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

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 30, 2021

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 885
(ST. MICHAEL-ALBERTVILLE), MINNESOTA
(Wright County)

(Minnesota School District Credit Enhancement Program)

$10,145,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021A

PROPOSAL OPENING: October 13, 2021, 10:00 A.M., C.T.
CONSIDERATION: Not later than 11:59 P.M., C.T. on October 13, 2021 (PARAMETERS RESOLUTION)

PURPOSE/AUTHORITY/SECURITY: The $10,145,000* General Obligation Refunding Bonds, Series 2021A (the "Bonds") are authorized pursuant to Minnesota Statutes, Chapter 475, as amended (specifically Section 475.67), by Independent School District No. 885 (St. Michael-Albertville), Wright County, Minnesota (the "District"), for the purpose of effecting a current refunding of certain outstanding general obligations of the District as more fully described herein. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: November 4, 2021

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*
2031	$5,175,000	2032	$4,970,000

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, 2029 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: $10,063,840.

MAXIMUM PROPOSAL: $11,159,500.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $202,900 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Kennedy & Graven, Chartered

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

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ST. MICHAEL-ALBERTVILLE SCHOOL BOARD

		Term Expires
Drew Scherber	Board Chair	January 2025
Kari Dwinnell	Vice Chair	January 2025
Carol Steffens	Clerk	January 2023
Tim Lewis	Treasurer	January 2023
Hollee Saville	Member	January 2025
Larry Sorensen	Member	January 2023

ADMINISTRATION

Ann-Marie Foucault, Superintendent of Schools
Kris Crocker, Director of Business Services

PROFESSIONAL SERVICES

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

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 885 (St. Michael-Albertville), Wright County, Minnesota (the "District") and the issuance of its $10,145,000* General Obligation Refunding Bonds, Series 2021A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Ratifying Resolution").

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

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of $5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of November 4, 2021. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2022, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). 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 Ratifying 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, 2029 or any date thereafter, at a price of par plus accrued interest to the date of redemption.

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

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

AUTHORITY; PURPOSE

The Bonds are authorized pursuant to Minnesota Statutes, Chapter 475, as amended (specifically Section 475.67), as amended (specificatllyby the District, for the purpose of effecting a current refunding of the District's $10,295,000 General Obligation Refunding Bonds, Series 2011A (the "Series 2011A Bonds") as follows:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rate	Principal to be Refunded	CUSIP Base 792775
Series 2011A Bonds	11/9/11	2/1/22	Par	2032 (term)	4.25%	$10,295,000	NK0
Total Series 2011A Bonds Being Refunded						$10,295,000	

Proceeds of the Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance. The District will pay the interest payment due on February 1, 2022 from the Debt Service Account for the Series 2011A Bonds.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	$10,145,000	
Reoffering Premium	330,275	
Total Sources		**$10,475,275**
Uses		
Total Underwriter's Discount (0.800%)	$81,160	
Costs of Issuance	100,000	
Deposit to Current Refunding Fund	10,293,494	
Rounding Amount	621	
Total Uses		**$10,475,275**

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

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

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on August 2, 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 purposes of subdivision are annually appropriated to the Department [of Education] from the state general fund."

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

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

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

CONTINUING DISCLOSURE

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

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

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

Prior continuing disclosure undertakings entered into by the District included language stating that an Annual Report including the District's audited financial statements and operating data would be filed "as soon as available." Although the District did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking . Except to the extent that the preceding is deemed to be material, the District believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The District has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the District.

LEGAL OPINION

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

TAX EXEMPTION

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

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

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

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

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

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

Legislative proposals

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

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2020 have been audited by Malloy, Montague, Karnowski & Co., P.A. ("MMKR"), 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 should other revenue (state aids) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the District in time to pay debt service when due.

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

State Equalization Aids: A portion of the District's debt service is expected to be paid from state aids based upon an equalized debt service formula (the "Formula"). The Formula and District statistics are subject to modification and the dollar appropriation is made by the State Legislature.

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 Ratifying Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

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

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

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

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

[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 $2,825,267,630[1]

	2020/21 Assessor's Estimated Market Value	2020/21 Net Tax Capacity
Real Estate	$2,654,015,100	$ 26,645,936
Personal Property	26,709,900	520,026
Total Valuation	$2,680,725,000	$ 27,165,962
Less: Captured Tax Increment Tax Capacity[2]		(570,032)
Power Line Adjustment[3]		(3,012)
Taxable Net Tax Capacity		$ 26,592,918

[1] According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 95.00% 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 $2,825,267,630.

[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	$19,600,125	72.15%
Agricultural	833,399	3.07%
Commercial/industrial	3,969,252	14.61%
Public utility	9,394	0.03%
Railroad operating property	50,720	0.19%
Non-homestead residential	2,165,768	7.97%
Commercial & residential seasonal/rec.	17,278	0.06%
Personal property	520,026	1.91%
Total	$27,165,962	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Taxable Net Tax Capacity[2]	Percent +/- in Estimated Market Value
2016/17	$2,034,693,600	$1,876,971,100	$20,337,032	$20,053,464	+5.71%
2017/18	2,170,871,400	2,016,694,600	21,825,842	21,520,024	+6.69%
2018/19	2,346,870,700	2,184,765,200	23,597,508	23,195,741	+8.11%
2019/20	2,514,829,800	2,346,217,500	25,270,276	24,849,665	+7.16%
2020/21	2,680,725,000	2,513,657,300	27,165,962	26,592,918	+6.60%

[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
Centerpoint Energy	Utility	$ 260,662	0.96%
Xcel Energy	Utility	229,732	0.85%
Albertville Station LLC	Commercial	190,572	0.70%
Coretrend LLC	Industrial	151,928	0.56%
Individual	Industrial	131,179	0.48%
J&B R E Inc.	Industrial	123,250	0.45%
Rachel Properties LLC	Commercial	112,809	0.42%
Marohn's St. Michael Mktpl Inc.	Commercial	111,750	0.41%
Legacy Partners of St. Michael	Apartments	109,763	0.40%
Jet Edge Real Estate Hold LLC	Industrial	105,609	0.39%
Total		$ 1,527,254	5.62%

District's Total 2020/21 Net Tax Capacity $27,165,962

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

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids[2] (includes the Bonds)*	$147,935,000

*Preliminary, subject to change.

STATE AID FOR DEBT SERVICE

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

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 Formula is applied against the remaining qualifying annual debt service which, in the case of the St. Michael-Albertville School District, is expected to result in a "local share" of about 71% of the amount in excess of 15.74% of ANTC, but less than 26.24% of ANTC, and a "local share" of about 39% of the amount in excess of 26.24% of ANTC. This results in estimated total State participation of about 36% of total annual debt service.

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

Some school districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minn. Stat. Section 273.1387). The reimbursement percentages are 40% for taxes payable in 2018 and 2019, 50% for 2020, 55% for 2021, 60% for 2022, and 70% for 2023 and thereafter. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, and to rural vacant land and managed forest land. The amount of agricultural credit received in the debt service fund for taxes payable 2022 is approximately 1.3% 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.

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

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

Independent School District No. 885 (St. Michael-Albertville), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 11/04/2021)

	Refunding Bonds Series 2011A		School Building Refunding Bonds Series 2014A		School Building Refunding Bonds Series 2015A		School Building Refunding Bonds Series 2015B		School Building Refunding Bonds Series 2016A	
Dated	11/09/2011		09/23/2014		05/07/2015		11/24/2015		10/27/2016	
Amount	$10,295,000		$59,275,000		$17,750,000		$36,110,000		$31,335,000	
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	218,769	3,735,000	781,050	1,895,000	151,925	3,055,000	311,328	1,960,000	607,825
2023			4,115,000	1,412,700	1,990,000	228,050	3,135,000	531,005	2,200,000	1,117,650
2024			4,030,000	1,248,100	2,095,000	148,450	3,200,000	452,630	2,885,000	1,007,650
2025			4,120,000	1,086,900	2,155,000	64,650	3,290,000	356,630	2,475,000	863,400
2026			5,900,000	922,100			3,410,000	276,025	3,825,000	739,650
2027			3,735,000	686,100			6,075,000	182,250	3,945,000	548,400
2028			6,005,000	574,050					2,970,000	351,150
2029			6,370,000	393,900					3,255,000	202,650
2030			6,760,000	202,800					3,500,000	105,000
2031										
2032										
	0	218,769	44,770,000	7,307,700	8,135,000	593,075	22,165,000	2,109,868	27,015,000	5,543,375

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Independent School District No. 885 (St. Michael-Albertville), Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 11/04/2021)

	School Building Bonds Series 2017A		Refunding Bonds 1) Series 2021A							
Dated	04/13/2017		11/04/2021							
Amount	$35,705,000		$10,145,000*							
Maturity	02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2022	0	617,993	0	0	10,645,000	2,688,889	13,333,889	137,290,000	7.20%	**2022**
2023	0	1,235,985	0	251,934	11,440,000	4,777,324	16,217,324	125,850,000	14.93%	**2023**
2024	100,000	1,235,985	0	202,900	12,310,000	4,295,715	16,605,715	113,540,000	23.25%	**2024**
2025	610,000	1,230,985	0	202,900	12,650,000	3,805,465	16,455,465	100,890,000	31.80%	**2025**
2026	250,000	1,200,485	0	202,900	13,385,000	3,341,160	16,726,160	87,505,000	40.85%	**2026**
2027	465,000	1,190,485	0	202,900	14,220,000	2,810,135	17,030,135	73,285,000	50.46%	**2027**
2028	6,065,000	1,176,535	0	202,900	15,040,000	2,304,635	17,344,635	58,245,000	60.63%	**2028**
2029	6,320,000	933,935	0	202,900	15,945,000	1,733,385	17,678,385	42,300,000	71.41%	**2029**
2030	6,180,000	744,335	0	202,900	16,440,000	1,255,035	17,695,035	25,860,000	82.52%	**2030**
2031	7,660,000	497,135	5,175,000	202,900	12,835,000	700,035	13,535,035	13,025,000	91.20%	**2031**
2032	8,055,000	257,760	4,970,000	99,400	13,025,000	357,160	13,382,160	0	100.00%	**2032**
	35,705,000	10,321,618	10,145,000	1,974,534	147,935,000	28,068,938	176,003,938			

* Preliminary, subject to change.

1) This issue will refund the 2031 through 2032 maturities of the District's $10,295,000 General Obligation Refunding Bonds, Series 2011A, dated November 9, 2011.

BONDED DEBT LIMIT

Minnesota Statutes, Section 475.53, subdivision 4, presently limits the "net debt" of a school district to 15% of its estimated market value. 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	$2,825,267,630
Multiply by 15%	0.15
Statutory Debt Limit	$ 423,790,145
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(147,935,000)
Unused Debt Limit*	$ 275,855,145

*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
Wright County	$188,435,241	14.1125%	$ 91,145,000	$12,862,838
City of Albertville	9,224,487	69.8739%	4,992,000	3,488,105
City of Hanover	4,029,081	12.2333%	3,090,000	378,009
City of Otsego	22,591,258	5.6027%	5,075,000	284,337
City of St. Michael	21,079,600	86.4713%	10,670,000	9,226,488
District's Share of Total Overlapping Debt				$26,239,777

DEBT PAYMENT HISTORY

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

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value ($2,825,267,630)	Debt/ Current Population Estimate (24,348)
Direct G.O. Debt Paid from Taxes and State Aids[1]	$147,935,000	5.24%	$6,075.86
Less: State Equalization Aid	(58,076,143)		
Tax Supported General Obligation Debt*	$ 89,858,857	3.18%	$3,690.61
District's Share of Total Overlapping Debt	$ 26,239,777	0.93%	$1,077.70
Total*	$116,098,634	4.11%	$4,768.30

*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] Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 39.0% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is $58,076,143.

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	$12,454,550	$12,384,846	$12,452,749	99.99%
2017/18	13,449,008	13,392,663	13,442,189	99.95%
2018/19	14,443,270	14,347,248	14,408,355	99.76%
2019/20	14,938,180	14,852,233	14,897,947	99.73%
2020/21	15,470,179	In process of collection		

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

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

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

[2] Collections are through June 21, 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. 885 (St. Michael-Albertville)	46.893%	47.950%	47.143%	45.280%	44.216%
Wright County	39.599%	39.946%	44.273%	44.421%	43.719%
City of Albertville	51.586%	49.158%	47.294%	47.067%	46.801%
City of Hanover	48.152%	44.641%	43.935%	44.889%	46.491%
City of Otsego	37.852%	36.556%	36.060%	35.099%	34.653%
City of St. Michael	37.496%	37.060%	36.939%	36.691%	35.817%
Town of Monticello[2]	24.253%	21.732%	20.496%	19.450%	18.948%
EDA-St. Michael	0.577%	0.903%	0.831%	0.763%	0.712%
EDA-Hanover	1.585%	1.421%	1.304%	1.231%	1.180%
Referendum Market Value Rates:					
I.S.D. No. 885 (St. Michael-Albertville)	0.16252%	0.15948%	0.16522%	0.16262%	0.15321%

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

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

[2] Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 892, including 429 non-licensed employees and 463 licensed employees (440 of whom are teachers). The District provides education for 6,333 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
School Service Employees Local 284	June 30, 2022
Education Minnesota	June 30, 2021
St. Michael-Albertville Principals Association	June 30, 2021

Status of Contracts

The contracts which expired on June 30, 2021 are currently in negotiations.

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent actuarial study shows a total OPEB liability of $2,889,191 as of June 30, 2019. The District has been funding these obligations on a pay-as-you-go basis.

Source: The District's most recent 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	413	2,827	3,040	6,280
2018/19	430	2,799	3,168	6,397
2019/20	406	2,815	3,257	6,478
2020/21	379	2,631	3,294	6,304
2021/22	400	2,678	3,255	6,333

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2022/23	400	2,702	3,245	6,347
2023/24	400	2,669	3,313	6,382
2024/25	400	2,654	3,362	6,416

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Albertville Primary	1973	1987, 2000, 2004
Big Woods Elementary	2004	--
St. Michael Elementary	1966	1987, 1992, 2003
St. Michael-Albertville Middle East	1999	2003
St. Michael-Albertville Middle West	1992	2000, 2003, 2009
St. Michael-Albertville Community Center	1952	1991
Fieldstone Elementary	2007	--
St. Michael-Albertville High School	2009	--

FUNDS ON HAND (as of July 31, 2021)

Fund	Total Cash and Investments
General	$15,484,628
Food Service	981,567
Community Service	1,190,238
Debt Service	5,984,716
Trust & Agency	25,341
Total Funds on Hand	$23,666,490

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

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

SUMMARY GENERAL FUND INFORMATION

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

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				
	2018 Audited	2019 Audited	2020 Audited	2021 Unaudited[1]	2021-22 Revised Budget[2]
Revenues					
Local property taxes	$4,414,103	$4,761,924	$5,317,956	$5,467,646	$5,615,739
Other local and county revenues	1,992,471	2,462,027	2,592,133	1,603,385	2,355,451
Revenue from state sources	54,437,662	57,289,683	58,516,657	59,142,261	59,308,503
Revenue from federal sources	382,133	502,483	462,995	3,067,809	1,121,479
Sales and other conversion of assets	310,593	262,561	0	113,487	252,550
Investment earnings	144,695	597,484	357,769	55,912	200,750
Total Revenues	$61,681,657	$65,876,162	$67,247,510	$69,450,499	$68,854,472
Expenditures					
Current:					
Administration	$1,766,036	$1,824,432	$2,108,569	$1,864,275	$2,177,048
District support services	1,206,850	1,462,231	1,674,225	1,889,360	1,727,232
Elementary and secondary regular instruction	31,808,528	33,124,297	33,943,443	34,503,576	34,661,431
Vocational education instruction	757,897	848,169	1,229,890	1,625,547	1,222,872
Special education instruction	6,944,305	8,419,907	9,165,219	9,541,776	11,192,364
Instructional support services	5,581,283	6,006,225	5,823,144	7,095,074	6,227,851
Pupil support services	4,527,162	4,750,511	4,846,364	4,706,654	5,318,854
Sites and buildings	6,324,637	7,147,541	7,084,816	6,857,023	6,203,392
Fiscal and other fixed cost programs	246,006	234,843	263,112	263,111	265,302
Capital outlay	2,829,446	2,061,447	2,306,146	1,475,415	596,741
Debt service	0	81,282	81,282	81,282	81,300
Total Expenditures	$61,992,150	$65,960,885	$68,526,210	$69,903,094	$69,674,387
Excess of revenues over (under) expenditures	($310,493)	($84,723)	($1,278,700)	($452,595)	($819,915)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	$35	$0	$438	$0	$0
Capital lease issuance	444,424	0	0	0	0
Operating transfers in	0	0	11,525	0	0
Operating transfers out	0	0	(504,830)	0	0
Total Other Financing Sources (Uses)	444,459	0	(492,867)	0	0
Net changes in Fund Balances	$133,966	($84,723)	($1,771,567)	($452,595)	($819,915)
General Fund Balance July 1	$16,892,906	$17,026,872	$16,942,149	$15,716,778	$15,264,183
Prior Period Adjustment	0	0	516,168	0	0
Change in accounting principle	0	0	30,028	0	0
General Fund Balance June 30	$17,026,872	$16,942,149	$15,716,778	$15,264,183	$14,444,268
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$83,903	$89,141	$104,732	$104,732	$104,732
Restricted	2,262,010	2,212,770	2,422,024	2,986,647	2,997,000
Committed	41,000	49,375	0	0	0
Assigned	642,355	1,288,183	2,169,811	1,319,811	1,308,000
Unassigned	13,997,604	13,302,680	11,020,211	10,852,993	10,034,536
Total	$17,026,872	$16,942,149	$15,716,778	$15,264,183	$14,444,268

[1] Unaudited data is as of September 24, 2021 and the audit is in process. In fiscal year 2021, the district had approximately $750,000 in unreimbursed general fund expenses related to COVID-19, including technology, teacher substitutes, and personal protective equipment.

[2] The 2021-22 revised budget was adopted on July 12, 2021.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 22,543, and a current population estimate of 24,348, and comprising an area of 40.25 square miles, is located approximately 25 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. 885 (St. Michael-Albertville)	Elementary and secondary education	892
J & B Wholesale Distributor, Inc.	Wholesale meat distributor	400
Long Haul Trucking	Trucking company	170
Coborn's	Grocery store	160
Manor Concrete Construction, Inc.	Concrete contractors	100
Oldcastle Glass Group	Glass wholesale and manufacturer	100
Space Aliens	Restaurant	99
Marksman Metals Company, Inc.	Metal goods manufacturing	95
The Marketplace	Grocery store	80
TC American Monorail/Jet Edge	Manufacture overhead cranes and monorail systems	75

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

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

U.S. CENSUS DATA

Population Trend: The District

2000 U.S. Census population	12,309
2010 U.S. Census population	22,543
2019 Population Estimate	24,348
Percent of Change 2000 - 2010	+ 83.14%

Income and Age Statistics

	The District	Wright County	State of Minnesota	United States
2019 per capita income	$36,214	$36,260	$37,625	$34,103
2019 median household income	$104,656	$84,974	$71,306	$62,843
2019 median family income	$113,849	$98,738	$89,842	$77,263
2019 median gross rent	$975	$969	$977	$1,062
2019 median value owner occupied units	$257,500	$238,500	$223,900	$217,500
2019 median age	34.2 yrs.	37.0 yrs.	38.0 yrs.	38.1 yrs.

	State of Minnesota	United States
District % of 2019 per capita income	96.25%	106.19%
District % of 2019 median family income	126.72%	147.35%

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	**Wright County**	**Wright County**	**State of Minnesota**
2017	71,599	3.5%	3.4%
2018	72,455	3.0%	3.0%
2019	73,062	3.3%	3.2%
2020	70,693	5.2%	6.2%
2021, July	72,582	2.8%	3.4%

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

APPENDIX A

FINANCIAL STATEMENTS

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

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

INDEPENDENT SCHOOL DISTRICT NO. 885
ST. MICHAEL – ALBERTVILLE SCHOOLS
ALBERTVILLE, MINNESOTA

Financial Statements
and Supplemental Information

Year Ended
June 30, 2020

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INDEPENDENT SCHOOL DISTRICT NO. 885

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INDEPENDENT SCHOOL DISTRICT NO. 885

School Board and Administration
Year Ended June 30, 2020

SCHOOL BOARD

	Board Position
Drew Scherber	Chairperson
Kari Dwinnell	Vice Chairperson
Carol Steffens	Clerk
Tim Lewis	Treasurer
Hollee Saville	Director
Larry Sorensen	Director

ADMINISTRATION

	Position
Ann-Marie Foucault, Ph.D.	Superintendent
Kris Crocker	Director of Business Services
Douglas Birk	Director of Administrative Services
Teri Johnson	Director of Teaching and Learning
Amy Larkin, Ph.D.	Director of Special Services
Jason Bichler	Director of Buildings and Grounds
Maryellen Barthel	Director of Community Education
Dolores Helgeson	Director of Food Services
Wayne Hoistad	Director of Technology and Transportation

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 885
Albertville, 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. 885 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, during the year ended June 30, 2020. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

The supplemental information, the Schedule of Expenditures of Federal Awards, and the UFARS Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

(continued)

Prior Year Comparative Information

The District's 2019 financial statements were audited by other auditors who expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in their report dated November 27, 2019. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements provided by other auditors from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Minneapolis, Minnesota
November 27, 2020

INDEPENDENT SCHOOL DISTRICT NO. 885

Management's Discussion and Analysis
Year Ended June 30, 2020

This section of Independent School District No. 885's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the other components of the District's annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2020 by $59,482,338 (deficit net position). The District's total net position decreased by $2,851,046 during the year, excluding the prior period adjustments and change in accounting principle discussed below.

- The District recorded two prior period adjustments during the year. The first corrected the balances of capital assets and accumulated depreciation reported at the previous year-end, thereby reducing beginning governmental net position by $31,330,958. The second corrected the balance of accrued payroll benefits reported at the previous year-end, thereby increasing both beginning governmental net position and beginning fund balance in the General Fund by $516,168.

- The District recorded a change in accounting principle in the current year with the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities,* which changed the way the District reports certain fiduciary activities. The implementation of this standard increased both beginning governmental net position and beginning fund balance in the General Fund by $30,028.

- Government-wide revenues totaled $89,932,161, and were $2,851,046 less than expenses of $92,783,207.

- The General Fund's total fund balance (under the governmental fund presentation) decreased $1,771,567 during the year, excluding the prior period adjustment and change in accounting principle discussed above, compared to a $1,217,685 decrease projected in the final budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Independent Auditor's Report;

- Management's discussion and analysis;

- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;

- Required supplementary information; and

- Supplemental information consisting of combining and individual fund statements and schedules.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

- To assess the overall health of the District requires consideration of additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

FUND FINANCIAL STATEMENTS

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

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

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund financial statements that explain the relationship (or differences) between these two types of financial statement presentations.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

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

	2020	2019, as Restated*
Assets		
Current and other assets	$ 44,401,401	$ 47,222,065
Capital assets, net of depreciation	148,114,264	153,257,913
Total assets	$ 192,515,665	$ 200,479,978
Deferred outflows of resources		
Bond refunding deferments	$ 2,576,337	$ 2,847,530
OPEB plan deferments	82,393	97,895
Pension plan deferments	37,650,723	52,537,127
Total deferred outflows of resources	$ 40,309,453	$ 55,482,552
Liabilities		
Current and other liabilities	$ 10,762,593	$ 11,133,776
Long-term liabilities, including due within one year	215,064,421	223,380,178
Total liabilities	$ 225,827,014	$ 234,513,954
Deferred inflows of resources		
Bond refunding deferments	$ 549,764	$ 652,740
OPEB plan deferments	686,869	112,228
Pension plan deferments	50,568,154	62,961,436
Property taxes levied for subsequent year	14,675,705	14,353,514
Total deferred inflows of resources	$ 66,480,492	$ 78,079,918
Net position		
Net investment in capital assets	$ (17,545,042)	$ (22,564,020)
Restricted	5,029,553	5,927,988
Unrestricted	(46,966,899)	(39,995,310)
Total net position	$ (59,482,388)	$ (56,631,342)

*2019 restated for prior period adjustments and change in accounting principle

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

The decrease in net investment in capital assets is due to the relationship between the rate at which the capital assets are depreciated versus the rate at which the related debt is repaid. The decrease in restricted net position was mainly in the restriction for community service. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position.

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

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

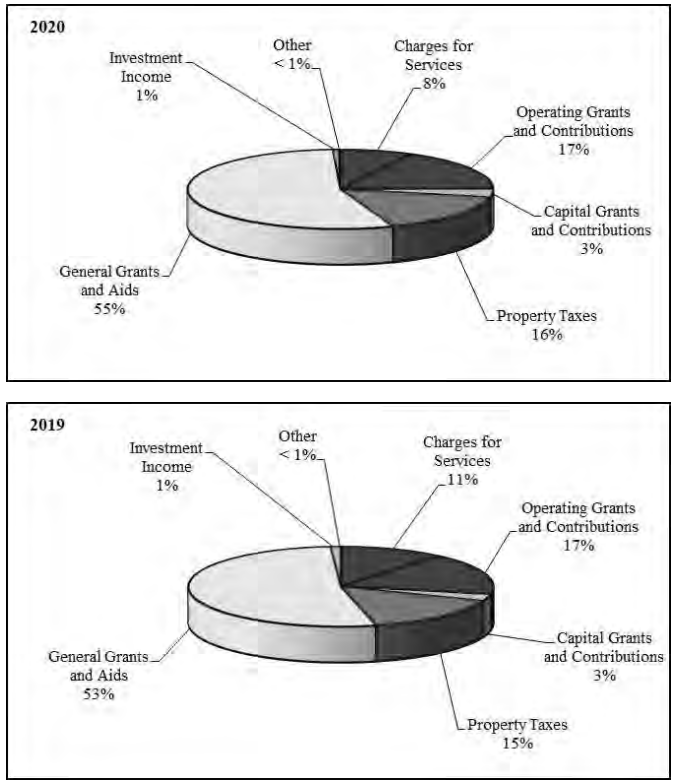
	2020	2019
Revenues		
Program revenues		
Charges for services	$ 6,928,606	$ 9,702,579
Operating grants and contributions	15,492,557	14,940,777
Capital grants and contributions	2,959,259	2,330,532
General revenues		
Property taxes	14,559,367	13,535,862
General grants and aid	49,276,444	45,983,683
Investment income	553,349	919,725
Other	162,579	36,407
Total revenues	89,932,161	87,449,565
Expenses		
Administration	2,410,153	1,287,664
District support services	1,442,587	1,380,567
Elementary and secondary regular instruction	37,490,352	22,282,759
Vocational education instruction	1,270,797	562,436
Special education instruction	9,911,846	6,330,815
Instructional support services	7,224,322	5,088,635
Pupil support services	4,374,578	4,307,684
Sites and buildings	14,969,218	8,329,761
Fiscal and other fixed cost programs	263,112	234,843
Food service	3,130,857	3,370,774
Community service	5,288,606	4,717,011
Depreciation not allocated to other functions	–	3,699,524
Interest and fiscal charges	5,006,779	5,345,012
Total expenses	92,783,207	66,937,485
Change in net position	(2,851,046)	20,512,080
Net position – beginning, as previously reported	(25,846,580)	(46,358,660)
Prior period adjustments	(30,814,790)	–
Change in accounting principle	30,028	–
Net position – beginning, as restated	(56,631,342)	(46,358,660)
Net position – ending	$ (59,482,388)	$ (25,846,580)

This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Property tax revenues increased from the prior year, consistent with the approved property tax levy. The increase in general grants and aids, and significant increase in expenses, both reflect the change in the PERA and the TRA state-wide defined benefit pension plans mentioned earlier.

Figure A shows further analysis of these revenue sources:

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



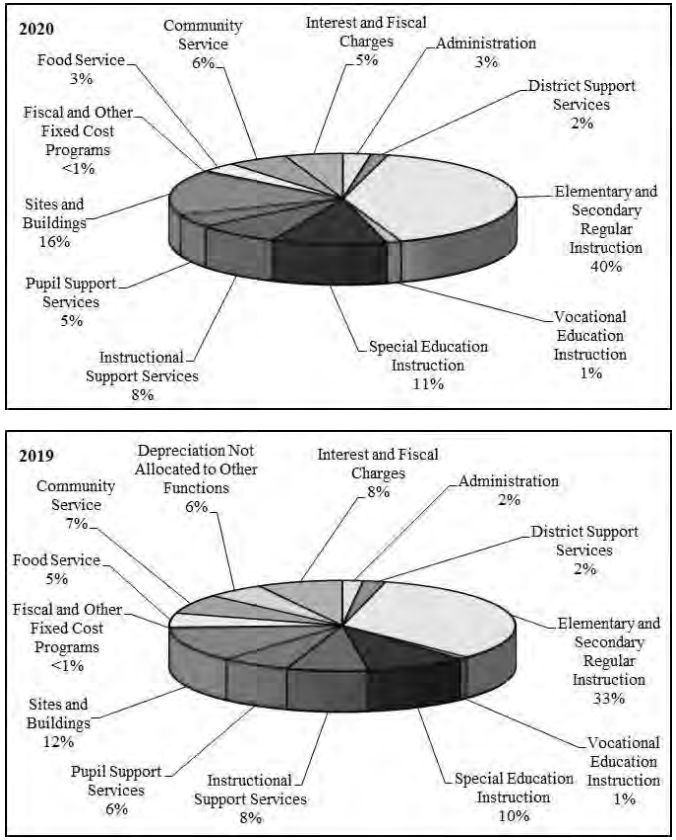
The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

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

The decrease in charges for services, compared to the prior year, was directly related to the COVID-19 pandemic, which caused the cancellation of numerous activities beginning in March through the end of the fiscal year.

Figure B shows further analysis of the expense functions:

Figure B – Expenses for Fiscal Years 2020 and 2019



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

The significant year-to-year change in the percentage of expenses incurred in several program areas shown above was attributable to the change in expenses related to the two state-wide pension plans, which caused greater fluctuations in program areas with a higher proportion of salaries. The District began allocating all depreciation to the applicable programs in fiscal 2020, eliminating the depreciation not allocated to other functions reported in previous years.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

	2020	2019, as Restated*	Change
Major funds			
General Fund	$ 15,716,778	$ 17,488,345	$ (1,771,567)
Debt Service	3,239,216	3,436,392	(197,176)
Nonmajor funds			
Food Service Special Revenue	602,046	578,846	23,200
Community Service Special Revenue	1,195,772	2,100,885	(905,113)
Capital Projects – Building Construction	–	86,126	(86,126)
Total governmental funds	$ 20,753,812	$ 23,690,594	$ (2,936,782)

*2019 restated for prior period adjustments and change in accounting principle

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

At June 30, 2020, the District's governmental funds reported combined fund balances of $20,753,812. Approximately 53.1 percent of this amount ($11,020,211) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is: 1) not in spendable form ($235,908), 2) restricted for particular purposes ($7,327,882), or 3) assigned for particular purposes ($2,169,811).

Total fund balances decreased $2,936,782 from current year operations, mainly due to the planned use of fund balance in the General Fund, and decreased program tuition and activity fees in the General, Food Service Special Revenue, and Community Service Special Revenue Funds, as a result of the COVID-19 pandemic.

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Change	Percent Change
Revenue and other financing sources	$ 67,916,544	$ 68,164,544	$ 248,000	0.4 %
Expenditures and other financing uses	$ 68,615,460	$ 69,382,229	$ 766,769	1.1 %

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

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2020 Actual	Amount	Percent	Amount	Percent
Revenue and other financing sources	$ 67,259,473	$ (905,071)	(1.3%)	$ 1,383,311	2.1 %
Expenditures and other financing uses	69,031,040	$ (351,189)	(0.5%)	$ 3,070,155	4.7 %
Net change in fund balances	$ (1,771,567)				

The fund balance of the General Fund decreased $1,771,567 from current year operations, compared to a decrease of $1,217,685 projected in the final budget.

General Fund revenues and other financing sources for 2020 increased $1,383,311 (2.1 percent) compared to the prior year, but were $905,071 (1.3 percent) under budget. The increase over the prior year was primarily due to funding improvements for general education and special education state sources, as well as an increase in the amount of property taxes levied. The variance from budget was primarily in state sources, due to the District's enrollment not increasing as anticipated.

Total General Fund expenditures and other financing uses for 2020 increased $3,070,155 (4.7 percent) over the prior year, but were $351,189 (0.5 percent) under budget. Expenditure increases were mainly for salaries and benefits, due to contractual wage and benefit increases. The variance from budget was also mainly in personnel costs, as the District did not fill all budgeted positions.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Debt Service Fund

Debt Service Fund expenditures exceeded revenue $197,176 in the current year, compared to a $308,998 fund balance decrease anticipated in the budget. The funding of the Debt Service Fund is largely controlled with each individual debt obligation's financing plan. The remaining fund balance of $3,239,216 at June 30, 2020 is available for meeting future debt service obligations.

Food Service Special Revenue Fund

Food Service Special Revenue Fund revenues and other financing sources exceeded expenditures for the year, increasing fund balance by $23,200, compared to a planned fund balance decrease of $265,492. Revenues and expenditures were under budget by $511,024 and $594,757, respectively, due to program changes and reduced meals sales caused by the COVID-19 pandemic. The District approved a transfer of $204,959 from the Community Service Special Revenue Fund to support the child nutrition program.

Community Service Special Revenue Fund

The Community Service Special Revenue Fund ended the year with expenditures and other financing uses exceeding revenues, decreasing equity by $905,113, compared to a planned fund balance increase of $70,091. The decrease was mainly due to reduced program fees and tuition as a result of the COVID-19 pandemic, along with unbudgeted transfers made to the General Fund and Food Service Special Revenue Fund.

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities financed with voter-approved building bonds. In fiscal 2020, the Districted completed construction on a number of projects financed primarily through building bonds issued in a previous year. The District made a transfer of $504,830 from the General Fund to finance project costs not covered by the bond proceeds, bringing fund balance to $0 at year-end.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

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

Table 6
Capital Assets

	2020	2019, as Restated*	Change
Land	$ 13,680,960	$ 13,680,960	$ –
Construction in progress	–	24,582,283	(24,582,283)
Land improvements	1,507,514	1,460,168	47,346
Building and improvements	211,172,075	185,946,953	25,225,122
Furniture and equipment	6,366,963	5,571,276	795,687
Less accumulated depreciation	(84,613,248)	(77,983,727)	(6,629,521)
Total	$ 148,114,264	$ 153,257,913	$ (5,143,649)
Depreciation expense	$ 6,712,999	$ 4,463,153	$ 2,249,846

*2019 asset balances and accumulated depreciation restated for prior period adjustments

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

The comparative amounts in the table for fiscal 2019 have been restated to reflect the previously discussed prior period adjustment, that reduced total net capital assets by $31,330,958. The prior period adjustment was made to correct accumulated depreciation, and to delete assets that should not have been capitalized, due to being considered repairs and maintenance or their original cost being below the District's capitalization threshold. The increase in depreciation expense in fiscal 2020 was due to these corrections.

The changes presented in the table above reflect the ongoing activity of projects. The District completed its outstanding construction projects during fiscal year 2020.

The District defines capital assets as those with an initial, individual cost of $5,000 or computer-related items with an initial individual cost of more than $1,000, which benefit more than one fiscal year.

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

Long-Term Liabilities

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

Table 7
Outstanding Long-Term Liabilities

	2020	2019	Change
General obligation bonds payable	$ 158,010,000	$ 167,170,000	$ (9,160,000)
Unamortized premium/discount	9,377,327	10,479,735	(1,102,408)
Capital lease payable	298,552	366,988	(68,436)
Net pension liability	44,210,952	41,813,794	2,397,158
Total OPEB liability	2,889,191	3,242,498	(353,307)
Compensated absences payable	278,399	307,163	(28,764)
Total	$ 215,064,421	$ 223,380,178	$ (8,315,757)

The decreases in general obligation bonds payable and capital lease payable is due to the payment of debt and the amortization of the related premium/discount in the current year.

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

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

Table 8
Limitations on Debt

District's market value	$ 2,345,049,675
Limit rate	15.0%
Legal debt limit	$ 351,757,451

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added $129, or 2 percent, per pupil to the formula for fiscal year 2021.

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about these statements or need additional financial information, contact the Business Services Department at (763) 497-3180. The address is: Independent School District No. 885, 11343 50th Street Northeast, Albertville, Minnesota 55301.

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	Governmental Activities	
	2020	2019
Assets		
Cash and temporary investments	$ 30,327,812	$ 32,638,850
Receivables		
Current taxes	7,138,771	7,021,394
Delinquent taxes	59,188	49,725
Accounts and interest	99,116	102,938
Due from other governmental units	6,010,272	6,706,270
Inventory	131,176	51,580
Prepaid items	104,732	89,141
Equity interest in joint ventures	530,334	532,139
Capital assets		
Not depreciated	13,680,960	37,815,450
Depreciated, net of accumulated depreciation	134,433,304	146,773,421
Total capital assets, net of accumulated depreciation	148,114,264	184,588,871
Total assets	192,515,665	231,780,908
Deferred outflows of resources		
Bond refunding deferments	2,576,337	2,847,530
OPEB plan deferments	82,393	97,895
Pension plan deferments	37,650,723	52,537,127
Total deferred outflows of resources	40,309,453	55,482,552
Total assets and deferred outflows of resources	$ 232,825,118	$ 287,263,460
Liabilities		
Salaries payable	$ 4,936,328	$ 4,745,214
Accounts and contracts payable	3,050,235	3,953,775
Accrued interest payable	2,380,231	2,537,683
Due to other governmental units	156,672	100,325
Unearned revenue	239,127	312,947
Long-term liabilities		
Due within one year	10,274,230	9,535,599
Due in more than one year	204,790,191	213,844,579
Total long-term liabilities	215,064,421	223,380,178
Total liabilities	225,827,014	235,030,122
Deferred inflows of resources		
Bond refunding deferments	549,764	652,740
OPEB plan deferments	686,869	112,228
Pension plan deferments	50,568,154	62,961,436
Property taxes levied for subsequent year	14,675,705	14,353,514
Total deferred inflows of resources	66,480,492	78,079,918
Net position		
Net investment in capital assets	(17,545,042)	8,766,938
Restricted for		
Capital asset acquisition	677,792	793,621
Food service	593,466	578,846
Community service	1,118,229	2,120,087
Debt service	895,834	930,159
Other purposes	1,744,232	1,505,275
Unrestricted	(46,966,899)	(40,541,506)
Total net position	(59,482,388)	(25,846,580)
Total liabilities, deferred inflows of resources, and net position	$ 232,825,118	$ 287,263,460

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 885

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

Functions/Programs	2020 Expenses	2020 Program Revenues: Charges for Services	2020 Program Revenues: Operating Grants and Contributions	2020 Program Revenues: Capital Grants and Contributions	2020 Net (Expense) Revenue and Changes in Net Position: Governmental Activities	2019 Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities						
Administration	$ 2,410,153	$ –	$ –	$ 99,398	$ (2,310,755)	$ (864,789)
District support services	1,442,587	–	52,388	131,747	(1,258,452)	(1,282,417)
Elementary and secondary regular instruction	37,490,352	1,396,630	1,690,526	396,967	(34,006,229)	(18,778,977)
Vocational education instruction	1,270,797	–	147,288	30,142	(1,093,367)	(443,634)
Special education instruction	9,911,846	–	4,900,353	–	(5,011,493)	(2,045,144)
Instructional support services	7,224,322	11,076	909,138	583,460	(5,720,648)	(4,128,136)
Pupil support services	4,374,578	158,328	90,375	–	(4,125,875)	(4,034,658)
Sites and buildings	14,969,218	281,271	–	1,717,545	(12,970,402)	(5,039,147)
Fiscal and other fixed cost programs	263,112	–	–	–	(263,112)	(234,843)
Food service	3,130,857	1,609,746	1,278,935	–	(242,176)	(63,814)
Community service	5,288,606	3,471,555	505,311	–	(1,311,740)	126,345
Depreciation not allocated to other functions	–	–	–	–	–	(3,699,524)
Interest and fiscal charges	5,006,779	–	5,918,243	–	911,464	525,141
Total governmental activities	$ 92,783,207	$ 6,928,606	$ 15,492,557	$ 2,959,259	(67,402,785)	(39,963,597)
General revenues						
Taxes						
Property taxes for general purposes					5,321,806	4,763,855
Property taxes for community service					347,689	326,695
Property taxes for debt service					8,889,872	8,445,312
General grants and aids					49,276,444	45,983,683
Other general revenues					162,579	36,407
Investment earnings					553,349	919,725
Total general revenues					64,551,739	60,475,677
Change in net position					(2,851,046)	20,512,080
Net position – beginning, as previously reported					(25,846,580)	(46,358,660)
Prior period adjustments					(30,814,790)	–
Change in accounting principle					30,028	–
Net position – beginning, as restated					(56,631,342)	(46,358,660)
Net position – ending					$ (59,482,388)	$ (25,846,580)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	General Fund	Debt Service Fund	Nonmajor Funds
Assets			
Cash and temporary investments	$ 20,617,140	$ 7,450,071	$ 2,260,601
Receivables			
Current taxes	2,573,275	4,388,083	177,413
Delinquent taxes	20,920	36,849	1,419
Accounts and interest	99,116	–	–
Due from other governmental units	5,287,918	603,357	118,997
Inventory	–	–	131,176
Prepaid items	104,732	–	–
Total assets	$ 28,703,101	$ 12,478,360	$ 2,689,606
Liabilities			
Salaries payable	$ 4,758,128	$ –	$ 178,200
Accounts and contracts payable	2,968,587	–	81,648
Due to other governmental units	137,975	–	18,697
Unearned revenue	–	–	239,127
Total liabilities	7,864,690	–	517,672
Deferred inflows of resources			
Property taxes levied for subsequent year	5,100,713	9,202,295	372,697
Unavailable revenue – delinquent taxes	20,920	36,849	1,419
Total deferred inflows of resources	5,121,633	9,239,144	374,116
Fund balances			
Nonspendable	104,732	–	131,176
Restricted	2,422,024	3,239,216	1,666,642
Committed	–	–	–
Assigned	2,169,811	–	–
Unassigned	11,020,211	–	–
Total fund balances	15,716,778	3,239,216	1,797,818
Total liabilities, deferred inflows of resources, and fund balances	$ 28,703,101	$ 12,478,360	$ 2,689,606

See notes to basic financial statements

Total Governmental Funds	
2020	2019
$ 30,327,812	$ 32,638,850
7,138,771	7,021,394
59,188	49,725
99,116	102,938
6,010,272	6,706,270
131,176	51,580
104,732	89,141
$ 43,871,067	$ 46,659,898
$ 4,936,328	$ 4,745,213
3,050,235	3,953,775
156,672	100,325
239,127	312,948
8,382,362	9,112,261
14,675,705	14,353,514
59,188	49,725
14,734,893	14,403,239
235,908	140,721
7,327,882	8,381,436
–	49,375
2,169,811	1,288,183
11,020,211	13,284,683
20,753,812	23,144,398
$ 43,871,067	$ 46,659,898

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	2020	2019
Total fund balances – governmental funds	$ 20,753,812	$ 23,144,398
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Governmental funds do not report an asset for equity interest in joint ventures.	530,334	532,139
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	232,727,512	251,462,321
Accumulated depreciation	(84,613,248)	(66,873,450)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
General obligation bonds payable	(158,010,000)	(167,170,000)
Unamortized premium/discount	(9,377,327)	(10,479,735)
Capital lease payable	(298,552)	(366,988)
Net pension liability	(44,210,952)	(41,813,794)
Total OPEB liability	(2,889,191)	(3,242,498)
Compensated absences payable	(278,399)	(307,163)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(2,380,231)	(2,537,683)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – bond refunding deferments	2,576,337	2,847,530
Deferred outflows of resources – OPEB plan deferments	82,393	97,895
Deferred outflows of resources – pension plan deferments	37,650,723	52,537,127
Deferred inflows of resources – bond refunding deferments	(549,764)	(652,740)
Deferred inflows of resources – OPEB plan deferments	(686,869)	(112,228)
Deferred inflows of resources – pension plan deferments	(50,568,154)	(62,961,436)
Deferred inflows of resources – unavailable revenue – delinquent taxes	59,188	49,725
Total net position – governmental activities	$ (59,482,388)	$ (25,846,580)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	General Fund	Debt Service Fund	Nonmajor Funds
Revenue			
Local sources			
Property taxes	$ 5,317,956	$ 8,884,473	$ 347,475
Investment earnings	357,769	119,806	75,774
Other	2,592,133	–	5,388,709
State sources	58,516,657	6,044,121	662,336
Federal sources	462,995	–	1,133,785
Total revenue	67,247,510	15,048,400	7,608,079
Expenditures			
Current			
Administration	2,244,458	–	–
District support services	1,382,214	–	–
Elementary and secondary regular instruction	34,074,100	–	–
Vocational education instruction	1,229,890	–	–
Special education instruction	9,217,632	–	–
Instructional support services	6,736,333	–	–
Pupil support services	4,846,366	–	–
Sites and buildings	8,450,823	–	–
Fiscal and other fixed cost programs	263,112	–	–
Food service	–	–	3,037,588
Community service	–	–	5,076,960
Capital outlay	–	–	954,875
Debt service			
Principal	68,436	9,160,000	–
Interest and fiscal charges	12,846	6,085,576	–
Total expenditures	68,526,210	15,245,576	9,069,423
Excess (deficiency) of revenue over expenditures	(1,278,700)	(197,176)	(1,461,344)
Other financing sources (uses)			
Sale of capital assets	438	–	–
Transfers in	11,525	–	709,789
Transfers (out)	(504,830)	–	(216,484)
Total other financing sources (uses)	(492,867)	–	493,305
Net change in fund balances	(1,771,567)	(197,176)	(968,039)
Fund balances			
Beginning of year, as previously reported	16,942,149	3,436,392	2,765,857
Prior period adjustment	516,168	–	–
Change in accounting principle	30,028	–	–
Beginning of year, as restated	17,488,345	3,436,392	2,765,857
End of year	$ 15,716,778	$ 3,239,216	$ 1,797,818

See notes to basic financial statements

Total Governmental Funds	
2020	2019
$ 14,549,904	$ 13,531,984
553,349	919,724
7,980,842	9,933,250
65,223,114	63,998,008
1,596,780	1,458,779
89,903,989	89,841,745
2,244,458	1,835,946
1,382,214	1,511,347
34,074,100	33,452,481
1,229,890	848,169
9,217,632	8,476,832
6,736,333	6,695,941
4,846,366	4,751,465
8,450,823	8,072,579
263,112	234,843
3,037,588	3,325,230
5,076,960	5,161,078
954,875	15,796,376
9,228,436	8,517,436
6,098,422	6,409,450
92,841,209	105,089,173
(2,937,220)	(15,247,428)
438	6,500
721,314	–
(721,314)	–
438	6,500
(2,936,782)	(15,240,928)
23,144,398	38,385,326
516,168	–
30,028	–
23,690,594	38,385,326
$ 20,753,812	$ 23,144,398

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	2020	2019
Total net change in fund balances – governmental funds	$ (2,936,782)	$ (15,240,928)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds do not report income or loss in a joint venture.	(1,805)	134,945
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	1,652,300	16,666,635
Depreciation expense	(6,712,999)	(4,463,153)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	(82,950)	–
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	9,160,000	8,440,000
Capital lease payable	68,436	77,436
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	157,452	130,725
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	1,102,408	1,101,929
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability	(2,397,158)	71,344,440
Total OPEB liability	353,307	(283,262)
Compensated absences payable	28,764	(19,874)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – bond refunding deferments	(271,193)	(271,193)
Deferred outflows of resources – OPEB plan deferments	(15,502)	26,332
Deferred outflows of resources – pension plan deferments	(14,886,404)	(12,707,544)
Deferred inflows of resources – bond refunding deferments	102,976	102,977
Deferred inflows of resources – OPEB plan deferments	(574,641)	3,205
Deferred inflows of resources – pension plan deferments	12,393,282	(44,534,468)
Deferred inflows of resources – unavailable revenue – delinquent taxes	9,463	3,878
Change in net position – governmental activities	$ (2,851,046)	$ 20,512,080

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 5,311,737	$ 5,311,737	$ 5,317,956	$ 6,219
Investment earnings	150,750	150,750	357,769	207,019
Other	2,706,994	2,836,994	2,592,133	(244,861)
State sources	59,023,774	59,419,039	58,516,657	(902,382)
Federal sources	723,289	446,024	462,995	16,971
Total revenue	67,916,544	68,164,544	67,247,510	(917,034)
Expenditures				
Current				
Administration	2,223,123	2,223,123	2,244,458	21,335
District support services	1,543,408	1,569,807	1,382,214	(187,593)
Elementary and secondary regular instruction	34,848,571	34,715,878	34,074,100	(641,778)
Vocational education instruction	1,103,318	1,103,318	1,229,890	126,572
Special education instruction	9,083,677	9,315,783	9,217,632	(98,151)
Instructional support services	6,812,245	6,786,245	6,736,333	(49,912)
Pupil support services	4,951,245	4,951,245	4,846,366	(104,879)
Sites and buildings	7,776,773	8,443,730	8,450,823	7,093
Fiscal and other fixed cost programs	273,100	273,100	263,112	(9,988)
Debt service				
Principal	–	–	68,436	68,436
Interest and fiscal charges	–	–	12,846	12,846
Total expenditures	68,615,460	69,382,229	68,526,210	(856,019)
Excess (deficiency) of revenue over expenditures	(698,916)	(1,217,685)	(1,278,700)	(61,015)
Other financing sources (uses)				
Sale of capital assets	–	–	438	438
Transfers in	–	–	11,525	11,525
Transfers (out)	–	–	(504,830)	(504,830)
Total other financing sources (uses)	–	–	(492,867)	(492,867)
Net change in fund balances	$ (698,916)	$ (1,217,685)	(1,771,567)	$ (553,882)
Fund balances				
Beginning of year, as previously reported			16,942,149	
Prior period adjustment			516,168	
Change in accounting principle			30,028	
Beginning of year, as restated			17,488,345	
End of year			$ 15,716,778	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 885

Statement of Fiduciary Net Position
as of June 30, 2020

	Private-Purpose Trust Fund	Custodial Fund
Assets		
Cash and temporary investments	$ –	$ 37,105
Net position		
Restricted for Family Youth Community Connections	$ –	$ 37,105

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

	Private-Purpose Trust Fund	Custodial Fund
Additions		
Contributions		
Miscellaneous	$ –	$ 248,829
Investment earnings	–	76
Total additions	–	248,905
Deductions		
Miscellaneous	–	220,243
Change in net position	–	28,662
Net position		
Beginning of year, as previously reported	30,028	–
Change in accounting principle	(30,028)	8,443
Beginning of year, as restated	–	8,443
End of year	$ –	$ 37,105

See notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 885 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

The District currently participates in two joint ventures, which are a legal district or other organization that results from a contracted agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. The participants retain either an ongoing financial interest or an ongoing financial responsibility.

1. **Wright Technical Center** – The District entered in to a joint powers agreement in February 1998 with Wright Technical Center (WTC) No. 966, a cooperative center for vocational education, between and among eight other independent school districts to finance the acquisition and betterment of the addition to the existing WTC facilities. The addition was financed through capital lease agreements. Each participating district annually authorizes a leading levy to cover their allocated portion of the lease payment based on the formula set out in the joint powers agreement. Participating districts are also apportioned operating costs and continuing costs for the addition based on the current cost. Separately issued financial statements can be obtained from Wright Technical Center, 1400 Highway 25 North Buffalo, Minnesota 55313-1936.

2. **St. Michael-Albertville Ice Arena** – In 1996–1997, the City of Albertville entered into a joint powers agreement with the City of St. Michael and the District. The agreement was for the construction and maintenance of a qualified ice arena. During 2006, the City of Albertville was notified as being selected as the Mighty Ducks Grant recipient to help fund the cost of the ice arena. The arena was constructed with the grant reward and contributions and donations from the City of Albertville, the City of St. Michael, and the District. Separate financial statements can be obtained by contacting the City of Albertville.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements. Transactions representing interfund services provided and used are not eliminated in the consolidation process to the government-wide financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met.

For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as "depreciation not allocated to other functions." Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues, including property taxes, to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Fiduciary funds are presented in the fiduciary fund financial statements by type. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described earlier in these notes.

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education (MDE). Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

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

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs.

Nonmajor Governmental Funds

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

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

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

Fiduciary Funds

Private-Purpose Trust Fund – The Private-Purpose Trust Fund was used to account for scholarship activity in previous years, which was moved to the General Fund through a change in accounting principle in the current year.

Custodial Fund – The Custodial Fund is used as a flow through mechanism in which the District receives funds and distributes these funds to an organization, Family Youth Community Connections (FYCC), with no financial benefit to the District.

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end. Expenditures in the Debt Service Fund exceeded budgeted appropriations by $123, during the current year. Revenues in excess of budget financed this variance.

F. Cash and Temporary Investments

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

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

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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

G. Receivables

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

At year-end, the District reported the following receivables due from other governmental units:

Due from MDE	$	5,503,810
Due from other Minnesota school districts		260,308
Due from other governmental units		246,154
Total	$	6,010,272

H. Inventories

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

I. Prepaid Items

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

J. Property Taxes

The majority of the District's revenue in the General Fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $257,930 of the property tax levy collectible in 2020 as revenue to the District in fiscal year 2019–2020. The remaining portion of the taxes collectible in 2020 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the District at periodic intervals as they are collected.

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

K. Capital Assets

Capital assets that are purchased or constructed by the District are recorded at historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of $5,000 or more, or computer related items with an initial individual cost of more than $1,000, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and building and land improvements, and 5 to 15 years for furniture and equipment. Land and construction in progress are not depreciated.

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

L. Interfund Transfers

During the 2020 fiscal year, the District's General Fund transferred $504,830 to the Capital Projects – Building Construction Fund to finance capital project costs. The District's Community Service Special Revenue Fund also made transfers of $11,525 to the General Fund for distance learning technology and $204,959 to the Food Service Special Revenue Fund for child nutrition salaries and benefits not covered by meal reimbursements. Interfund transfers reported in the fund financial statements are eliminated in the government-wide financial statements.

M. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

N. Compensated Absences

Under the terms of collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates, portions of which may be carried over to future years. Employees are reimbursed for unused, accrued vacation and related benefits to the limit specified in their labor contract or School Board policy upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued when earned in the government-wide financial statements. Compensated absences are accrued in the governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end, due to employee termination or similar circumstances.

O. State-Wide Pension Plans

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

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

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

P. Deferred Outflows/Inflows of Resources

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

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

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

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

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

Q. Use of Estimates

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

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 workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in the current year.

S. Net Position

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

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

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

T. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted or committed. In the governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Prior Period Comparative Financial Information/Reclassification

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

V. Change in Accounting Principle

During the year ended June 30, 2020, the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes new criteria for identifying and reporting fiduciary activities. The implementation of this statement resulted in changing the presentation of certain scholarship activity previously reported in a fiduciary (private-purpose trust) fund, to being reported within the District's General Fund and its governmental activities. The standard required retroactive implementation, which resulted in an increase of $30,028 to the fund balance of the General Fund and Net Position of Governmental Activities as of July 1, 2019, and a decrease in the net position of the previously reported private-purpose trust fund of the same amount. In addition, the financial activity of the FYCC, previously reported in an agency fund, is now reported in a custodial fund, with the implementation of this standard. As agency funds did not report net position, this change resulted in an increase of $8,443 in the beginning net position of the Custodial Fund.

W. Prior Period Adjustments

The District recorded two prior period adjustments in the current year. The first, to correct balances of capital assets and accumulated depreciation reported at the previous year-end. The second, to correct the balance of accrued payroll benefits reported at the previous year-end. The impact on the government-wide and governmental fund financial statements, had these been correctly recorded in the prior years, is as follows:

	Government-Wide Governmental Activities	Governmental Funds
Impact on net position/fund balances		
Capital assets, net of accumulated depreciation	$ (31,330,958)	$ –
Accrued payroll benefits	516,168	516,168
Total net change	$ (30,814,790)	$ 516,168
Impact on prior years' reported expenses/expenditures and change in net position/fund balances		
Depreciation and capital outlay	$ 31,330,958	$ –
Accrued payroll benefits	(516,168)	(516,168)
Total net change	$ 30,814,790	$ (516,168)

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$ 5,025,160
Investments	25,339,757
Total deposits and investments	$ 30,364,917

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

Statement of Net Position	
Cash and temporary investments	$ 30,327,812
Statement of Fiduciary Net Position	
Custodial Fund – cash and temporary investments	37,105
Total deposits and investments	$ 30,364,917

B. Deposits

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

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The District's deposit policies do not further limit depository choices.

At year-end, the carrying amount of the District's deposits was $5,025,160, while the balance on the bank records was $5,885,425. At June 30, 2020, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District's agent in the District's name.

C. Investments

The District has the following investments at year-end:

Deposits/Investments	Credit Risk Rating	Credit Risk Agency	Fair Value Measurements Using	Interest Risk – Maturity Duration in Years Less Than 1	Interest Risk – Maturity Duration in Years 1 to 5	Total
Negotiable certificates of deposit	Not Rated		Level 2	$ 4,196,932	$ 1,496,251	$ 5,693,183
State and local bonds (G.O. bonds)	AAA	S&P	Level 2	$ –	$ 87,375	87,375
State and local bonds (G.O. bonds)	AA	S&P	Level 2	$ 1,115,608	$ 1,232,391	2,347,999
State and local bonds (G.O. bonds)	AAA	Moody's	Level 2	$ 507,770	$ –	507,770
State and local bonds (G.O. bonds)	AA	Moody's	Level 2	$ 1,241,229	$ 238,933	1,480,162
State and local bonds (G.O. bonds)	A	Moody's	Level 2	$ 606,234	$ –	606,234
U.S. agency securities	AA	S&P	Level 2	$ 2,095,475	$ –	2,095,475
U.S. agency securities	A–1	S&P	Level 2	$ 675,079	$ –	675,079
U.S. treasuries	AA	S&P	Level 2	$ 5,806,178	$ –	5,806,178
Investment pools/mutual funds						
First American Government Obligations	AAA	S&P	Level 1	N/A	N/A	6,039,055
MSDLAF – Liquid Class	AAA	S&P	N/A	N/A	N/A	507
MSDLAF – Max Class	AAA	S&P	N/A	N/A	N/A	741
Total investments						$ 25,339,757

N/A – Not Applicable

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

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

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

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

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

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

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year is as follows:

	Balance – Beginning of Year, as Restated*	Additions	Deletions	Completed Construction	Ending Balance
Capital assets, not depreciated					
Land	$ 13,680,960	$ –	$ –	$ –	$ 13,680,960
Construction in progress	24,582,283	701,357	(177)	(25,283,463)	–
Total capital assets, not depreciated	38,263,243	701,357	(177)	(25,283,463)	13,680,960
Capital assets, depreciated					
Land improvements	1,460,168	–	–	47,346	1,507,514
Building and land improvements	185,946,953	–	–	25,225,122	211,172,075
Furniture and equipment	5,571,276	950,943	(166,251)	10,995	6,366,963
Total capital assets, depreciated	192,978,397	950,943	(166,251)	25,283,463	219,046,552
Less accumulated depreciation for					
Land improvements	(894,999)	(74,685)	–	–	(969,684)
Building and land improvements	(75,046,517)	(6,026,613)	–	–	(81,073,130)
Furniture and equipment	(2,042,211)	(611,701)	83,478	–	(2,570,434)
Total accumulated depreciation	(77,983,727)	(6,712,999)	83,478	–	(84,613,248)
Net capital assets, depreciated	114,994,670	(5,762,056)	(82,773)	25,283,463	134,433,304
Total capital assets, net	$ 153,257,913	$ (5,060,699)	$ (82,950)	$ –	$ 148,114,264

*Capital assets and accumulated depreciation were restated from the prior year. See prior period adjustments Note 1 W.

Depreciation expense was charged to the following governmental functions:

Administration	$ 1,043
Elementary and secondary regular instruction	79,504
Special education instruction	3,936
Community service	7,983
Instructional support services	117,872
Pupil support services	157,449
Sites and buildings	6,345,212
Total depreciation expense	$ 6,712,999

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
General obligation bonds payable					
2011A Refunding	11/09/2011	4.250%	$ 10,295,000	02/01/2032	$ 10,295,000
2014A School Building Refunding	09/23/2014	2.00–4.00%	$ 59,275,000	02/01/2030	48,240,000
2015A School Building Refunding	05/07/2015	3.00–4.00%	$ 17,750,000	02/01/2025	9,935,000
2015B School Building Refunding	11/01/2015	2.00–3.00%	$ 36,110,000	02/01/2027	25,170,000
2016A School Building Refunding	10/27/2016	3.00–5.00%	$ 31,335,000	02/01/2030	28,665,000
2017A School Building	04/13/2017	3.20–4.00%	$ 35,705,000	02/01/2032	35,705,000
Total					$ 158,010,000

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

B. Capital Lease Payable

On June 18, 2018, the District entered into a lease purchase agreement with Kinetic Leasing for the acquisition of scoreboards. The original capital lease obligation and corresponding equipment capitalized totaled $617,437. The associated accumulated depreciation for these assets are $133,778 at year-end, for a net value of $483,659.

The capital lease agreement includes annual principal and interest payments of $81,282 for each of the six years of the agreement. In the event that the lessor provides to the escrow agent written notice of the occurrence of an event of default or an event of non-appropriation under the lease, the escrow agent shall thereupon promptly remit to the lessor or any assignee of the lessor the remaining balance of the equipment acquisition fund plus investment income thereon.

C. Other Long-Term Liabilities

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

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

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	$ 8,000,139	$ 1,422,874	$ 1,408,298	$ 1,156,616
TRA	36,210,813	36,227,849	49,159,856	7,468,904
Total	$ 44,210,952	$ 37,650,723	$ 50,568,154	$ 8,625,520

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

D. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds and capital leases are as follows:

Year Ending June 30,	General Obligation Bonds		Capital Lease	
	Principal	Interest	Principal	Interest
2021	$ 9,925,000	$ 5,731,178	$ 70,831	$ 10,451
2022	10,645,000	5,377,778	73,311	7,971
2023	11,440,000	4,962,928	75,877	5,405
2024	12,310,000	4,530,353	78,533	2,749
2025	12,650,000	4,040,103	–	–
2026–2030	75,030,000	12,617,538	–	–
2031–2032	26,010,000	1,409,395	–	–
	$ 158,010,000	$ 38,669,273	$ 298,552	$ 26,576

E. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General obligation bonds payable	$ 167,170,000	$ –	$ 9,160,000	$ 158,010,000	$ 9,925,000
Unamortized premium/discount	10,479,735	–	1,102,408	9,377,327	–
Net bonds payable	177,649,735	–	10,262,408	167,387,327	9,925,000
Capital lease payable	366,988	–	68,436	298,552	70,831
Net pension liability	41,813,794	5,826,546	3,429,388	44,210,952	–
Total OPEB liability	3,242,498	316,700	670,007	2,889,191	–
Compensated absences payable	307,163	348,887	377,651	278,399	278,399
	$ 223,380,178	$ 6,492,133	$ 14,807,890	$ 215,064,421	$ 10,274,230

NOTE 5 – FUND BALANCES

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

Classifications

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

	General Fund	Service Fund	Nonmajor Funds	Total
Nonspendable				
Inventory	$ –	$ –	$ 131,176	$ 131,176
Prepaid items	104,732	–	–	104,732
Total nonspendable	104,732	–	131,176	235,908
Restricted				
Scholarships	25,528	–	–	25,528
Staff development	1,312,325	–	–	1,312,325
Operating capital	520,982	–	–	520,982
Safe schools	727	–	–	727
Long-term facilities maintenance	156,810	–	–	156,810
Medical Assistance	405,652	–	–	405,652
Debt service	–	3,239,216	–	3,239,216
Food service	–	–	470,870	470,870
Community education programs	–	–	930,100	930,100
Early childhood family education programs	–	–	166,873	166,873
School readiness	–	–	47,884	47,884
Community service	–	–	50,915	50,915
Total restricted	2,422,024	3,239,216	1,666,642	7,327,882
Assigned				
Subsequent year's budget	1,669,789	–	–	1,669,789
Teacher retiree insurance	42,250	–	–	42,250
Q-comp	149,299	–	–	149,299
Insurance claims	50,000	–	–	50,000
Building activity carryover	258,473	–	–	258,473
Total assigned	2,169,811	–	–	2,169,811
Unassigned				
Unassigned	11,020,211	–	–	11,020,211
Total	$ 15,716,778	$ 3,239,216	$ 1,797,818	$ 20,753,812

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

The TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

B. Benefits Provided

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

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

1. GERF Benefits

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

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

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

Tier II Benefits

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2020, were $809,736. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

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

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2020, were $2,686,725. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

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

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2020, the District reported a liability of $8,000,139 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.1447 percent at the end of the measurement period and 0.1411 percent for the beginning of the period.

The District's net pension liability reflected a reduction, due to the state of Minnesota's contribution of $16 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 amounts recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$ 8,000,139
State's proportionate share of the net pension liability associated with the District	$ 248,656

For the year ended June 30, 2020, the District recognized pension expense of $1,137,994 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $18,622 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $16 million to the GERF.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 216,505	$ –
Changes in actuarial assumptions	–	608,735
Difference between projected and actual investment earnings	–	799,563
Changes in proportion	396,633	–
District's contributions to the GERF subsequent to the measurement date	809,736	–
Total	$ 1,422,874	$ 1,408,298

A total of $809,736 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2021	$ (191,365)
2022	$ (510,621)
2023	$ (106,060)
2024	$ 12,886

2. TRA Pension Costs

At June 30, 2020, the District reported a liability of $36,210,813 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.5681 percent at the end of the measurement period and 0.5411 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	$ 36,210,813
State's proportionate share of the net pension liability associated with the District	$ 3,204,677

For the year ended June 30, 2020, the District recognized pension expense of $7,225,310. It also recognized $243,594 as an increase to pension expense (and grant revenue) for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 4,414	$ 838,087
Changes in actuarial assumptions	26,957,887	45,449,875
Difference between projected and actual investment earnings	–	2,871,894
Changes in proportion	6,578,823	–
District's contributions to the TRA subsequent to the measurement date	2,686,725	–
Total	$ 36,227,849	$ 49,159,856

A total of $2,686,725 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2021	$ 2,837,968
2022	$ 847,598
2023	$ (11,222,772)
2024	$ (8,297,038)
2025	$ 215,512

E. Actuarial Assumptions

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the GERF and 1.00 percent for January 2019 through January 2023, then increasing by 0.10 percent each year, up to 1.50 percent annually for the TRA.

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

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

1. **GERF**

   CHANGES IN ACTUARIAL ASSUMPTIONS

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

   CHANGES IN PLAN PROVISIONS

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

2. **TRA**

   CHANGES IN ACTUARIAL ASSUMPTIONS

   - None.

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

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

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

F. Discount Rate

1. **GERF**

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

2. **TRA**

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

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	$ 13,151,797	$ 8,000,139	$ 3,746,420
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	$ 57,728,890	$ 36,210,813	$ 18,469,476

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

H. Pension Plan Fiduciary Net Position

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

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

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

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

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

A. Plan Description

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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. Benefits Provided

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

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

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

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District's contributions in the current year totaled $79,864 as required on a pay-as-you-go basis to finance current year benefits as described in the previous section.

D. Membership

Membership in the plan consisted of the following as of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	11
Active plan members electing coverage	510
Active plan members waiving coverage	231
Total members	752

E. Total OPEB Liability of the District

The District's total OPEB liability of $2,889,191 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

F. Actuarial Method and Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.13%
20-year municipal bond yield	3.13%
Inflation rate	2.50%
Healthcare trend rate	6.40%, grading to 4.00%

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield.

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale for teachers, and RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale for non-teachers.

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

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information, as well as for consistency with the other economic assumptions.

G. Changes in the Net OPEB Liability

	Total OPEB Liability
Beginning balance	$ 3,242,498
Changes for the year	
Service cost	259,402
Interest	125,427
Assumption changes	(666,843)
Differences between expected and actual experience	2,855
Benefit payments	(74,148)
Total net changes	(353,307)
Ending balance	$ 2,889,191

Assumption changes since the prior measurement date include the following:

- The discount rate changed from 3.62 percent to 3.13 percent.
- The index rate for 20-year, tax exempt municipal bonds used in the discount rate determination changed from 3.62 percent to 3.13 percent.

H. Total OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB discount rate	2.13%	3.13%	4.13%
Total OPEB liability	$ 3,088,290	$ 2,889,191	$ 2,695,224

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 trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare trend rates:

	1% Decrease in Healthcare Trend Rate	Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Healthcare trend rate	5.40% grading to 3.00%	6.40% grading to 4.00%	7.40% grading to 5.00%
Total OPEB liability	$ 2,622,639	$ 2,889,191	$ 3,206,317

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

For the current year ended, the District recognized OPEB expense of $292,953. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,529	$ –
Changes in actuarial assumptions	–	686,869
District's contributions subsequent to the measurement date	79,864	–
Total	$ 82,393	$ 686,869

A total of $79,864 reported as deferred outflows of resources, related to OPEB resulting from district contributions subsequent to the measurement date, will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as follows:

Year Ending June 30,	OPEB Expense Amount
2021	$ (91,876)
2022	$ (91,876)
2023	$ (91,876)
2024	$ (91,876)
2025	$ (91,876)
Thereafter	$ (224,960)

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

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

B. Legal Claims

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

C. Construction Contracts

At June 30, 2020, the District had commitments totaling $29,923 under various construction contracts for which the work was not yet completed.

D. COVID-19 Impact

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

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 885

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.1414%	$ 6,642,264	$ –	$ 6,642,264	$ 7,425,490	89.45%	78.70%
06/30/2016	06/30/2015	0.1321%	$ 6,846,108	$ –	$ 6,846,108	$ 7,637,560	89.64%	78.20%
06/30/2017	06/30/2016	0.1310%	$ 10,636,550	$ 138,906	$ 10,775,456	$ 8,120,427	130.99%	68.90%
06/30/2018	06/30/2017	0.1375%	$ 8,777,909	$ 110,368	$ 8,888,277	$ 8,857,493	99.10%	75.90%
06/30/2019	06/30/2018	0.1411%	$ 7,827,649	$ 256,711	$ 8,084,360	$ 9,483,693	82.54%	79.50%
06/30/2020	06/30/2019	0.1447%	$ 8,000,139	$ 248,656	$ 8,248,795	$ 10,171,093	78.66%	80.20%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 572,817	$ 572,817	$ –	$ 7,637,560	7.50%
06/30/2016	$ 609,032	$ 609,032	$ –	$ 8,120,427	7.50%
06/30/2017	$ 664,312	$ 664,312	$ –	$ 8,857,493	7.50%
06/30/2018	$ 711,277	$ 711,277	$ –	$ 9,483,693	7.50%
06/30/2019	$ 762,832	$ 762,832	$ –	$ 10,171,093	7.50%
06/30/2020	$ 809,736	$ 809,736	$ –	$ 10,795,877	7.50%

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

INDEPENDENT SCHOOL DISTRICT NO. 885

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

District Fiscal Year-End	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.5026%	$ 23,159,446	$ 1,629,366	$ 24,788,812	$ 22,941,050	100.95%	81.50%
06/30/2016	06/30/2015	0.4860%	$ 30,063,907	$ 3,687,540	$ 33,751,447	$ 24,666,013	121.88%	76.80%
06/30/2017	06/30/2016	0.5028%	$ 119,929,797	$ 12,038,519	$ 131,968,316	$ 26,154,600	458.54%	44.88%
06/30/2018	06/30/2017	0.5229%	$ 104,380,325	$ 10,089,283	$ 114,469,608	$ 28,150,627	370.79%	51.57%
06/30/2019	06/30/2018	0.5411%	$ 33,986,145	$ 3,192,897	$ 37,179,042	$ 29,897,920	113.67%	78.07%
06/30/2020	06/30/2019	0.5681%	$ 36,210,813	$ 3,204,677	$ 39,415,490	$ 32,686,900	110.78%	78.21%

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

District Fiscal Year-End	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 1,849,951	$ 1,849,951	$ –	$ 24,666,013	7.50%
06/30/2016	$ 1,961,595	$ 1,961,595	$ –	$ 26,154,600	7.50%
06/30/2017	$ 2,111,297	$ 2,111,297	$ –	$ 28,150,627	7.50%
06/30/2018	$ 2,242,344	$ 2,242,344	$ –	$ 29,897,920	7.50%
06/30/2019	$ 2,520,160	$ 2,520,160	$ –	$ 32,686,900	7.71%
06/30/2020	$ 2,686,725	$ 2,686,725	$ –	$ 33,925,653	7.92%

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

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	Fiscal Year Ended June 30,		
	2018	2019	2020
Measurement date	06/30/2017	06/30/2018	06/30/2019
Total OPEB liability			
Service cost	$ 254,534	$ 246,437	$ 259,402
Interest	89,139	112,995	125,427
Assumption changes	(130,063)	(12,873)	(666,843)
Differences between expected and actual experience	–	–	2,855
Benefit payments	(105,095)	(63,297)	(74,148)
Net change in total OPEB liability	108,515	283,262	(353,307)
Total OPEB liability – beginning of year	2,850,721	2,959,236	3,242,498
Total OPEB liability – end of year	$ 2,959,236	$ 3,242,498	$ 2,889,191
Covered-employee payroll	$ 35,685,444	$ 40,435,421	$ 41,042,752
Total OPEB liability as a percentage of covered-employee payroll	8.29%	8.02%	7.04%

Note 1: The District has not established a trust fund to finance GASB Statement No. 75-related benefits.

Note 2: The District implemented GASB Statement No. 75 for the year ended June 30, 2018. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 885

Notes to Required Supplementary Information
June 30, 2020

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year, with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 885

Notes to Required Supplementary Information (continued)
June 30, 2020

TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 885

Notes to Required Supplementary Information (continued)
June 30, 2020

OTHER POST-EMPLOYMENT BENEFITS PLAN

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate changed from 3.62 percent to 3.13 percent.
- The index rate for 20-year, tax exempt municipal bonds used in the discount rate determination changed from 3.62 percent to 3.13 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate changed from 2.92 percent to 3.62 percent.
- The index rate for 20-year, tax exempt municipal bonds used in the discount rate determination changed from 2.92 percent to 3.62 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed to 2.92 percent.
- The index rate for 20-year, tax exempt municipal bonds used in the discount rate determination was changed to 2.92 percent.

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	Special Revenue Funds		Capital Projects – Building Construction	Total
	Food Service	Community Service		
Assets				
Cash and temporary investments	$ 613,761	$ 1,646,360	$ 480	$ 2,260,601
Receivables				
Current taxes	–	177,413	–	177,413
Delinquent taxes	–	1,419	–	1,419
Due from other governmental units	50,075	68,922	–	118,997
Inventory	131,176	–	–	131,176
Total assets	$ 795,012	$ 1,894,114	$ 480	$ 2,689,606
Liabilities				
Salaries payable	$ 159	$ 178,041	$ –	$ 178,200
Accounts and contracts payable	30,201	50,967	480	81,648
Due to other governmental units	638	18,059	–	18,697
Unearned revenue	161,968	77,159	–	239,127
Total liabilities	192,966	324,226	480	517,672
Deferred inflows of resources				
Property taxes levied for subsequent year	–	372,697	–	372,697
Unavailable revenue – delinquent taxes	–	1,419	–	1,419
Total deferred inflows of resources	–	374,116	–	374,116
Fund balances				
Nonspendable	131,176	–	–	131,176
Restricted	470,870	1,195,772	–	1,666,642
Total fund balances	602,046	1,195,772	–	1,797,818
Total liabilities, deferred inflows of resources, and fund balances	$ 795,012	$ 1,894,114	$ 480	$ 2,689,606

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	Special Revenue Funds		Capital Projects – Building Construction	Total
	Food Service	Community Service		
Revenue				
Local sources				
Property taxes	$ –	$ 347,475	$ –	$ 347,475
Investment earnings	13,968	50,889	10,917	75,774
Other	1,616,450	3,472,620	299,639	5,388,709
State sources	138,448	523,888	–	662,336
Federal sources	1,133,785	–	–	1,133,785
Total revenue	2,902,651	4,394,872	310,556	7,608,079
Expenditures				
Current				
Food service	3,037,588	–	–	3,037,588
Community service	–	5,076,960	–	5,076,960
Capital outlay	46,822	6,541	901,512	954,875
Total expenditures	3,084,410	5,083,501	901,512	9,069,423
Excess (deficiency) of revenue over expenditures	(181,759)	(688,629)	(590,956)	(1,461,344)
Other financing sources (uses)				
Transfers in	204,959	–	504,830	709,789
Transfers (out)	–	(216,484)	–	(216,484)
Total other financing sources (uses)	204,959	(216,484)	504,830	493,305
Net change in fund balances	23,200	(905,113)	(86,126)	(968,039)
Fund balances				
Beginning of year	578,846	2,100,885	86,126	2,765,857
End of year	$ 602,046	$ 1,195,772	$ –	$ 1,797,818

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	2020	2019
Assets		
Cash and temporary investments	$ 20,617,140	$ 20,647,287
Receivables		
Current taxes	2,573,275	2,495,101
Delinquent taxes	20,920	17,070
Accounts and interest	99,116	102,153
Due from other governmental units	5,287,918	6,031,607
Prepaid items	104,732	89,141
Total assets	$ 28,703,101	$ 29,382,359
Liabilities		
Salaries payable	$ 4,758,128	$ 4,556,177
Accounts and contracts payable	2,968,587	2,672,114
Due to other governmental units	137,975	100,325
Unearned revenue	–	88,100
Total liabilities	7,864,690	7,416,716
Deferred inflows of resources		
Property taxes levied for subsequent year	5,100,713	5,006,424
Unavailable revenue – delinquent taxes	20,920	17,070
Total deferred inflows of resources	5,121,633	5,023,494
Fund balances		
Nonspendable for prepaid items	104,732	89,141
Restricted for scholarships	25,528	–
Restricted for staff development	1,312,325	1,112,731
Restricted for operating capital	520,982	581,256
Restricted for safe schools	727	6,335
Restricted for long-term facilities maintenance	156,810	126,239
Restricted for Medical Assistance	405,652	386,209
Committed for teacher retiree insurance	–	49,375
Assigned for subsequent year's budget	1,669,789	680,000
Assigned for teacher retiree insurance	42,250	–
Assigned for staff development	–	7,666
Assigned for Q-comp	149,299	227,361
Assigned for insurance claims	50,000	92,330
Assigned for building activity carryover	258,473	280,826
Unassigned	11,020,211	13,302,680
Total fund balances	15,716,778	16,942,149
Total liabilities, deferred inflows of resources, and fund balances	$ 28,703,101	$ 29,382,359

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 5,311,737	$ 5,317,956	$ 6,219	$ 4,761,924
Investment earnings	150,750	357,769	207,019	597,484
Other	2,836,994	2,592,133	(244,861)	2,724,588
State sources	59,419,039	58,516,657	(902,382)	57,289,683
Federal sources	446,024	462,995	16,971	502,483
Total revenue	68,164,544	67,247,510	(917,034)	65,876,162
Expenditures				
Current				
Administration				
Salaries	1,286,824	1,357,864	71,040	1,191,626
Employee benefits	546,816	533,048	(13,768)	386,131
Purchased services	139,058	99,639	(39,419)	118,463
Supplies and materials	77,425	75,273	(2,152)	78,909
Capital expenditures	125,905	135,889	9,984	11,514
Other expenditures	47,095	42,745	(4,350)	49,303
Total administration	2,223,123	2,244,458	21,335	1,835,946
District support services				
Salaries	789,141	792,161	3,020	727,363
Employee benefits	305,977	262,959	(43,018)	246,276
Purchased services	271,501	246,259	(25,242)	280,962
Supplies and materials	29,900	60,002	30,102	52,286
Capital expenditures	33,376	–	(33,376)	49,116
Other expenditures	139,912	20,833	(119,079)	155,344
Total district support services	1,569,807	1,382,214	(187,593)	1,511,347
Elementary and secondary regular instruction				
Salaries	24,601,679	24,419,782	(181,897)	23,669,000
Employee benefits	7,537,293	7,368,627	(168,666)	7,061,523
Purchased services	1,104,977	838,919	(266,058)	1,081,561
Supplies and materials	1,304,687	1,145,530	(159,157)	1,247,302
Capital expenditures	157,207	130,657	(26,550)	328,184
Other expenditures	10,035	170,585	160,550	64,911
Total elementary and secondary regular instruction	34,715,878	34,074,100	(641,778)	33,452,481

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	455,697	627,510	171,813	287,771
Employee benefits	166,354	190,577	24,223	105,415
Purchased services	481,267	379,050	(102,217)	454,697
Supplies and materials	–	30,772	30,772	–
Other expenditures	–	1,981	1,981	286
Total vocational education instruction	1,103,318	1,229,890	126,572	848,169
Special education instruction				
Salaries	6,798,065	6,658,666	(139,399)	6,124,816
Employee benefits	2,282,858	2,095,913	(186,945)	1,900,261
Purchased services	125,049	315,823	190,774	254,916
Supplies and materials	76,563	57,158	(19,405)	83,151
Capital expenditures	33,248	52,413	19,165	56,925
Other expenditures	–	37,659	37,659	56,763
Total special education instruction	9,315,783	9,217,632	(98,151)	8,476,832
Instructional support services				
Salaries	4,035,763	3,815,284	(220,479)	3,735,681
Employee benefits	1,273,744	1,222,950	(50,794)	1,170,561
Purchased services	589,593	659,830	70,237	752,949
Supplies and materials	479,070	384,089	(94,981)	298,832
Capital expenditures	397,559	621,179	223,620	689,716
Other expenditures	10,516	33,001	22,485	48,202
Total instructional support services	6,786,245	6,736,333	(49,912)	6,695,941
Pupil support services				
Salaries	1,375,838	1,447,311	71,473	1,336,913
Employee benefits	455,790	473,928	18,138	425,371
Purchased services	3,072,052	2,815,100	(256,952)	2,869,888
Supplies and materials	46,175	102,108	55,933	105,545
Capital expenditures	1,390	–	(1,390)	954
Other expenditures	–	7,919	7,919	12,794
Total pupil support services	4,951,245	4,846,366	(104,879)	4,751,465

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	1,976,915	1,943,555	(33,360)	2,044,890
Employee benefits	808,761	803,990	(4,771)	787,678
Purchased services	2,996,695	3,443,415	446,720	3,530,064
Supplies and materials	799,030	876,380	77,350	704,741
Capital expenditures	1,847,734	1,366,008	(481,726)	925,039
Other expenditures	14,595	17,475	2,880	80,167
Total sites and buildings	8,443,730	8,450,823	7,093	8,072,579
Fiscal and other fixed cost programs				
Purchased services	255,000	258,612	3,612	234,843
Other expenditures	18,100	4,500	(13,600)	–
Total fiscal and other fixed cost programs	273,100	263,112	(9,988)	234,843
Debt service				
Principal	–	68,436	68,436	77,436
Interest and fiscal charges	–	12,846	12,846	3,846
Total debt service	–	81,282	81,282	81,282
Total expenditures	69,382,229	68,526,210	(856,019)	65,960,885
Excess (deficiency) of revenue over expenditures	(1,217,685)	(1,278,700)	(61,015)	(84,723)
Other financing sources (uses)				
Sale of capital assets	–	438	438	–
Transfers in	–	11,525	11,525	–
Transfers (out)	–	(504,830)	(504,830)	–
Total other financing sources (uses)	–	(492,867)	(492,867)	–
Net change in fund balances	$ (1,217,685)	(1,771,567)	$ (553,882)	(84,723)
Fund balances				
Beginning of year, as previously reported		16,942,149		17,026,872
Prior period adjustment		516,168		–
Change in accounting principle		30,028		–
Beginning of year, as restated		17,488,345		17,026,872
End of year		$ 15,716,778		$ 16,942,149

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	2020	2019
Assets		
Cash and temporary investments	$ 613,761	$ 719,926
Receivables		
Due from other governmental units	50,075	4,364
Inventory	131,176	51,580
Total assets	$ 795,012	$ 775,870
Liabilities		
Salaries payable	$ 159	$ 1,316
Accounts and contracts payable	30,201	94,093
Due to other governmental units	638	–
Unearned revenue	161,968	101,615
Total liabilities	192,966	197,024
Fund balances		
Nonspendable for inventory	131,176	51,580
Restricted for food service	470,870	527,266
Total fund balances	602,046	578,846
Total liabilities and fund balances	$ 795,012	$ 775,870

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 15,000	$ 13,968	$ (1,032)	$ 10,575
Other – primarily meal sales	2,377,642	1,616,450	(761,192)	2,197,894
State sources	159,946	138,448	(21,498)	152,770
Federal sources	861,087	1,133,785	272,698	956,296
Total revenue	3,413,675	2,902,651	(511,024)	3,317,535
Expenditures				
Current				
Salaries	1,248,324	1,163,748	(84,576)	1,128,944
Employee benefits	426,943	392,055	(34,888)	363,404
Purchased services	301,700	188,746	(112,954)	296,831
Supplies and materials	1,698,950	1,291,457	(407,493)	1,533,830
Other expenditures	3,250	1,582	(1,668)	2,221
Capital outlay	–	46,822	46,822	291,467
Total expenditures	3,679,167	3,084,410	(594,757)	3,616,697
Excess (deficiency) of revenue over expenditures	(265,492)	(181,759)	83,733	(299,162)
Other financing sources				
Sale of capital assets	–	–	–	6,500
Transfers in	–	204,959	204,959	–
Total other financing sources	–	204,959	204,959	6,500
Net change in fund balances	$ (265,492)	23,200	$ 288,692	(292,662)
Fund balances				
Beginning of year		578,846		871,508
End of year		$ 602,046		$ 578,846

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	2020	2019
Assets		
Cash and temporary investments	$ 1,646,360	$ 2,603,446
Receivables		
Current taxes	177,413	166,929
Delinquent taxes	1,419	1,205
Accounts and interest	–	785
Due from other governmental units	68,922	68,847
Total assets	$ 1,894,114	$ 2,841,212
Liabilities		
Salaries payable	$ 178,041	$ 187,720
Accounts and contracts payable	50,967	79,764
Due to other governmental units	18,059	–
Unearned revenue	77,159	123,233
Total liabilities	324,226	390,717
Deferred inflows of resources		
Property taxes levied for subsequent year	372,697	348,405
Unavailable revenue – delinquent taxes	1,419	1,205
Total deferred inflows of resources	374,116	349,610
Fund balances (deficit)		
Restricted for community education programs	930,100	1,497,775
Restricted for early childhood family education programs	166,873	353,472
Restricted for school readiness	47,884	–
Restricted for community service	50,915	267,635
Unassigned – school readiness restricted account deficit	–	(17,997)
Total fund balances	1,195,772	2,100,885
Total liabilities, deferred inflows of resources, and fund balances	$ 1,894,114	$ 2,841,212

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 348,436	$ 347,475	$ (961)	$ 326,606
Investment earnings	10,000	50,889	40,889	33,308
Other – primarily tuition and fees	4,480,355	3,472,620	(1,007,735)	4,304,236
State sources	531,610	523,888	(7,722)	540,070
Total revenue	5,370,401	4,394,872	(975,529)	5,204,220
Expenditures				
Current				
Salaries	3,523,114	3,374,549	(148,565)	3,374,529
Employee benefits	959,354	965,514	6,160	905,087
Purchased services	436,195	489,911	53,716	556,161
Supplies and materials	341,897	243,990	(97,907)	322,509
Other expenditures	2,750	2,996	246	2,792
Capital outlay	37,000	6,541	(30,459)	1,453
Total expenditures	5,300,310	5,083,501	(216,809)	5,162,531
Excess (deficiency) of revenue over expenditures	70,091	(688,629)	(758,720)	41,689
Other financing sources (uses)				
Transfers (out)	–	(216,484)	(216,484)	–
Net change in fund balances	$ 70,091	(905,113)	$ (975,204)	41,689
Fund balances				
Beginning of year		2,100,885		2,059,196
End of year		$ 1,195,772		$ 2,100,885

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	2020	2019
Assets		
Cash and temporary investments	$ 480	$ 1,193,930
Liabilities		
Accounts and contracts payable	$ 480	$ 1,107,804
Fund balances		
Restricted for capital projects	–	86,126
Total liabilities and fund balances	$ 480	$ 1,193,930

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 3,000	$ 10,917	$ 7,917	$ 212,241
Other	117,872	299,639	181,767	706,532
Total revenue	120,872	310,556	189,684	918,773
Expenditures				
Capital outlay				
Purchased services	–	434,736	434,736	98,792
Supplies and materials	468,317	–	(468,317)	378,887
Capital expenditures	653,746	466,776	(186,970)	15,025,777
Total expenditures	1,122,063	901,512	(220,551)	15,503,456
Excess (deficiency) of revenue over expenditures	(1,001,191)	(590,956)	410,235	(14,584,683)
Other financing sources				
Transfers in	–	504,830	504,830	–
Net change in fund balances	$ (1,001,191)	(86,126)	$ 915,065	(14,584,683)
Fund balances				
Beginning of year		86,126		14,670,809
End of year		$ –		$ 86,126

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	2020	2019
Assets		
Cash and temporary investments	$ 7,450,071	$ 7,474,261
Receivables		
Current taxes	4,388,083	4,359,364
Delinquent taxes	36,849	31,450
Due from other governmental units	603,357	601,452
Total assets	$ 12,478,360	$ 12,466,527
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 9,202,295	$ 8,998,685
Unavailable revenue – delinquent taxes	36,849	31,450
Total deferred inflows of resources	9,239,144	9,030,135
Fund balances		
Restricted for debt service	3,239,216	3,436,392
Total deferred inflows of resources and fund balances	$ 12,478,360	$ 12,466,527

INDEPENDENT SCHOOL DISTRICT NO. 885

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

	2020			2019
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 8,998,746	$ 8,884,473	$ (114,273)	$ 8,443,454
Investment earnings	30,000	119,806	89,806	66,116
State sources	5,907,709	6,044,121	136,412	6,015,485
Total revenue	14,936,455	15,048,400	111,945	14,525,055
Expenditures				
Debt service				
Principal	9,160,000	9,160,000	–	8,440,000
Interest	6,082,728	6,082,728	–	6,404,178
Fiscal charges and other	2,725	2,848	123	1,426
Total expenditures	15,245,453	15,245,576	123	14,845,604
Net change in fund balances	$ (308,998)	(197,176)	$ 111,822	(320,549)
Fund balances				
Beginning of year		3,436,392		3,756,941
End of year		$ 3,239,216		$ 3,436,392

INDEPENDENT SCHOOL DISTRICT NO. 885

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures	
U.S. Department of Agriculture			
Passed through Minnesota Department of Education			
Child nutrition cluster			
School Breakfast Program	10.553	$ 52,626	
National School Lunch Program	10.555	661,410	
Special Milk Program for Children	10.556	127	
COVID-19 – Summer Food Service Program for Children	10.559	400,075	
Total child nutrition cluster			$ 1,114,238
U.S. Department of Treasury			
Passed through Wright County			
COVID-19 – Coronavirus Relief Fund	21.019		72,201
U.S. Department of Education			
Passed through Minnesota Department of Education			
Title I Grants to Local Educational Agencies	84.010		116,480
English Languarge Acquisition State Grants	84.365		8,459
Supporting Effective Instruction State Grants	84.367		58,655
Student Support and Academic Enrichment Program	84.424		5,751
Passed through Sherburne and Northern Wright Special Education Cooperative			
Special Education Grants to States	84.027		212,726
Passed through Independent School District No. 728			
Education for Homeless Children and Youth	84.196		8,269
Total federal awards			$ 1,596,779

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

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

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

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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

To the School Board and Management of
Independent School District No. 885
Albertville, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 885 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as findings 2020-001 and 2020-002 to be material weaknesses.

(continued)

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as finding 2020-003 to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

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

DISTRICT'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
November 27, 2020

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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

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

To the School Board and Management of
Independent School District No. 885
Albertville, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Independent School District No. 885's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

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

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

(continued)

BASIS FOR QUALIFIED OPINION ON THE CHILD NUTRITION CLUSTER

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with the requirements regarding procurement, suspension, and debarment for its child nutrition cluster federal programs, as reported in finding 2020-004. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to this program cluster.

QUALIFIED OPINION ON THE CHILD NUTRITION CLUSTER

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on the child nutrition cluster program for the year ended June 30, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify one deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as finding 2020-004, that we consider to be a material weakness.

DISTRICT'S RESPONSE TO FINDING

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

(continued)

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
November 27, 2020

MMKR
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PRINCIPALS
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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 885
Albertville, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 885 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2020.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, except as described in the Schedule of Findings and Questioned Costs as finding 2020-005. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

DISTRICT'S RESPONSE TO FINDING

The District's response to the legal compliance finding identified in our audit has been included in the Schedule of Findings and Questioned Costs. The District's response was not subject to the auditing procedures applied in our 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 compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota
November 27, 2020

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INDEPENDENT SCHOOL DISTRICT NO. 885

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

A. SUMMARY OF AUDIT RESULTS

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

Financial Statements

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

Federal Awards

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

Programs tested as major programs:

Program or Cluster	CFDA No.
The U.S. Department of Agriculture – child nutrition cluster consisting of:	
– School Breakfast Program	10.553
– National School Lunch Program	10.555
– Special Milk Program for Children	10.556
– COVID-19 – Summer Food Service Program for Children	10.559

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

B. FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

2020-001 Segregation of Duties

Criteria – Internal control over financial reporting.

Condition – Independent School District No. 885 (the District) has limited segregation of duties in several areas, including the processing of journal entries and access to all functions of the District's accounting system.

Questioned Costs – Not applicable.

Context – The condition impacts internal control for all significant accounting functions.

Repeat Finding – This is a current year and prior year finding.

Cause – The limited segregation of duties is primarily caused by the limited size of the District's business office staff.

Effect – One important element of internal accounting controls is an adequate segregation of duties such that no one individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. A lack of segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected and corrected in a timely manner in the normal course of business.

Recommendation – We recommend that the District continue its efforts to segregate duties as best it can within the limits of what the District considers to be cost-beneficial.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District intends to review policies, procedures, and transaction cycles, and work with the District's financial auditors to review specific weaknesses identified during the annual audit and actions needed to eliminate or mitigate this internal control weakness. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 885

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

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

2020-002 Prior Period Adjustments

Criteria – Management is responsible for establishing and maintaining effective internal controls. These controls include the preparation of year-end journal entries, and the responsibility for preparation, or oversight of the preparation, of the financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition – During the audit of the year ended June 30, 2020 financial statements, the District recorded two material prior period adjustments to correct the balances of net capital assets and accrued payroll benefits payable reported in the previous year. Auditing standards consider the identification of material misstatements in prior year financial statements to be a material weakness in the internal control over financial reporting.

Questioned Costs – Not applicable.

Context – Prior period adjustments were made to: reduce beginning net position in the government-wide financial statements by $31,330,958 to correct previously reported capital assets and related accumulated depreciation balances; and to increase beginning net position in the government-wide financial statements and beginning fund balance in the General Fund by $516,168 to correct previously reported accrued payroll benefits payable.

Repeat Finding – This is a current year finding.

Cause – The adjustments noted above were to correct prior period accounting errors noted during the current year audit process.

Effect – The financial statements issued for the previous period contained misstatements, which improperly reported the equity of the District's fund-based and government-wide financial statements.

Recommendation – The District should review its policies and procedures to ensure all account balances are fairly stated at the start of the annual financial audit.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The adjustments represent the correction of reporting from a prior period that was identified by the District's controls now in place. The District is also reviewing its policies and procedures to ensure all account balances are fairly stated at the start of the annual financial audit. The District has separately issued a Corrective Action Plan related to this finding.

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING

2020-003 Timeliness of Cash Reconciliations

Criteria – Internal controls over financial reporting are intended to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. To be effective, control procedures such as periodic and year-end account and sub-leger reconciliations must be performed regularly, accurately, and in a timely manner.

Condition – During our audit, we noted that the monthly cash reconciliations prepared by the District's staff were not being performed in a timely manner. The effectiveness of some internal controls was diminished, due to a lack of timeliness in completing this important control procedure.

Questioned Costs – Not applicable.

Context – Monthly bank reconciliations were not being completed in a timely manner throughout the fiscal year.

Repeat Finding – This is a current year and prior year finding.

Cause – Due to turnover in the District's business office staff.

Effect – This condition subjects the District to higher risk that misstatements could occur, due to errors or fraud, and not be prevented or detected in a timely manner.

Recommendation – We recommend that district management review the internal controls over cash, as designed, and verify that monthly cash reconciliations are completed timely and accurately by the staff.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. District management will continue to review its internal control procedures to ensure monthly cash reconciliations are accurately completed in a timely manner going forward. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 885

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

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE AND REPORTABLE INSTANCES OF NONCOMPLIANCE – U.S. DEPARTMENT OF AGRICULTURE, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, CHILD NUTRITION CLUSTER – CFDA NOS. 10.553, 10.555, 10.556, AND 10.559

2020-004 Internal Control Over Compliance and Reportable Instances of Noncompliance With Federal Procurement, Suspension, and Debarment Requirements

Criteria – 2 CFR § 180 and 2 CFR § 215.45. Management is responsible for establishing and maintaining effective internal control over compliance with requirements applicable to federal program expenditures, including procurement, suspension, and debarment requirements applicable to the child nutrition cluster program.

Condition – During our audit, we noted that the District did not have sufficient controls in place within its child nutrition cluster federal program to ensure compliance with federal procurement requirements, which resulted in reportable noncompliance. The District also did not have sufficient controls in place within its child nutrition cluster federal program to ensure that it was not contracting for goods or services with parties that are suspended or debarred, or whose principals are suspended or debarred from participating in contracts involving the expenditures of federal program funds.

Questioned Costs – None noted.

Context – For three of seven vendors tested, the District had not awarded a contract based on sealed bids or quotations as required by the Uniform Guidance procurement standards. In addition, for three of three vendors tested, the District did not have adequate documentation that the vendors were not suspended or debarred from participating in contracts that involve federal grant funding. No noncompliance was noted in the testing of these three vendors. This was not a statistically valid sample.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by district personnel.

Effect – Noncompliance with the procurement, suspension, and debarment requirements could result in the District expending federal funds inappropriately or utilizing vendors that are not eligible to be parties to such transactions, which could be viewed as a violation of the award agreement.

Recommendation – We recommend that the District review its internal control procedures relating to procurement, suspension, and debarment for all federal programs. Internal controls should be in place to ensure compliance with federal procurement procedures, including awarding contracts based on sealed bids or quotations for the purchase of goods or services exceeding applicable federal dollar thresholds, and to ensure that any vendor with which the District contracts for goods or services exceeding $25,000 is not listed as suspended or debarred on the federal Excluded Parties List System (EPLS) website.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE AND REPORTABLE INSTANCES OF NONCOMPLIANCE – U.S. DEPARTMENT OF AGRICULTURE, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, CHILD NUTRITION CLUSTER – CFDA NOS. 10.553, 10.555, 10.556, AND 10.559 (CONTINUED)

2020-004 Internal Control Over Compliance and Reportable Instances of Noncompliance With Federal Procurement, Suspension, and Debarment Requirements (continued)

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District intends to review its procedures relating to procurement, suspension, and debarment for its federal programs, and will ensure that all parties with which it contracts for goods or services are eligible to participate in contracts involving the expenditures of federal program funding and ensure that bids and/or quotations are obtained when required. The District has separately issued a Corrective Action Plan related to this finding.

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

2020-005 Unclaimed Property Report Filing

Criteria – Minnesota Statutes § 345.41 and § 345.43.

Condition – Minnesota Statutes require unclaimed property held for more than three years (or one year for unpaid compensation) to be reported and paid or delivered to the state Commissioner of Commerce each year. This requirement was not met by the District for the current audit year.

Questioned Costs – Not applicable.

Context – The District did not file an unclaimed property report to the state Commissioner of Commerce and remit certain outstanding checks that met the statutory criteria as unclaimed property in the current audit year.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by district personnel.

Effect – The District was not in compliance with state unclaimed property requirements.

Recommendation – We recommend that the District comply with state statutory unclaimed property requirements in the future.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District will review its procedures relating to unclaimed property laws to ensure compliance in the future. The District has separately issued a Corrective Action Plan related to this finding.

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

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 67,247,510	$ 67,247,510	$ –
Total expenditures		$ 68,526,210	$ 68,526,209	$ 1
Nonspendable				
460	Nonspendable fund balance	$ 104,732	$ 104,732	$ –
Restricted				
401	Student activities	$ –	$ –	$ –
402	Scholarships	$ 25,528	$ 25,528	$ –
403	Staff development	$ 1,312,325	$ 1,312,325	$ –
407	Capital projects levy	$ –	$ –	$ –
408	Cooperative revenue	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
414	Operating debt	$ –	$ –	$ –
416	Levy reduction	$ –	$ –	$ –
417	Taconite building maintenance	$ –	$ –	$ –
424	Operating capital	$ 520,982	$ 520,982	$ –
426	$25 taconite	$ –	$ –	$ –
427	Disabled accessibility	$ –	$ –	$ –
428	Learning and development	$ –	$ –	$ –
434	Area learning center	$ –	$ –	$ –
435	Contracted alternative programs	$ –	$ –	$ –
436	State approved alternative program	$ –	$ –	$ –
438	Gifted and talented	$ –	$ –	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
441	Basic skills programs	$ –	$ –	$ –
448	Achievement and integration	$ –	$ –	$ –
449	Safe schools levy	$ 727	$ 727	$ –
451	QZAB payments	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
453	Unfunded severance and retirement levy	$ –	$ –	$ –
459	Basic skills extended time	$ –	$ –	$ –
467	Long-term facilities maintenance	$ 156,810	$ 156,810	$ –
472	Medical Assistance	$ 405,652	$ 405,652	$ –
473	PPP loans	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
475	Title VII – Impact Aid	$ –	$ –	$ –
476	PILT	$ –	$ –	$ –
Committed				
418	Committed for separation	$ –	$ –	$ –
461	Committed fund balance	$ –	$ –	$ –
Assigned				
462	Assigned fund balance	$ 2,169,811	$ 2,169,811	$ –
Unassigned				
422	Unassigned fund balance	$ 11,020,211	$ 11,020,211	$ –
Food Service				
Total revenue		$ 2,902,651	$ 2,902,650	$ 1
Total expenditures		$ 3,084,410	$ 3,084,409	$ 1
Nonspendable				
460	Nonspendable fund balance	$ 131,176	$ 131,176	$ –
Restricted				
452	OPEB liability not in trust	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ 470,870	$ 470,870	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Community Service				
Total revenue		$ 4,394,872	$ 4,394,872	$ –
Total expenditures		$ 5,083,501	$ 5,083,501	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
426	$25 taconite	$ –	$ –	$ –
431	Community education	$ 930,100	$ 930,100	$ –
432	ECFE	$ 166,873	$ 166,873	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
444	School readiness	$ 47,884	$ 47,884	$ –
447	Adult basic education	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
473	PPP loans	$ –	$ –	$ –
474	EIDL loans	$ –	$ –	$ –
464	Restricted fund balance	$ 50,915	$ 50,915	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

INDEPENDENT SCHOOL DISTRICT NO. 885

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

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		$ 310,556	$ 310,556	$ –
Total expenditures		$ 901,512	$ 901,511	$ 1
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
407	Capital projects levy	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Debt Service				
Total revenue		$ 15,048,400	$ 15,048,400	$ –
Total expenditures		$ 15,245,576	$ 15,245,578	$ (2)
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
433	Maximum effort loan	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
464	Restricted fund balance	$ 3,239,216	$ 3,239,216	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Trust				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
401	Student activities	$ –	$ –	$ –
402	Scholarships	$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
Custodial Fund				
Total revenue		$ 248,905	$ 248,905	$ –
Total expenditures		$ 220,243	$ 220,243	$ –
401	Student activities	$ –	$ –	$ –
402	Scholarships	$ –	$ –	$ –
448	Achievement and integration	$ –	$ –	$ –
464	Restricted fund balance	$ 37,105	$ 37,105	$ –
Internal Service				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Revocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Irrevocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Debt Service Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

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

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

Kennedy & Graven
CHARTERED

Offices in
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Saint Paul
St. Cloud

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$_____
INDEPENDENT SCHOOL DISTRICT NO. 885
(ST. MICHAEL-ALBERTVILLE)
WRIGHT COUNTY, MINNESOTA
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2021A

We have acted as bond counsel to Independent School District No. 885 (St. Michael-Albertville), Wright County, Minnesota (the "Issuer") in connection with the issuance by the Issuer of its General Obligation Refunding Bonds, Series 2021A (the "Bonds"), originally dated _____, 2021, and issued in the original aggregate principal amount of $_____. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings, and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

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

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

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

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

5. The resolution adopted by the School Board of the Issuer on August 2, 2021, obligates the Issuer to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of that law against the State of Minnesota (the "State") in the absence of appropiated and available funds to pay the obligations of the State thereunder.

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

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

Dated _____, 2021, at Minneapolis, Minnesota.

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

$_____
INDEPENDENT SCHOOL DISTRICT NO. 885
(ST. MICHAEL-ALBERTVILLE)
WRIGHT COUNTY, MINNESOTA
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2021A

CONTINUING DISCLOSURE CERTIFICATE

_____, 2021

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 885 (St. Michael-Albertville), Wright County, Minnesota (the "District"), in connection with the issuance of its General Obligation Refunding Bonds, Series 2021A (the "Bonds"), in the original aggregate principal amount of $_____. The Bonds are being issued pursuant to resolutions adopted by the School Board of the District (the "Resolutions"). The Bonds are being delivered to _____, [as syndicate manager] (the "Purchaser"), on the date hereof. Pursuant to the Resolutions, the District has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The District hereby covenants and agrees as follows:

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

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

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

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

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

"Disclosure Certificate" means this Continuing Disclosure Certificate.

"District" means Independent School District No. 885 (St. Michael-Albertville), Wright County, Minnesota, which is the obligated person with respect to the Bonds.

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

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

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

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

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

"GASB" means the Governmental Accounting Standards Board.

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

"Material Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

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

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

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

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

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

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

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) The District shall provide to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends June 30, 2021, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate, provided that the Audited Financial Statements of the District may be submitted separately from the balance of the Annual Report.

(b) If the District is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice of that fact to the Repository and the MSRB.

(c) The District shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. Current Property Valuations
2. Direct Debt
3. Tax Levies and Collections
4. Student Body
5. Employment/Unemployment Data

In addition to the items listed above, the Annual Report shall include the most recent Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

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

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events ("Material Events") with respect to the Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

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

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

Section 6. EMMA. The SEC has designated EMMA as a nationally-recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the District shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The District's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the redemption in full of all Bonds or payment in full of all Bonds.

Section 8. Agent. The District may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of the Resolutions or this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally-recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the District delivers to the Repository an opinion of nationally-recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolutions and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively, or otherwise do not apply to the Bonds. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the

delivery by the District to the Repository of the proposed amendment and an opinion of nationally-recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect compliance with the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations under the Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

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

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

INDEPENDENT SCHOOL DISTRICT NO. 885 (ST. MICHAEL-ALBERTVILLE), WRIGHT COUNTY, MINNESOTA

_____

Board Chair

_____

Clerk

APPENDIX E

TERMS OF PROPOSAL

$10,145,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021A INDEPENDENT SCHOOL DISTRICT NO. 885 (ST. MICHAEL-ALBERTVILLE), WRIGHT COUNTY, MINNESOTA

Proposals for the purchase of $10,145,000* General Obligation Refunding Bonds, Series 2021A (the "Bonds") of Independent School District No. 885 (St. Michael-Albertville), Wright County, 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 October 13, 2021, at which time they will be opened, read and tabulated. On August 2, 2021, the School Board adopted a resolution which authorizes designated officials of the District to accept proposals on the Bonds on October 13, 2021. The Board will meet on October 18, 2021 at 7:00 P.M. to ratify and approve the sale of the Bonds. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are authorized pursuant to Minnesota Statutes, Chapter 475, as amended (specifically Section 475.67), by the District, for the purpose of effecting a current refunding of certain outstanding general obligations of 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 November 4, 2021, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

Year	Amount*	Year	Amount*
2031	$5,175,000	2032	$4,970,000

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. 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, 2029 or any date thereafter, at a price of par plus accrued interest to the date of redemption.

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

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

DELIVERY

On or about November 4, 2021, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

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

SUBMISSION OF PROPOSALS

Proposals must not be for less than $10,063,840 plus accrued interest on the principal sum of $10,145,000 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 $202,900 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PRELIMINARY OFFICIAL STATEMENT

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

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

By Order of the School Board

Independent School District No. 885
(St. Michael-Albertville), Wright County, Minnesota

PROPOSAL FORM

The School Board **October 13, 2021**
Independent School District No. 885 (St. Michael-Albertville), Wright County, Minnesota (the "District")

RE: $10,145,000* General Obligation Refunding Bonds, Series 2021A (the "Bonds")
DATED: November 4, 2021

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you $_____ (not less than $10,063,840) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due 2031 _____ % due 2032

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

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 $202,900 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about November 4, 2021.

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

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

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

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

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

Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from November 4, 2021 of the above proposal is $_____and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the School Board of Independent School District No. 885 (St. Michael-Albertville), Wright County, Minnesota, on October 13, 2021.

By: _____ By: _____

Title: _____ Title: _____