	3,568,303	3,568,303	-	AAA
MN Trust Term Series	2,000,000	2,000,000	-	AAA
Total 2015A, 2015B and 2017B Bonds	5,568,303	5,568,303	-	
OPEB Investments				
Goldman Sachs Government Money Market	1,732	1,732	-	NR
Vanguard Total Stock Market ETF	351,833	351,833	-	NR
Vanguard Total Bond Market ETF	256,811	256,811	-	NR
MN Trust Limited Term Duration	483,472	483,472	-	AAA
MN Trust Investment Shares Portfolio	220	220	-	AAA
Total OPEB Investments	1,094,068	1,094,068	-	
Total non-pooled investments	6,662,371	6,662,371	-	
Total investments	$ 22,148,433	$ 22,148,433	$ -	

The District has the following recurring fair value measurements as of June 30, 2021:

- $608,644 of investments are valued using quoted market prices (Level 1 inputs)
- $1,732 of investments are valued using a significant other observable (Level 2 inputs)

C. Deposits and Investments

The following is a summary of total deposits and investments:

District Governmental Funds and Private Purpose Trust Fund	
Deposits - pooled (Note 2A)	$ 5,359,531
Deposits - non pooled (Note 2A)	1,859,700
Deposits - non pooled (Note 2A)	646,100
Petty cash	6,720
Investments - pooled	15,486,062
Investments - non pooled	5,568,303
Investments - non pooled	1,094,068
Total deposits and investments	$ 30,020,484

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)

Statement of Net Position	
Cash and investments	$ 28,278,873
Statement of Fiduciary Net Position	
Cash - Agency Fund	1,443
Irrevocable Trust Fund	1,740,168
Total	$ 30,020,484

NOTE 3 – INTERFUND TRANSFERS

The Other Post Employment Benefits Debt Service Fund transferred $100,819 to the Debt Service Fund to close the Other Post Employment Benefits Debt Service Fund.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 784,389	$ -	$ -	$ 784,389
Construction in progress	5,389,338	7,469,809	2,445,143	10,414,004
Total capital assets not being depreciated	6,173,727	7,469,809	2,445,143	11,198,393
Capital assets being depreciated				
Land improvements	6,244,760	2,445,143	-	8,689,903
Buildings	79,564,843	348,247	52,270	79,860,820
Machinery and equipment	4,998,197	233,578	372,999	4,858,776
Total capital assets being depreciated	90,807,800	3,026,968	425,269	93,409,499
Less accumulated depreciation for				
Land improvements	1,586,301	345,769	-	1,932,070
Buildings	35,020,863	1,826,264	24,236	36,822,891
Machinery and equipment	2,382,673	401,124	307,844	2,475,953
Total accumulated depreciation	38,989,837	2,573,157	332,080	41,230,914
Total capital assets being depreciated, net	51,817,963	453,811	93,189	52,178,585
Governmental activities, capital assets, net	$ 57,991,690	$ 7,923,620	$ 2,538,332	$ 63,376,978

Depreciation expense of for the year ended June 30, 2021, was charged to the following governmental functions:

Administration	$ 22,565
District support services	731
Elementary and secondary regular instruction	1,125,692
Vocational instruction	234
Special education instruction	29,722
Instructional support services	205,652
Pupil support services	13,252
Sites and buildings	1,033,602
Food service	121,316
Community service	20,391
Total depreciation expense	$ 2,573,157

NOTE 5 – LONG TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. bonds including refunding bonds						
G.O. School Building Refunding G.O. Refunding Bonds, Series 2012B	04/25/12	5.00%	$ 8,730,000	02/01/25	$ 8,730,000	$ -
G.O. School Building Refunding Bonds, Series 2015A	11/03/15	2.00%-4.00%	14,490,000	02/01/22	3,955,000	3,955,000
G.O. Facilities Maintenance Bonds, Series 2016A	02/18/16	3.00%-5.00%	5,120,000	02/01/31	3,820,000	330,000
G.O. School Building Bonds Series 2016B	07/27/16	2.00%-2.75%	4,000,000	02/01/33	4,000,000	-
G.O. School Building Bonds Series 2017A	02/16/17	2.50%-3.00%	5,080,000	02/01/33	5,080,000	-
G.O. Facilities Maintenance Bonds, Series 2017B	12/28/17	3.00%	3,900,000	02/01/33	3,600,000	135,000
G.O. Tax Abatement and Facilities Maintenance Bonds Series 2019A	02/14/19	3.00%-4.00%	3,750,000	02/01/35	3,625,000	130,000
G.O. Facilities Maintenance Bonds, Series 2020A	02/13/20	2.00%-4.00%	7,350,000	02/01/36	7,350,000	-
G.O. Facilities Maintenance Bonds, Series 2021A	02/18/21	1.00%-2.00%	7,975,000	02/01/39	7,975,000	-
Total G.O. bonds					48,135,000	4,550,000
Plus net bond premium					1,620,309	-
Net bonds payable					49,755,309	4,550,000
Capital leases			222,520	7/15/2021	56,386	56,386
Severance payable					306,308	8,254
Compensated absences payable					215,803	-
Total all long-term liabilities					$ 50,333,806	$ 4,614,640

Long-term bond and loan liabilities listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues. Other long-term liabilities, such as severance and compensated absences, are typically liquidated through the General Fund.

B. Minimum Debt Payments for Bonds and Loans

Minimum annual principal and interest payments required to retire bond liabilities:

Year Ending June 30,	G.O. Bonds Principal	Interest	Total
2022	$ 4,550,000	$ 1,482,503	$ 6,032,503
2023	3,650,000	1,267,874	4,917,874
2024	3,695,000	1,093,626	4,788,626
2025	4,030,000	917,474	4,947,474
2026	2,695,000	733,475	3,428,475
2027-2031	14,195,000	2,582,776	16,777,776
2032-2036	13,125,000	868,624	13,993,624
2037-2039	2,195,000	66,150	2,261,150
Total	$ 48,135,000	$ 9,012,502	$ 57,147,502

NOTE 5 – LONG TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	$ 44,460,000	$ 7,975,000	$ 4,300,000	$ 48,135,000
Premium	1,854,965	174,620	409,276	1,620,309
Capital lease	111,721	-	55,335	56,386
Severance payable	381,806	26,206	101,704	306,308
Compensated absences payable	211,477	57,767	53,441	215,803
Total long-term liabilities	$ 47,019,969	$ 8,233,593	$ 4,919,756	$ 50,333,806

On April 23, 2018, the District entered into a lease purchase agreement with Apple Inc. for the acquisition of computer hardware. The capital lease obligation and corresponding equipment totaled $222,520. The capital lease agreement includes annual principal and interest payments of $57,457 for four years.

The future minimum lease obligation and the net present value of these minimum lease payments were as follows:

Year Ending June 30,	
2022	$ 57,457
Total minimum lease payments	57,457
Less amount representing interest	(1,071)
Present value of minimum lease payments	$ 56,386

The assets purchased with the lease did not meet the threshold for capitalization and are not included in fixed assets, therefore there is no depreciation.

NOTE 6 – FUND BALANCES/NET POSITION

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties.

A. Fund Balances

Fund balances are classified on the following page to reflect the limitations and restrictions of the respective funds.

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

	General Fund	Capital Projects Fund	Debt Service Fund	Other Nonmajor Funds	Total
Nonspendable for					
Inventory	$ -	$ -	$ -	$ 36,087	$ 36,087
Prepaid items	156,596	-	-	-	156,596
Total nonspendable	156,596	-	-	36,087	192,683
Restricted/reserved for					
Student Activities	16,002	-	-	-	16,002
Scholarships	15,150	-	-	-	15,150
Staff Development	115,432	-	-	-	115,432
Long-Term Facilities Maintenance	118,029	4,790,158	-	-	4,908,187
Area Learning Center	19,077	-	-	-	19,077
Operating Capital	570,269	-	-	-	570,269
Safe Schools - Crime Levy	2,165	-	-	-	2,165
Capital Projects Levy	369,164	-	-	-	369,164
Medical Assistance	262,782	-	-	-	262,782
Community Education	-	-	-	575,841	575,841
Early Childhood and Family Education	-	-	-	82,302	82,302
Community Service	-	-	-	7,614	7,614
Debt Service	-	-	1,906,023	-	1,906,023
Capital Projects	-	16,637	-	-	16,637
Food Service	-	-	-	165,547	165,547
Total restricted/reserved	1,488,070	4,806,795	1,906,023	831,304	9,032,192
Committed for					
Separation/retirement	895,674	-	-	-	895,674
Liberty shelter	29,120	-	-	-	29,120
Total committed	924,794	-	-	-	924,794
Assigned for					
Q Comp	124,927	-	-	-	124,927
STEM	3,280	-	-	-	3,280
Copier replacement	65,721	-	-	-	65,721
Curriculum materials	81,888	-	-	-	81,888
Special education vehicles	22,907	-	-	-	22,907
Athletics and activities	219,067	-	-	-	219,067
Technology repairs and replacement	42,467	-	-	-	42,467
Middle school sound system	308,786	-	-	-	308,786
Building level activities	126,474	-	-	-	126,474
Total assigned	995,517	-	-	-	995,517
Unassigned for					
General purposes	7,833,335	-	-	-	7,833,335
School Readiness	-	-	-	(29,881)	(29,881)
Total unassigned	7,833,335	-	-	(29,881)	7,803,454
Total fund balances	$ 11,398,312	$ 4,806,795	$ 1,906,023	$ 837,510	$ 18,948,640

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

Nonspendable for Inventory – This balance represents fund balance that has already been spent as inventory.

Nonspendable for Prepaid Items – This balance represents fund balance that has already been spent as prepaid items.

Restricted/Reserved for Student Activities – This balance represents available resources to be used for the extracurricular activity funds raised by the students.

Restricted/Reserved for Scholarships – This balance represents available resources for the scholarship funds.

Restricted/Reserved for Staff Development – This balance represents unspent staff development revenues set aside from general education revenue that were restricted/reserved for staff development related to Finance Codes 316. Expenditures for staff development must equal at least 2% of the basic general education revenue, unless legal stipulations are met (*Minnesota Statutes* 122A.61, subd. 1).

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* 123B.595, subd. 12).

Restricted/Reserved for Area Learning Center – This balance represents amounts restricted for students attending area learning centers. Each district that sends students to an area learning center must restrict an amount equal to the sum of 1) at lease 90 and no more than 100 percent of the district average General Education Revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to *Minnesota Statutes* 126C.10, subd. 2, times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units attending a state-approved area learning center, plus (2) the amount of basic skills revenue generated by pupils attending the area learning center. The amount restricted may only be spent on program costs associated with the area learning center.

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Safe Schools Levy – The unspent resources available from the Safe Schools Levy must be restricted in this account for future use.

Restricted/Reserved for Capital Projects Levy – This balance represents available resources from the capital projects levy to be used for building construction and other projects under *Minnesota Statues* 126C.10, subd. 14. All interest income attributable to the capital projects levy must be credited to this account.

Restricted/Reserved for Medical Assistance – This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* 125A.21, subd. 3).

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)
Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education, and extended day programs.

Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted/Reserved for Community Service – This balance represents the positive fund balance of the Community Service Fund.

Restricted/Reserved for Debt Service – This balance represents the positive fund balance of the Debt Service Fund.

Restricted/Reserved for Capital Projects – This balance represents available resources in the Capital Projects Fund for projects.

Restricted/Reserved for Food Service – This balance represents the positive fund balance of the Food Service Fund.

Committed for Separation/Retirement Benefits – This balance represents resources segregated from the unassigned fund balance for retirement benefits, including compensated absences, pensions, other post employment benefits (OPEB), and termination benefits (as defined in GASB Statements Nos. 16, 27, 45, 47 and 50 and *Minnesota Statutes* 123B.79, subd. 7).

Committed for Liberty Shelter – This balance represents the remaining donation proceeds earmarked for a shelter on Liberty Elementary fields.

Assigned for Q Comp – This balance represents resources segregated from unassigned fund balance for unspent Q Comp, or quality compensation, tax levy, and state aids.

Assigned for STEM – This balance represents resources segregated from the unassigned fund balance for the STEM programming.

Assigned for Copier Replacement – This balance represents resources segregated from the unassigned fund balance for future replacement of copiers.

Assigned for Curriculum Materials – This balance represents resources segregated from the unassigned fund balance for the curriculum materials.

Assigned for Special Education Vehicles – This balance represents resources segregated from the unassigned fund balance for the replacement of special education vans.

Assigned for Athletics and Activities – This balance represents resources segregated from unassigned fund balance for athletics and activity programming.

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)
Assigned for Technology Repairs and Replacement – This balance represents resources segregated from unassigned fund balance for technology protection repairs and replacement of chromebooks.

Assigned for Middle School Sound System – This balance represents resources segregated from unassigned fund balance for upgrading the middle school sound system in the student center.

Assigned for Building Level Activities – This balance represents resources segregated from unassigned fund balance for different student activities that have done fundraising or received donations for specific purposes.

Unassigned for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* 124D.16).

B. Restricted Net Position
Net position restricted for other purposes is comprised of the total positive restricted fund balances within the General Fund plus the total fund balances in the Community Service and Food Service Funds.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2021, was $2,913,805. The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the Liability related to the pensions.

Teachers′ Retirement Association

A. 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 teachers employed by St. Paul Schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Define Contribution Plan (DCR) administered by Minnesota State.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers′ Retirement Association (Continued)

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

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

Tier 1 Benefits

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

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3% per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Tier II Benefits

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers′ Retirement Association (Continued)

Tier II Benefits (Continued)

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

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

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

C. Contribution Rate
Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2019, June 30, 2020, and June 30, 2021, were:

	June 30, 2019		June 30, 2020		June 30, 2021	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.71%	11.00%	11.92%	11.00%	12.13%
Coordinated	7.50%	7.71%	7.50%	7.92%	7.50%	8.13%

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. Amounts are reported in thousands.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

Tier II Benefits (Continued)

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 425,223
Deduct employer contributions not related to future contribution efforts	(56)
Deduct TRA's contributions not included in allocation	(508)
Total employer contributions	424,659
Total non-employer contributions	35,587
Total contributions reported in *Schedule of Employer and Non-Employer Pension Allocations*	$ 460,246

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.

D. Actuarial Assumptions
The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2020
Experience study	June 5, 2015 November 6, 2017, (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2020 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 projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers′ Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestis 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 services 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 over a period of five years as required by GASB 68.

Changes in actuarial assumptions and methods for the July 1, 2020, valuation:

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back five years, and female rates set back seven years. Generational projection uses the MP 2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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 2020 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers′ Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2021, the District reported a liability of $18,839,742 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.2550% at the end of the measurement period and 0.2630% 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	$ 18,839,742
State's proportionate share of the net pension liability associated with the District	1,578,998

For the year ended June 30, 2021, the District recognized pension expense of $2,859,704. Included in this amount, the District recognized $144,647 as pension expense for the support provided by direct aid.

On June 30, 2021, 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	$ 377,813	$ 292,767
Net difference between projected and actual earnings on plan investment	272,717	-
Changes of assumptions	6,870,813	16,016,520
Changes in proportion	341,188	807,873
Contributions to TRA subsequent to the measurement date	1,295,191	-
Total	$ 9,157,722	$ 17,117,160

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers′ Retirement Association (Continued)

F. Net Pension Liability (Continued)
The $1,295,191 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2022	$ 240,829
2023	(5,832,576)
2024	(4,049,737)
2025	393,445
2026	(6,590)
Total	$ (9,254,629)

G. Pension Liability Sensitivity
The following presents the District′s proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.5%) and 1 percent higher (8.5%).

District Proportionate Share of NPL		
In Discount Rate 1% decrease (6.50%)	In Discount Rate Current (7.50%)	In Discount Rate 1% increase (8.50%)
$ 28,843,445	$ 18,839,742	$ 10,597,196

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

H. Pension Plan Fiduciary Net Position
Detailed information about the plan′s fiduciary net position is available in a separately-issued TRA financial report. That can be obtained at www.MinnesotaTRA.org, or 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees′ Retirement Association

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

General Employees Retirement Plan

The General Employees Retirement Plan covers certain full time and part time employees of the District. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees′ Retirement Association (Continued)

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

General Employees Plan Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.5% for Coordinated Plan members in fiscal year 2021. The District′s contributions to the General Employees Plan for the year ended June 30, 2021, were $446,811. The District′s contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Plan Pension Costs

At June 30, 2021, the District reported a liability of $4,784,375 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $147,603. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0798% at the end of the measurement period and 0.0806% for the beginning of the period.

School's proportionate share of net pension liability	$ 4,784,375
State of Minnesota's proportionate share of the net pension liability associated with the School	147,603
Total	$ 4,931,978

For the year ended June 30, 2021, the District recognized pension expense of $446,811 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized an additional $12,846 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Pension Costs (Continued)

General Employees Plan Pension Costs (Continued)

At June 30, 2021, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 44,139	$ 18,102
Changes in actuarial assumptions	-	180,805
Difference between projected and actual investments earnings	60,250	-
Changes in proportion	-	135,804
District's contributions to PERA subsequent to the measurement date	446,811	-
Total	$ 551,200	$ 334,711

The $446,811 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, 2022. Other amounts reported as deferred outflows and inflows of resources related pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2022	$ (353,873)
2023	(72,015)
2024	79,975
2025	115,591
Total	$ (230,322)

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Assumptions (Continued)
The total pension liability in the June 30, 2020, 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 the Pub-2010 General Employee Mortality table. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year.

Actuarial assumptions used in the June 30, 2020, valuation was based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

Changes in Actuarial Assumptions
- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was change from two years older for females to one year older.

E. Actuarial Assumptions (Continued)

Changes in Actuarial Assumptions (Continued)
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions
- Augmentation or current privatized members was reduced to 2.0% for the period July 1, 2020, through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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 %
International stocks	17.5	5.30
Bonds (fixed income)	20.0	0.75
Alternative assets (Private markets)	25.0	5.90
Cash	2.0	0.00
Total	100 %	

F. Discount Rates
The discount rate used to measure the total pension liability in 2020 was 7.5%. 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 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

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

	1% Decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the PERA net pension liability	$ 7,667,693	$ 4,784,375	$ 2,405,869

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

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description
The District provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by Blue Cross Blue Shield. It is the District's policy to periodically review its medical coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

B. Benefit Provided
Teachers who apply for early retirement shall remain eligible to receive certain health insurance benefits until the end of the school year in which the teacher becomes Medicare eligible. Full vesting of such amounts occurs upon attaining 56 years of age. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

C. Members
As of June 30, 2021, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	24
Active employees	372
Total	396

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

D. Contributions
Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2021, the District contributed $0 to the plan.

E. Actuarial Assumptions
The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Investment rate of return	3.10%, net of investment expense long-term
Salary increases	Service graded table
Inflation	2.50%
Healthcare cost trend increases	6.5% in 2020 grading to 5.00% over six years
Mortality Assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2019 – June 30, 2020.

The following changes in actuarial assumptions occurred in 2021:

Changes in Actuarial Assumptions:

- The expected long-term investment return was changed from 3.0% to 3.1%.
- The discount rate was changed from 2.5% to 2.4%.

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

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

Asset Class	Target	Long-Term Expected Real Rate of Return
Domestic equity	20.00 %	7.5 %
Fixed income	79.95	2.0
Cash	0.05	1.0
Total	100 %	3.1 %

The details of the investments and the investment policy are described in Note 2. of the District's financial statements. For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investments expenses, was 3.10%.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 2.4%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. Changes in Net Other Post Employment Benefit Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020	$ 3,017,061	$ 1,606,793	$ 1,410,268
Changes for the year			
Service cost	168,800	-	168,800
Interest	77,064	-	77,064
Assumption changes	(87,357)	-	(87,357)
Employer contributions	-	82,172	(82,172)
Projected investment income	-	49,811	(49,811)
Differences between expected and actual economic experience	(751,726)	87,696	(839,422)
Benefit payments	(207,881)	(207,881)	-
Administrative expense	-	(250)	250
Net changes	(801,100)	11,548	(812,648)
Balances at June 30, 2021	$ 2,215,961	$ 1,618,341	$ 597,620

Plan fiduciary net position as a percentage of the total OPEB liability 73.03%

H. Other Post Employment Benefit Liability Sensitivity

The following presents the District's net OPEB liability calculated using the discount rate of 2.4% as well as the liability measured using 1 percent lower and 1 percent higher than the current discount rate.

	1% decrease Decrease in Discount Rate (1.4%)	Current Decrease in Discount Rate (2.4%)	1% increase Decrease in Discount Rate (3.4%)
Net OPEB Liability	$ 711,521	$ 597,620	$ 484,867

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percent lower and 1 percent higher than the current healthcare cost trend rates. The decrease in healthcare cost trend rates is over seven years.

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. Other Post Employment Benefit Liability Sensitivity (Continued)

	1% decrease (5.25% decreasing to 4.0%)	Current (6.25% decreasing to 5.0%)	1% increase (7.25% decreasing to 6.0%)
Net OPEB Liability	$ 410,634	$ 597,620	$ 817,227

I. Other Post Employment Benefit Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post Employment Benefit

For the year ended June 30, 2021, the District recognized OPEB expense of $13,914. At June 30, 2021, the Distract 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
Liability gains	$ -	$ 942,230
Assumption changes	110,313	114,844
Investment gains	-	76,355
Total	$ 110,313	$ 1,133,429

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

I. Other Post Employment Benefit Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post Employment Benefit (Continued)

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

Year Ending June 30,	Total
2022	$ (202,880)
2023	(203,213)
2024	(203,359)
2025	(187,759)
2026	(106,042)
Thereafter	(119,863)
Total	$ (1,023,116)

J. Payable from the OPEB Plan

At June 30, 2021, the OPEB plan reported a payable of $85,772 to the District. The amount is reported as a payable on the OPEB Trust Fund Statement of Fiduciary Net Position.

NOTE 9 – JOINT POWERS AGREEMENT

The District entered into a joint powers agreement in February 1998 between and among eight other area independent school districts and Wright Technical Center No. 996 (WTC), a cooperative center for vocational education, to finance the acquisition and betterment of an addition to the existing WTC facilities.

The addition is being financed through capital lease agreements. Each participating district annually authorizes a leasing levy to cover their allocated portion of the lease payment based on the formula set out in the joint powers agreement. Participating districts will also be apportioned operating costs and continuing capital costs for the addition based on the current cost allocation formula.

Separately issued financial statements can be obtained from Wright Technical Center, 1400 Highway 25 North, Buffalo, Minnesota 55313-1936.

NOTE 10 – COMMITMENTS

Description	Contract Amount	Expended through June 30, 2018	Remaining Commitment
Middle School HVAC project	$ 12,681,604	$ 9,518,380	$ 3,163,224
Independence boiler replacement and Middle School HVAC project engineering	48,000	18,931	29,069
Total	$ 12,729,604	$ 9,537,311	$ 3,192,293

NOTE 11 - SUBSEQUENT EVENT

In November 2021, the District issued $8,020,000 General Obligation Refunding Bonds, Series 2021B to current refund the General Obligation Refunding Bonds, Series 2012B.

NOTE 12 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending June 30, 2022.

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REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 727
Schedule of Changes in Net OPEB Liability
and Related Ratios

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability					
Service cost	$ 168,800	$ 197,753	$ 172,521	$ 180,473	$ 192,545
Interest	77,064	93,513	113,540	94,654	93,888
Changes of assumptions	(87,357)	96,832	72,013	(93,263)	-
Differenced between expected and actual experience	(751,726)	-	(521,316)	-	-
Benefit payments	(207,881)	(189,650)	(177,734)	(209,937)	(285,466)
Net change in total OPEB liability	(801,100)	198,448	(340,976)	(28,073)	967
Beginning of year	3,017,061	2,818,613	3,159,589	3,187,662	3,186,695
End of year	$ 2,215,961	$ 3,017,061	$ 2,818,613	$ 3,159,589	$ 3,187,662
Plan Fiduciary Net Pension (FNP)					
Employer contributions	$ 82,172	$ -	$ 89,079	$ 112,897	$ 152,807
Projected investment income	49,811	52,109	59,286	64,821	43,551
Differences beetween expected and actual experience	87,696	11,402	-	(1,668)	36,699
Benefit payments	(207,881)	(189,650)	(177,734)	(209,937)	(285,466)
Administrative expense	(250)	(4,033)	(250)	(250)	(250)
Net change in plan fiduciary net position	11,548	(130,172)	(29,619)	(34,137)	(52,659)
Beginning of year	1,606,793	1,736,965	1,766,584	1,800,721	1,853,380
End of year	$ 1,618,341	$ 1,606,793	$ 1,736,965	$ 1,766,584	$ 1,800,721
Net OPEB liability	$ 597,620	$ 1,410,268	$ 1,081,648	$ 1,393,005	$ 1,386,941
Plan FNP as a percentage of the total OPEB liability	73.03%	53.26%	61.62%	55.91%	56.49%
Covered-employee payroll	$ 20,994,271	$ 20,561,896	$ 19,963,006	$ 19,228,177	$ 18,668,133
Net OPEB liability as a percentage of covered-employee pay	2.85%	6.86%	5.42%	7.24%	7.43%

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

Independent School District No. 727
Schedule of Employer Contributions - OPEB

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Actuarially determined contribution	$ -	$ -	$ 89,079	$ 112,897	$ 152,807
Contributions in relation to the actuarially determined contribution	-	-	89,079	112,897	152,807
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 20,994,271	$ 20,561,896	$ 19,963,006	$ 19,228,177	$ 18,668,133
Contributions as a percentage of covered-employee	0.00%	0.00%	0.45%	0.59%	0.82%

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

Independent School District No. 727
Schedule of Investment Returns

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Annual money-weighted rate of return, net of investment expense	3.10%	3.00%	3.40%	3.50%	4.30%

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

Independent School District No. 727
Schedule of District's and Non-Employer Proportionate Share (if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0950%	$ 4,462,624	$ -	$ -	$ 4,986,276	89.5%	78.75%
2015	0.0919%	4,762,735	-	-	5,459,160	87.2%	78.19%
2016	0.0889%	7,218,239	94,209	7,312,448	5,513,720	130.9%	68.91%
2017	0.0843%	5,381,656	67,686	5,449,342	5,432,067	99.1%	75.90%
2018	0.0843%	4,676,618	153,463	4,830,081	5,667,080	82.5%	79.53%
2019	0.0806%	4,456,193	138,494	4,594,687	5,705,227	78.1%	80.23%
2020	0.0798%	4,784,375	147,603	4,931,978	5,691,653	84.1%	79.06%

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

Schedule of District's and Non-Employer Proportionate Share (if Applicable) of Net Pension Liability
Last Ten Years TRA Retirement Fund

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.2996%	$ 13,805,352	$ 971,259	$ 14,776,611	$ 13,677,649	100.9%	81.50%
2015	0.2673%	16,535,149	2,028,282	18,563,431	13,729,307	120.4%	78.77%
2016	0.2592%	61,825,385	6,205,287	68,030,672	13,481,080	458.6%	44.88%
2017	0.2607%	52,040,449	5,030,565	57,071,014	14,031,107	370.9%	51.57%
2018	0.2577%	16,185,972	1,520,654	17,706,626	14,239,253	113.7%	78.07%
2019	0.2630%	16,763,675	1,483,666	18,247,341	14,931,686	112.3%	78.21%
2020	0.2550%	18,839,742	1,578,998	20,418,740	14,817,563	127.1%	75.48%

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. 727
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 361,505	$ 361,505	$ -	$ 4,986,276	7.25%
2015	409,437	409,437	-	5,459,160	7.50%
2016	413,529	413,529	-	5,513,720	7.50%
2017	407,405	407,405	-	5,432,067	7.50%
2018	425,031	425,031	-	5,667,080	7.50%
2019	427,892	427,892	-	5,705,227	7.50%
2020	426,874	426,874	-	5,691,653	7.50%
2021	446,811	446,811	-	5,957,480	7.50%

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

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 957,435	$ 957,435	$ -	$ 13,677,649	7.00%
2015	1,029,698	1,029,698	-	13,729,307	7.50%
2016	1,011,081	1,011,081	-	13,481,080	7.50%
2017	1,052,333	1,052,333	-	14,031,107	7.50%
2018	1,067,944	1,067,944	-	14,239,253	7.50%
2019	1,151,233	1,151,233	-	14,931,686	7.71%
2020	1,173,551	1,173,551	-	14,817,563	7.92%
2021	1,295,191	1,295,191	-	15,931,009	8.13%

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

See notes to required supplementary information.

TRA Retirement Fund

2020 Changes
Changes in Actuarial Assumptions

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 Changes
Changes in Actuarial Assumptions

- None

2018 Changes
Changes in Actuarial Assumptions

- The discount rate was increased to 7.50% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0.0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes
Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.

TRA Retirement Fund (Continued)

2017 Changes (Continued)

- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes
Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes
Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

TRA Retirement Fund (Continued)

2015 Changes
Changes in Actuarial Assumptions
- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

Independent School District No. 727
Notes to the Required Supplementary Information

General Employees Fund

2020 Changes
Changes in Actuarial Assumptions
- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retires electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions
- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 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 million to $21 million per year. The State's special funding contribution was changes prospectively, requiring $16 million due per year through 2031.

2018 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

General Employees Fund (Continued)

2018 Changes (Continued)
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% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes
Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

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

2016 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

General Employees Fund (Continued)

2015 Changes
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 $6.0 million, which meets the special funding situation definition, was due September 2015.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Independent School District No. 727
Notes to the Required Supplementary Information

Post Employment Health Care Plan

2021 Changes
Changes in Actuarial Assumptions
- The expected long-term investment return was changed from 3.0% to 3.1%.
- The discount rate was changed from 2.5% to 2.4%.

2020 Changes
Changes in Actuarial Assumptions
- The expected long-term investment return was changed from 3.4% to 3.0%.
- The discount rate was changed from 3.2% to 2.5%.

2019 Changes
Changes in Actuarial Assumptions
- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The expected long-term investment return was changed from 3.6% to 3.4%.
- The discount rate was changed from 3.5% to 3.2%.

2018 Changes
- For the fiscal year ended June 30, 2018, the expected long-term investment return was changed from 2.35% to 3.60% and the discount rate was changed from 2.90% to 3.50%.

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SUPPLEMENTRY INFORMATION

Independent School District No. 727
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2021

	Special Revenue Funds		
	Food Service	Community Service	Total Nonmajor Funds
Assets			
Cash and investments (including cash equivalents)	$ 438,177	$ 862,287	$ 1,300,464
Current property taxes receivable	-	144,552	144,552
Delinquent property taxes receivable	-	6,445	6,445
Accounts receivable	489	34,058	34,547
Due from Department of Education	338	28,283	28,621
Due from Federal Government through Department of Education	61,560	3,937	65,497
Due from other Minnesota school districts	-	6,166	6,166
Due from other governmental units	-	8,687	8,687
Inventory	36,087	-	36,087
Total assets	$ 536,651	$ 1,094,415	$ 1,631,066
Liabilities			
Accounts payable	$ 69,269	$ 16,959	$ 86,228
Salaries and benefits payable	632	101,401	102,033
Due to other Minnesota districts	-	48	48
Due to other governmental units	207,636	300	207,936
Unearned revenue	57,480	29,575	87,055
Total liabilities	335,017	148,283	483,300
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	-	6,445	6,445
Property taxes levied for subsequent year's expenditures	-	303,811	303,811
Total deferred inflows of resources	-	310,256	310,256
Fund Balances			
Nonspendable	36,087	-	36,087
Restricted	165,547	665,757	831,304
Unassigned	-	(29,881)	(29,881)
Total fund balances	201,634	635,876	837,510
Total liabilities, deferred inflows of resources, and fund balances	$ 536,651	$ 1,094,415	$ 1,631,066

Independent School District No. 727
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2021

	Special Revenue Funds: Food Service	Special Revenue Funds: Community Service	Other Post Employment Benefits Debt Service Fund	Total Nonmajor Funds
Revenues				
Local property taxes	$ -	$ 391,393	$ -	$ 391,393
Other local and county revenues	5,030	1,324,409	-	1,329,439
Revenue from state sources	7,183	295,335	-	302,518
Revenue from federal sources	1,126,568	128,311	-	1,254,879
Sales and other conversion of assets	77,459	11,156	-	88,615
Total revenues	1,216,240	2,150,604	-	3,366,844
Expenditures				
Current				
Food service	1,281,051	-	-	1,281,051
Community education and services	-	1,892,810	-	1,892,810
Capital outlay	-	17,765	-	17,765
Total expenditures	1,281,051	1,910,575	-	3,191,626
Excess of revenues over (under) expenditures	(64,811)	240,029	-	175,218
OTHER FINANCING USES				
Transfers Out	-	-	(100,819)	(100,819)
Net Change in Fund Balances	(64,811)	240,029	(100,819)	74,399
Fund Balances				
Beginning of year	266,445	395,847	100,819	763,111
End of year	$ 201,634	$ 635,876	$ -	$ 837,510

Independent School District No. 727
Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2021

	Budgeted Amounts: Original	Budgeted Amounts: Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Local property taxes	$ 4,844,116	$ 4,983,953	$ 4,932,335	$ (51,618)
Other local and county revenues	1,064,200	1,040,691	1,085,439	44,748
Revenue from state sources	29,656,528	29,245,429	29,664,130	418,701
Revenue from federal sources	715,112	1,748,986	1,658,060	(90,926)
Sales and other conversion of assets	84,325	26,094	19,005	(7,089)
Total revenues	36,364,281	37,045,153	37,358,969	313,816
Expenditures				
Current				
Administration				
Salaries	931,092	931,092	933,868	2,776
Employee benefits	316,440	326,117	317,957	(8,160)
Purchased services	21,962	22,845	16,951	(5,894)
Supplies and materials	4,500	4,272	3,659	(613)
Capital expenditures	1,200	-	-	-
Other expenditures	57,717	24,332	23,866	(466)
Total administration	1,332,911	1,308,658	1,296,301	(12,357)
District support services				
Salaries	697,296	726,543	695,723	(30,820)
Employee benefits	285,009	266,769	229,613	(37,156)
Purchased services	199,242	229,270	193,091	(36,179)
Supplies and materials	8,700	13,050	10,833	(2,217)
Capital expenditures	29,329	-	-	-
Other expenditures	50,110	(1,240)	(2,770)	(1,530)
Total district support services	1,269,686	1,234,392	1,126,490	(107,902)
Elementary and secondary				
Regular instruction				
Salaries	10,580,125	10,733,110	10,663,128	(69,982)
Employee benefits	3,835,984	3,887,769	3,862,131	(25,638)
Purchased services	749,089	625,801	602,944	(22,857)
Supplies and materials	514,234	726,342	905,741	179,399
Capital expenditures	296,908	188,308	124,551	(63,757)
Other expenditures	35,598	32,657	29,454	(3,203)
Total elementary and secondary regular instruction	16,011,938	16,193,987	16,187,949	(6,038)

Independent School District No. 727
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2021

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures				
Current (continued)				
Vocational education instruction				
Salaries	$ 315,532	$ 318,581	$ 305,215	$ (13,366)
Employee benefits	144,786	145,763	137,658	(8,105)
Purchased services	173,969	174,416	174,183	(233)
Supplies and materials	34,800	29,069	28,819	(250)
Capital expenditures	1,200	1,200	1,200	-
Total vocational education instruction	670,287	669,029	647,075	(21,954)
Special education instruction				
Salaries	5,697,307	5,434,939	5,222,547	(212,392)
Employee benefits	2,442,855	2,329,677	2,254,492	(75,185)
Purchased services	253,138	244,514	240,453	(4,061)
Supplies and materials	39,275	48,786	20,124	(28,662)
Capital expenditures	53,000	50,801	50,801	-
Total special education instruction	8,485,575	8,108,717	7,788,417	(320,300)
Instructional support services				
Salaries	1,304,124	1,286,023	1,281,694	(4,329)
Employee benefits	414,095	405,572	406,989	1,417
Purchased services	91,541	103,538	61,399	(42,139)
Supplies and materials	588,112	950,591	750,599	(199,992)
Capital expenditures	293,759	67,835	67,783	(52)
Other expenditures	6,020	4,225	4,789	564
Total instructional support services	2,697,651	2,817,784	2,573,253	(244,531)
Pupil support services				
Salaries	830,171	878,384	877,265	(1,119)
Employee benefits	293,035	335,814	310,052	(25,762)
Purchased services	1,927,357	1,646,399	1,580,037	(66,362)
Supplies and materials	67,214	52,821	50,879	(1,942)
Capital expenditures	-	-	581	581
Other expenditures	15,290	15,290	13,360	(1,930)
Total pupil support services	3,133,067	2,928,708	2,832,174	(96,534)

Independent School District No. 727
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2021

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures				
Current (continued)				
Sites and buildings				
Salaries	$ 1,170,788	$ 1,164,147	$ 1,126,584	$ (37,563)
Employee benefits	519,353	541,263	527,822	(13,441)
Purchased services	1,643,502	1,450,140	1,331,752	(118,388)
Supplies and materials	184,800	235,672	235,749	77
Capital expenditures	130,525	256,025	156,497	(99,528)
Other expenditures	6,300	5,235	5,206	(29)
Total sites and buildings	3,655,268	3,652,482	3,383,610	(268,872)
Fiscal and other fixed cost programs				
Purchased services	194,000	183,664	191,234	7,570
Other expenditures	12,000	12,000	18,400	6,400
Total fiscal and other fixed Cost programs	206,000	195,664	209,634	13,970
Debt Service				
Principal	55,335	55,335	55,335	-
Interest and fiscal charges	2,122	2,122	2,122	-
Total debt service	57,457	57,457	57,457	-
Total expenditures	37,519,840	37,166,878	36,102,360	(1,064,518)
Excess of revenues over (under) expenditures	(1,155,559)	(121,725)	1,256,609	1,378,334
Other Financing Sources				
Proceeds from sale of capital assets	-	3,965	3,965	-
Net change in fund balances	$ (1,155,559)	$ (117,760)	1,260,574	$ 1,378,334
Fund Balance				
Beginning of year			10,137,738	
End of year			$ 11,398,312	

Independent School District No. 727
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Food Service Fund
Year Ended June 30, 2021

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Other local and county revenues	$ 1,520	$ 1,045	$ 5,030	$ 3,985
Revenue from state sources	98,000	6,845	7,183	338
Revenue from federal sources	644,350	1,075,134	1,126,568	51,434
Sales and other conversion of assets	911,980	81,287	77,459	(3,828)
Total revenues	1,655,850	1,164,311	1,216,240	51,929
Expenditures				
Current				
Food service	1,655,850	1,256,241	1,281,051	24,810
Total expenditures	1,655,850	1,256,241	1,281,051	24,810
Excess of revenues over (under) expenditures	$ -	$ (91,930)	(64,811)	$ 27,119
Fund Balance				
Beginning of year			266,445	
End of year			$ 201,634	

Independent School District No. 727
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Service Fund
Year Ended June 30, 2021

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Local property taxes	$ 390,144	$ 391,781	$ 391,393	$ (388)
Other local and county revenues	1,247,202	1,163,445	1,324,409	160,964
Revenue from state sources	290,313	290,313	295,335	5,022
Revenue from federal sources	-	124,392	128,311	3,919
Sales and other conversion of assets	12,800	11,300	11,156	(144)
Total revenues	1,940,459	1,981,231	2,150,604	169,373
Expenditures				
Current				
Community education and services	2,164,052	1,886,927	1,892,810	5,883
Capital outlay				
Community education and services	9,580	22,491	17,765	(4,726)
Total expenditures	2,173,632	1,909,418	1,910,575	1,157
Excess of revenues over (under) expenditures	$ (233,173)	$ 71,813	240,029	$ 168,216
Fund Balance				
Beginning of year			395,847	
End of year			$ 635,876	

Independent School District No. 727
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2021

	Audit	UFARS	Audit-UFARS
01 GENERAL FUND			
Total revenue	$ 37,358,969	$ 37,358,969	$ -
Total expenditures	36,102,360	36,102,364	(4)
Nonspendable:			
4.60 Nonspendable fund balance	156,596	156,596	-
Restricted/reserved:			
4.01 Student Activities	16,002	16,002	-
4.02 Scholarships	15,150	15,150	-
4.03 Staff Development	115,432	115,432	-
4.07 Capital Projects Levy	369,164	369,164	-
4.08 Cooperative Programs	-	-	-
4.09 Alternative Facility Program	-	-	-
4.13 Building Projects Funded by COP/LP	-	-	-
4.14 Operating Debt	-	-	-
4.16 Levy Reduction	-	-	-
4.17 Taconite Building Maintenance	-	-	-
4.24 Operating Capital	570,269	570,268	1
4.26 $25 Taconite	-	-	-
4.27 Disabled Accessibility	-	-	-
4.28 Learning and Development	-	-	-
4.34 Area Learning Center	19,077	19,077	-
4.35 Contracted Alternative Programs	-	-	-
4.36 State Approved Alternative Program	-	-	-
4.38 Gifted and Talented	-	-	-
4.40 Teacher Development and Evaluation	-	-	-
4.41 Basic Skills Programs	-	-	-
4.46 First Grade Preparedness	-	-	-
4.48 Achievement and Integration	-	-	-
4.49 Safe School Crime	2,165	2,165	-
4.51 QZAB Payments	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-
4.59 Basic Skills Extended Time	-	-	-
4.67 Long-term Facilities Maintenance	118,029	118,029	-
4.72 Medical Assistance	262,782	262,782	-
4.75 Title VII - Impact Aid	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-
Restricted:			
4.64 Restricted fund balance	-	-	-
Committed:			
4.18 Committed for separation	895,674	895,674	-
4.61 Committed for separation	29,120	29,120	-
Assigned:			
4.62 Assigned fund balance	995,517	995,517	-
Unassigned:			
4.22 Unassigned fund balance (net position)	7,833,335	7,833,334	1
02 FOOD SERVICE FUND			
Total revenue	$ 1,216,240	$ 1,216,240	$ -
Total expenditures	1,281,051	1,281,054	(3)
Nonspendable:			
4.62 Nonspendable fund balance	36,087	36,088	(1)
Restricted/Reserved:			
4.52 OPEB liabilities not held in trust	-	-	-
Restricted:			
4.64 Restricted fund balance	165,547	165,543	4
Unassigned:			
4.63 Unassigned fund balance	-	-	-
04 COMMUNITY SERVICE FUND			
Total revenue	$ 2,150,604	$ 2,150,608	$ (4)
Total expenditures	1,910,575	1,910,576	(1)
Capital lease payable			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.26 $25 Taconite	-	-	-
4.31 Community Education	575,841	575,841	-
4.32 ECFE	82,302	82,302	-
4.40 Teacher Development and Evaluation	-	-	-
4.44 School Readiness	(29,881)	(29,881)	-
4.47 Adult Basic Education	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
4.64 Restricted fund balance	7,614	7,615	(1)
Unassigned:			
4.63 Unassigned fund balance	-	-	-
06 BUILDING CONSTRUCTION FUND			
Total revenue	$ 16,427	$ 16,427	$ -
Total expenditures	8,016,893	8,016,894	(1)
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.07 Capital Projects Levy	-	-	-
4.09 Alternative Facility Program	-	-	-
4.67 LTFM	4,790,158	4,790,158	-
Restricted:			
464 Restricted fund balance	16,637	16,637	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-
07 DEBT SERVICE FUND			
Total revenue	$ 5,626,022	$ 5,626,022	$ -
Total expenditures	5,806,919	5,806,918	1
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.25 Bond refunding	-	-	-
4.33 Maximum effort loan aid	-	-	-
4.51 QZAB payments	-	-	-
4.67 LTFM	-	-	-
Restricted:			
464 Restricted fund balance	1,906,023	1,906,024	(1)
Unassigned:			
4.63 Unassigned fund balance	-	-	-
08 TRUST FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.01 Student Activties	$ -	$ -	$ -
4.02 Scholarships	-	-	-
4.22 Net position	-	-	-
18 CUSTODIAL FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.01 Student Activities	-	-	-
4.02 Scholarships	-	-	-
4.48 Achievement and Integration	-	-	-
4.64 Restricted	-	-	-
20 INTERNAL SERVICE FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.22 Net position	-	-	-
25 OPEB REVOCABLE TRUST			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.22 Net position	-	-	-
45 OPEB IRREVOCABLE TRUST			
Total revenue	$ 141,323	$ 141,323	$ -
Total expenditures	129,774	129,775	(1)
Unassigned:			
4.22 Net position	1,618,342	1,618,341	1
47 OPEB DEBT SERVICE			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted:			
4.64 Restricted fund balance	-	-	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-

Independent School District No. 727
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Funding Source	Federal CFDA Number	Pass Through Entity	Grant Name	Expenditures
U.S. Department of Agriculture	10.553	Minnesota Department of Education	School Breakfast	$ 44,370
U.S. Department of Agriculture	10.555	Minnesota Department of Education	Type A Lunch and Commodities Programs	196,034
U.S. Department of Agriculture	10.555	Minnesota Department of Education	Commodities (Noncash)	110,432
U.S. Department of Agriculture	10.559	Minnesota Department of Education	COVID-19 Summer Food Service	750,011
			Total Child Nutrition Cluster and	1,100,847
U.S. Department of Education	84.010	Minnesota Department of Education	Title I, Part A	244,342
U.S. Department of Education	84.424	Minnesota Department of Education	Title IV, Part A - Student Support and Academic Enrichment	15,527
U.S. Department of Education	84.367	Minnesota Department of Education	Title II, Part A - Teacher and Principal Training and Recruiting	74,853
U.S. Department of Education	84.027	Independent School District No. 882	Special Education	16,828
U.S. Department of Education	21.027	Minnesota Department of Education	American Rescue Plan and Summer Preschool	11,353
U.S. Department of Education	84.425	Minnesota Department of Education	Education Relief Fund	267,145
U.S. Department of Education	21.019	Big Lake Township	Coronavirus Relief Fund	148,454
U.S. Department of Education	21.019	Sherburne County	Coronavirus Relief Fund	259,877
U.S. Department of Human Services	21.019	Minnesota Department of Education	Coronavirus Relief Fund	6,799
U.S. Department of Education	21.019	Minnesota Department of Education	Coronavirus Relief Fund	766,912
			Total Coronavirus Relief Fund	1,182,042
		Total Federal Expenditures		$ 2,912,937

See notes to the Schedule of Expenditures of Federal Awards.

Independent School District No. 727
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

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

NOTE 3 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

NOTE 4 – INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the School Board
Independent School District No. 727
Big Lake, 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. 727, Big Lake, Minnesota, as of and for the year ended June 30, 2021, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 9, 2021.

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance that we consider to be a significant deficiency in internal control, Audit Finding 2021-001.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the District's basic 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*.

District's Response to the Findings
The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance. The District'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 result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV Ltd.

Minneapolis, Minnesota
November 9, 2021

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Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Independent Auditor's Report

To the School Board
Independent School District No. 727
Big Lake, Minnesota

Report on Compliance for Each Major Federal Program
We have audited the compliance of Independent School District No. 727, Big Lake, Minnesota with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

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

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

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

Opinion on Each Major Federal Program
In our opinion, Independent School District No. 727 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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

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

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

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

BerganKDV Ltd.

Minneapolis, Minnesota
November 9, 2021

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Basic Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified	Yes, Audit Finding 2021-001
Noncompliance material to basic financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies)	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

CFDA No:	21.019
Name of Federal Program or Cluster:	Coronavirus Relief Fund
CFDA No:	84.425
Name of Federal Program or Cluster:	Education Relief Fund
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	Yes

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS

Audit Finding 2021-001
Criteria or Specific Requirement:
Internal control that supports the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:
During the year ended June 30, 2021, the District had a lack of segregation of accounting duties in the cash disbursements, receipts, and payroll processes due to a limited number of office employees. Although this meets the definition of a "significant deficiency," it may not be practical to correct since the costs of obtaining desirable segregation of accounting duties may exceed benefits that could be derived.

Cash Disbursement Process

- The Accounts Payable Specialist and/or the Accountant matches purchase orders to invoices, enters invoices into SMART, runs, prints, and mails checks. The Director of Business Services reviews check stubs and invoices if the Accountant has input invoices in the Accounts Payable Specialist's absence.

Cash Receipt

- The Administrative Assistant at each building can receipt cash, prepare deposit slips, and reconcile the deposit.
- The Community Education Director and Administrative Assistant can collect money, prepare the deposit, and also can perform the reconciliation to the deposit.

Payroll

- The Payroll Specialist reviews and inputs timesheets, calculates payroll, and generates payroll and also has access to change pay rates in the system. The Compensation Coordinator reviews payroll runs.

Context:
This finding impacts the internal control for all significant accounting functions.

Effect:
The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2021-001 (Continued)

Cause:
There are a limited number of office employees.

Recommendation:
Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   The District has implemented mitigating controls to overcome the lack of segregation of accounting duties. Examples are provided on the following page for specific areas in which the District was cited.

   A. Cash Disbursement Process

   The Director of Business Services or Accountant reviews invoices with check stubs and purchase orders for unusual transactions or alterations. The Director of Business Services or Accountant also reviews for supervisor approval and proper documentation. The check stubs are initialed by the Director of Business Services or Accountant indicating such review has taken place.

   On a monthly basis, detailed budget reports are sent to building and program administrators for review. In addition, the Director of Business Services currently reviews detailed budgeted line items on at least a quarterly basis for significant variances.

   B. Cash Receipt Process

   The District operates on a decentralized cash receipts process in which each building reconciles and prepares the deposits for the bank. Copies of the deposit slips are forwarded to the District Accountant, who ensures all deposits are properly credited to the District bank account during the bank reconciliation process. The Director of Business Services and building and administrator budget managers monitor receipts and revenue for significant fluctuations or unusual variations.

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2021-001 (Continued)

Management's Response: (Continued)

CORRECTIVE ACTION PLAN (CAP): (CONTINUED)

1. Actions Planned in Response to Finding

   C. Payroll Process

   The District Accountant posts the payroll to the general ledger and on a quarterly basis, reviews salary and benefit line item budgets with expected results based on the staffing budget. The District Accountant also reconciles all payroll liability accounts on a monthly basis and variations or fluctuations are communicated to the Payroll Specialist or Compensation Coordinator.

2. Official Responsible for Ensuring CAP
   Angie Manuel, Director of Business Services, is the official responsible for ensuring corrective action of the deficiency.

3. Planned Completion Date for CAP
   The planned completion date is ongoing.

4. Plan to Monitor Completion of CAP
   The School Board will be monitoring the corrective action plan.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs.

bergankdv

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 727
Big Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 727, Big Lake, Minnesota, as of and for the year ended June 30, 2021, and the related notes to financial statements, and have issued our report thereon dated November 9, 2021.

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

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

BerganKDV Ltd.

Minneapolis, Minnesota
November 9, 2021

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

FORM OF LEGAL OPINION

Independent School District No. 727
Big Lake, Minnesota

[Original Purchaser]

Re: $30,000,000* General Obligation School Building Bonds, Series 2022A
Independent School District No. 727 (Big Lake)
Sherburne County, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Independent School District No. 727 (Big Lake), Sherburne County, Minnesota, of the obligations described above, dated, as originally issued, as of January 27, 2022 (the Bonds), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the District in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

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

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

3. The resolution authorizing the issuance of the Bonds obligates the District to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of such law against the State of Minnesota in the absence of legally appropriated and available funds to pay the obligations of the State thereunder.

4. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the Code) and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.

5. Interest on the Bonds (a) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, estates, and trusts.

The opinions expressed in paragraphs 1, 2, and 3 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 4 and 5 above are subject to the compliance by the District with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that notwithstanding the opinion expressed in paragraph 5 above, interest on the Bonds is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

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

Dated this 27th day of January, 2022.

Very truly yours,

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE COVENANTS
(EXCERPTS FROM SALE RESOLUTION)

(See following pages)

FORM OF CONTINUING DISCLOSURE

Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the District hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the outstanding Bonds. The District is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the District fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The District will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the District, the following information at the following times:

(1) on or before twelve (12) months after the end of each fiscal year of the District, commencing with the fiscal year ending June 30, 2021, the following financial information and operating data in respect of the District (the Disclosure Information):

(A) the audited financial statements of the District for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the District, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the District; and

(B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: Current Property Valuations; Direct Debt; Tax Levies and Collections; Student Body; and Employment/ Unemployment Data, which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the District shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the District shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board (the MSRB) through its Electronic Municipal Market Access System (EMMA) or the SEC. The District shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the District have materially changed or been discontinued, such Disclosure Information need no longer be provided if the District includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other District operations in respect of which data is not included in the Disclosure Information and the District determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the District shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner, not in excess of 10 business days, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a "Material Fact," as hereinafter defined):

(A) principal and interest payment delinquencies;
(B) non-payment related defaults, if material;
(C) unscheduled draws on debt service reserves reflecting financial difficulties;
(D) unscheduled draws on credit enhancements reflecting financial difficulties;
(E) substitution of credit or liquidity providers, or their failure to perform;
(F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(G) modifications to rights of Bond holders, if material;
(H) Bond calls, if material and tender offers;
(I) defeasances;
(J) release, substitution, or sale of property securing repayment of the Bonds if material;
(K) rating changes;
(L) bankruptcy, insolvency, receivership, or similar event of the obligated person;
(M) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(N) appointment of a successor or additional trustee or the change of name of a trustee, if material;
(O) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; "financial obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule; and
(P) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

As used herein, for those events that must be reported if material, a "Material Fact" is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a Material Fact is also a fact that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

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

For purposes of the events identified in paragraphs (O) and (P) above, the term "financial obligation" means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(3) In a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:

(A) the failure of the District to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
(B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the District under subsection (d)(2);
(C) the termination of the obligations of the District under this section pursuant to subsection (d);
(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
(E) any change in the fiscal year of the District.

(c) <u>Manner of Disclosure</u>.

(1) The District agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).

(2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) <u>Term; Amendments; Interpretation</u>.

(1) The covenants of the District in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the District under this section shall terminate and be without further effect as of any date on which the District delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the District to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements

of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the District from time to time, without notice to (except as provided in paragraph (c)(2) hereof) or the consent of the Owners of any Bonds, by a resolution of this Board filed in the office of the recording officer of the District accompanied by an opinion of Bond Counsel, who may rely on certificates of the District and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the District or the type of operations conducted by the District, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the District agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

APPENDIX E

TERMS OF PROPOSAL

$30,000,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2022A
INDEPENDENT SCHOOL DISTRICT NO. 727 (BIG LAKE), MINNESOTA

Proposals for the purchase of $30,000,000* General Obligation School Building Bonds, Series 2022A (the "Bonds") of Independent School District No. 727 (Big Lake), 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 January 6, 2022, 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 6:30 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, and a special election held November 2, 2021 by the District for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated January 27, 2022, 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	$305,000	2030	$500,000	2037	$3,050,000
2024	875,000	2031	525,000	2038	3,130,000
2025	1,160,000	2032	550,000	2039	3,210,000
2026	435,000	2033	565,000	2040	3,290,000
2027	450,000	2034	625,000	2041	3,375,000
2028	470,000	2035	650,000	2042	3,455,000
2029	485,000	2036	2,895,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2022, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 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 January 27, 2022, 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 in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the District.

SUBMISSION OF PROPOSALS

Proposals must not be for less than $30,000,000 plus accrued interest on the principal sum of $30,000,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

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

2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 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 $600,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

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

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

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

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

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

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

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

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

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the 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. 727 (Big Lake), Minnesota

PROPOSAL FORM

The School Board **January 6, 2022**
Independent School District No. 727 (Big Lake), Minnesota (the "District")

RE: **$30,000,000* General Obligation School Building Bonds, Series 2022A (the "Bonds")**
DATED: **January 27, 2022**

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you $__________________ (not less than $30,000,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

________	% due	2023	________	% due	2030	________	% due	2037
________	% due	2024	________	% due	2031	________	% due	2038
________	% due	2025	________	% due	2032	________	% due	2039
________	% due	2026	________	% due	2033	________	% due	2040
________	% due	2027	________	% due	2034	________	% due	2041
________	% due	2028	________	% due	2035	________	% due	2042
________	% due	2029	________	% due	2036			

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

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of $600,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about January 27, 2022.

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 January 27, 2022 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. 727 (Big Lake), Minnesota, on January 6, 2022.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________