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 DECEMBER 30, 2021

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 534 (STEWARTVILLE), MINNESOTA
(Olmsted, Fillmore and Mower Counties)

(Minnesota School District Credit Enhancement Program)

$31,420,000* GENERAL OBLIGATION FACILITIES MAINTENANCE, CAPITAL FACILITIES AND REFUNDING BONDS, SERIES 2022A

PROPOSAL OPENING: January 10, 2022, 9:30 A.M., C.T. **CONSIDERATION**: January 10, 2022, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $31,420,000* General Obligation Facilities Maintenance, Capital Facilities and Refunding Bonds, Series 2022A (the "Bonds") are being issued pursuant to Minnesota Statutes, Sections 123B.595 (long-term facilities maintenance revenue), 123B.62 and 475.67 and Chapter 475, by Independent School District No. 534 (Stewartville), Minnesota (the "District") to finance various health and safety and deferred capital maintenance projects at District facilities as described in the District's ten-year facility plan, certain capital projects as described in the list of proposed projects submitted to the Commissioner of Education and 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 Dorsey & Whitney LLP, Minneapolis, Minnesota.

DATE OF BONDS: February 10, 2022

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2023	$1,510,000	2029	$1,925,000	2035	$2,315,000
2024	1,500,000	2030	1,985,000	2036	1,590,000
2025	1,535,000	2031	2,025,000	2037	1,670,000
2026	1,590,000	2032	2,065,000	2038	1,710,000
2027	1,635,000	2033	2,105,000	2039	1,760,000
2028	1,870,000	2034	2,265,000	2040	365,000

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2022 and semiannually thereafter.

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

MINIMUM PROPOSAL: $31,420,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $628,400 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Dorsey & Whitney LLP

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

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STEWARTVILLE
SCHOOL BOARD

		Term Expires
Rebecca Wortman	Chair	January 2023
Nichol O'Neill	Vice Chair	January 2025
Will Welch	Clerk	January 2025
Ryan Ravenhorst	Treasurer	January 2023
Todd Emanuel	Member	January 2023
Lori Miller-Beach	Member	January 2023
Scott Romens	Member	January 2025

ADMINISTRATION

Belinda Selfors, Superintendent of Schools
Dan Schroeder, Business Manager

PROFESSIONAL SERVICES

Dorsey & Whitney LLP, Bond Counsel, Minneapolis, Minnesota

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 534 (Stewartville), Minnesota (the "District") and the issuance of its $31,420,000* General Obligation Facilities Maintenance, Capital Facilities and Refunding Bonds, Series 2022A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the School Board on January 10, 2022.

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

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of $5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of February 10, 2022. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2022, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

*Preliminary, subject to change.

OPTIONAL REDEMPTION

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

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

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

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Sections 123B.595 (long-term facilities maintenance revenue), 123B.62 and 475.67 and Chapter 475, by the District to finance: (i) various health and safety (the "Health & Safety Portion") and deferred capital maintenance projects (the "Deferred Capital Maintenance Portion") at District facilities as described in the District's ten-year facility plan (collectively, the "Facilities Maintenance Portions"); (ii) certain capital projects as described in the list of proposed projects submitted to the Commissioner of Education (the "Capital Facilities Portion"); and (iii) current refunding of the District's $24,485,000 General Obligation School Building Bonds, Series 2014A (the "Series 2014A Bonds" or the "Refunding Portion") follows:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 860554
Series 2014A Bonds	9/10/14	2/15/22	Par	2023	3.000%	$1,070,000	GU2
				2024	3.000%	1,105,000	GV0
				2025	3.000%	1,135,000	GW8
				2026	3.000%	1,170,000	GX6
				2028 (term)	3.000%	2,820,000	GZ1
				2029	3.000%	1,665,000	HA5
				2030	3.125%	1,715,000	HB3
				2031	3.200%	1,770,000	HC1
				2032	3.250%	1,825,000	HD9
				2033	3.300%	1,885,000	HE7
				2034	3.375%	1,950,000	HF4
				2035	3.500%	2,015,000	HG2
Total Series 2014A Bonds Being Refunded						$20,125,000	

A portion of the 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 principal and interest payment due on February 1, 2022 from the Debt Service Fund for the Series 2014A Bonds.

ESTIMATED SOURCES AND USES*

Sources	Health & Safety Portion	Deferred Capital Maintenance Portion	Capital Facilities Portion	Refunding Portion	Total Bond Issue
Par Amount of Bonds	$5,600,000	$5,370,000	$710,000	$19,740,000	$31,420,000
Reoffering Premium	30,217	139,707	40,088	700,266	910,278
General LTFM Funds on Hand	-	500,000	-	-	500,000
Total Sources	**$5,630,217**	**$6,009,707**	**$750,088**	**$20,440,266**	**$33,330,278**
Uses					
Total Underwriter's Discount	$56,000	$53,700	$7,100	$197,400	$314,200
Costs of Issuance	26,244	25,167	3,327	92,512	147,250
Deposit to Project Construction Fund	5,544,575	5,931,800	740,096	-	12,216,471
Deposit to Escrow Fund	-	-	-	20,149,774	20,149,774
Rounding Amount	3,398	(960)	(436)	580	2,582
Total Uses	**$5,630,217**	**$6,009,707**	**$750,088**	**$20,440,266**	**$32,830,278**

Breakdown of Principal Payments*:

Payment Date	Health & Safety Portion	Deferred Capital Maintenance Portion	Capital Facilities Portion	Refunding Portion	Total Bond Issue
2/01/2023	-	$240,000	$135,000	$1,135,000	$1,510,000
2/01/2024	-	245,000	140,000	1,115,000	1,500,000
2/01/2025	-	250,000	140,000	1,145,000	1,535,000
2/01/2026	-	255,000	145,000	1,190,000	1,590,000
2/01/2027	-	265,000	150,000	1,220,000	1,635,000
2/01/2028	-	275,000	-	1,595,000	1,870,000
2/01/2029	-	280,000	-	1,645,000	1,925,000
2/01/2030	-	290,000	-	1,695,000	1,985,000
2/01/2031	-	295,000	-	1,730,000	2,025,000
2/01/2032	-	300,000	-	1,765,000	2,065,000
2/01/2033	-	310,000	-	1,795,000	2,105,000
2/01/2034	$115,000	315,000	-	1,835,000	2,265,000
2/01/2035	120,000	320,000	-	1,875,000	2,315,000
2/01/2036	1,260,000	330,000	-	-	1,590,000
2/01/2037	1,335,000	335,000	-	-	1,670,000
2/01/2038	1,365,000	345,000	-	-	1,710,000
2/01/2039	1,405,000	355,000	-	-	1,760,000
2/01/2040	-	365,000	-	-	365,000
Total	**$5,600,000**	**$5,370,000**	**$710,000**	**$19,740,000**	**$31,420,000**

*Preliminary, subject to change.

SECURITY

The Bonds are general obligations of the District to which its full faith, credit and taxing powers are pledged. In accordance with Minnesota Statutes, the District will levy each year an amount not less than 105% of the debt service requirements on the Bonds, less estimated collections of other revenues pledged for payments on the Bonds.[1] In the event funds on hand for payment of principal and interest are at any time insufficient, the District is required to levy additional taxes upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

RATING

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

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

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

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[1] For the Capital Facilities Portion of the Bonds issued pursuant to Minnesota Statutes Section 123B.62, the District is required to make an annual debt service levy equal to 105% of the debt service requirements on the Bonds. There will be an offsetting reduction each year in the District's general fund tax levy.

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on July 26, 2021 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

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

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

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

In its Official Statement dated September 9, 2021, for General Obligation State Bonds, Series 2021A and 2021B, the State of Minnesota disclosed the following information about the State Credit Enhancement Program for School Districts.

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

CONTINUING DISCLOSURE

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

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

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

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

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the District.

TAX CONSIDERATIONS

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

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

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

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

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

Tax Exempt Interest

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

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of Bond proceeds and other amounts. The District has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

Original Issue Discount

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

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

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

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

Market Discount

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

Bond Premium

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

Related Tax Considerations

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

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

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

Sale or Other Disposition

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

Information Reporting and Backup Withholding

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2021 have been audited by Smith, Schafer & Associates, Ltd., Rochester, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

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

[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 $1,360,171,608[1]

2020/21 Assessor's Estimated Market Value

	Olmsted County	Fillmore County	Mower County	Total
Real Estate	$913,462,400	$73,939,700	$277,174,300	$1,264,576,400
Personal Property	39,700,300	673,000	975,300	41,348,600
Total Valuation	$953,162,700	$74,612,700	$278,149,600	$1,305,925,000

2020/21 Net Tax Capacity

	Olmsted County	Fillmore County	Mower County	Total
Real Estate	$8,912,944	$592,778	$2,312,581	$11,818,303
Personal Property	739,354	13,460	14,590	767,404
Net Tax Capacity	$9,652,298	$606,238	$2,327,171	$12,585,707
Less: Captured Tax Increment Tax Capacity[2]	(37,968)	0	0	(37,968)
Taxable Net Tax Capacity	$9,614,330	$606,238	$2,327,171	$12,547,739

[1] According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 95.27% 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 $1,360,171,608.

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

2020/21 NET TAX CAPACITY BY CLASSIFICATION

	2020/21 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$5,046,434	40.10%
Agricultural	4,160,112	33.05%
Commercial/industrial	1,820,234	14.46%
Public utility	26,044	0.21%
Non-homestead residential	681,128	5.41%
Commercial & residential seasonal/rec.	84,351	0.67%
Personal property	767,404	6.10%
Total	$12,585,707	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Taxable Net Tax Capacity[2]	Percent Increase/Decrease in Estimated Market Value
2016/17	$1,135,587,300	$1,079,015,400	$10,560,413	$10,531,589	2.74%
2017/18	1,148,546,600	1,092,759,700	10,812,508	10,775,466	1.14%
2018/19	1,203,956,300	1,149,683,500	11,463,052	11,438,355	4.82%
2019/20	1,254,828,500	1,201,100,800	11,917,712	11,893,015	4.23%
2020/21	1,305,925,000	1,254,801,800	12,585,707	12,547,739	4.07%

[1] Net Tax Capacity includes tax increment values.

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

LARGER TAXPAYERS

Taxpayer	Type of Property	2020/21 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Halcon Corporation	Industrial	$144,204	1.15%
Northern Natural Gas Company	Utility	100,484	0.80%
All American Co-op	Industrial/Commercial	79,967	0.64%
Minnesota Energy Resources	Utility	96,820	0.77%
GCP Stewartville, LLC	Manufacturer home park	86,205	0.68%
LNIFX, LLC	Urban building government leased	82,606	0.66%
MREIC Rochester Minnesota, LLC	Industrial	68,332	0.54%
Hoss Bros, LLC	Urban building government leased	65,376	0.52%
Geotek Real Estate Holdings, LLC	Industrial	63,556	0.51%
CLT Investments, LLC	Urban building government leased	61,840	0.49%
Total		$849,390	6.75%

District's Total 2020/21 Net Tax Capacity $12,585,707

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Olmsted, Fillmore and Mower Counties.

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by tax abatement revenues and state aids[2]	$1,080,000
Total G.O. debt secured by taxes and state aids[2] (includes the Bonds)*	33,015,000
Total General Obligation Debt*	$34,095,000

Lease Obligations

Issue Date	Original Amount	Purpose	Final Maturity	Principal Outstanding
9/18/16	$1,809,179	Special Assessment Payable	9/18/27	$365,507

Other Obligations

Zumbro Education District No. 6012, Byron, Minnesota, issued $1,290,000 Certificates of Participation, Series 2013A, dated February 28, 2013 (the "Series 2013A COPs") and $13,955,000 Certificates of Participation, Series 2021A, dated May 13, 2021 (the "Series 2021A COPs"). For the Series 2013A COPs, the District's obligation varies year to year based on each District's enrollment as a percentage of the combined enrollments for the member districts. For the Series 2021A COPs, the District has a contractual obligation to make 20.43% of the debt service payments.

*Preliminary, subject to change.

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

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

STATE AID FOR DEBT SERVICE

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

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

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

Some school districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minn. Stat. Section 273.1387). The reimbursement percentages are 60% for taxes payable in 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 16.6% of total annual debt service levies, based on the District’s 2020/21 qualifying agricultural land valuation.

Independent School District No. 534 (Stewartville), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 02/10/2022)

	Tax Abatement Bonds Series 2017A							
Dated	06/22/2017							
Amount	$1,395,000							
Maturity	02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2023	85,000	32,400	85,000	32,400	117,400	995,000	7.87%	**2023**
2024	85,000	29,850	85,000	29,850	114,850	910,000	15.74%	**2024**
2025	90,000	27,300	90,000	27,300	117,300	820,000	24.07%	**2025**
2026	90,000	24,600	90,000	24,600	114,600	730,000	32.41%	**2026**
2027	95,000	21,900	95,000	21,900	116,900	635,000	41.20%	**2027**
2028	100,000	19,050	100,000	19,050	119,050	535,000	50.46%	**2028**
2029	100,000	16,050	100,000	16,050	116,050	435,000	59.72%	**2029**
2030	105,000	13,050	105,000	13,050	118,050	330,000	69.44%	**2030**
2031	105,000	9,900	105,000	9,900	114,900	225,000	79.17%	**2031**
2032	110,000	6,750	110,000	6,750	116,750	115,000	89.35%	**2032**
2033	115,000	3,450	115,000	3,450	118,450	0	100.00%	**2033**
	1,080,000	204,300	1,080,000	204,300	1,284,300			

Independent School District No. 534 (Stewartville), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 02/10/2022)

	Alternative Facilities Refunding Bonds Series 2016A		Facilities Maintenance, Capital Facilities and Refunding Bonds 1) Series 2022A							
Dated	05/19/2016		02/10/2022							
Amount	$3,015,000		$31,420,000*							
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**
2023	305,000	31,900	1,510,000	780,548	1,815,000	812,448	2,627,448	31,200,000	5.50%	**2023**
2024	310,000	25,800	1,500,000	755,263	1,810,000	781,063	2,591,063	29,390,000	10.98%	**2024**
2025	320,000	19,600	1,535,000	710,263	1,855,000	729,863	2,584,863	27,535,000	16.60%	**2025**
2026	325,000	13,200	1,590,000	664,213	1,915,000	677,413	2,592,413	25,620,000	22.40%	**2026**
2027	335,000	6,700	1,635,000	616,513	1,970,000	623,213	2,593,213	23,650,000	28.37%	**2027**
2028			1,870,000	567,463	1,870,000	567,463	2,437,463	21,780,000	34.03%	**2028**
2029			1,925,000	511,363	1,925,000	511,363	2,436,363	19,855,000	39.86%	**2029**
2030			1,985,000	453,613	1,985,000	453,613	2,438,613	17,870,000	45.87%	**2030**
2031			2,025,000	413,913	2,025,000	413,913	2,438,913	15,845,000	52.01%	**2031**
2032			2,065,000	373,413	2,065,000	373,413	2,438,413	13,780,000	58.26%	**2032**
2033			2,105,000	332,113	2,105,000	332,113	2,437,113	11,675,000	64.64%	**2033**
2034			2,265,000	290,013	2,265,000	290,013	2,555,013	9,410,000	71.50%	**2034**
2035			2,315,000	239,050	2,315,000	239,050	2,554,050	7,095,000	78.51%	**2035**
2036			1,590,000	186,963	1,590,000	186,963	1,776,963	5,505,000	83.33%	**2036**
2037			1,670,000	147,213	1,670,000	147,213	1,817,213	3,835,000	88.38%	**2037**
2038			1,710,000	105,463	1,710,000	105,463	1,815,463	2,125,000	93.56%	**2038**
2039			1,760,000	58,438	1,760,000	58,438	1,818,438	365,000	98.89%	**2039**
2040			365,000	10,038	365,000	10,038	375,038	0	100.00%	**2040**
	1,595,000	97,200	31,420,000	7,215,848	33,015,000	7,313,048	40,328,048			

* Preliminary, subject to change.

1) A portion of this issue will refund the 2023 through 2035 maturities of the District's $24,485,000 General Obligation School Building Bonds, Series 2014A, dated September 10, 2014.

BONDED DEBT LIMIT

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

2020/21 Economic Market Value	$1,360,171,608
Multiply by 15%	0.15
Statutory Debt Limit	$204,025,741
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(33,015,000)
Unused Debt Limit*	$171,010,741

*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
Olmsted County	$228,486,061	4.2078%	$75,175,000	$3,163,214
Fillmore County	34,462,646	1.7591%	520,000	9,147
Mower County	46,552,881	4.9990%	4,045,000	202,210
City of Stewartville	4,962,653	100.0000%	3,070,000	3,070,000
City of Rochester	164,748,486	0.5590%	36,985,000	206,746
Olmsted County HRA	223,523,408	2.0811%	14,925,000	310,604
District's Share of Total Overlapping Debt				$6,961,921

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 ($1,360,171,608)	Debt/ Current Population Estimate (9,211)
Direct G.O. Debt Secured By:			
Tax Abatement Revenues and State Aids	$1,080,000		
Taxes and State Aids*	33,015,000		
Total General Obligation Debt (includes the Bonds)*	$34,095,000	2.51%	$3,701.55
Less: State Agricultural Credit[1]	(5,659,770)		
Tax Supported General Obligation Debt*	$28,435,230	2.09%	$3,087.09
District's Share of Total Overlapping Debt	$6,961,921	0.51%	$755.83
Total*	$35,397,151	2.60%	$3,842.92

*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 16.6% 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 $5,659,770.

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	$3,902,860	$3,795,419	$3,866,603	99.07%
2017/18	3,920,901	3,905,426	3,880,581	98.97%
2018/19	3,643,958	3,630,491	3,582,438	98.31%
2019/20	4,367,190	4,332,675	4,323,735	99.01%
2020/21	4,550,928	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 July 22, 2021 for Olmsted County, through June 30, 2021 for Fillmore County and through September 17, 2021 for Mower County.

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

TAX CAPACITY RATES[1]

	2016/17	2017/18	2018/19	2019/20	2020/21
I.S.D. No. 534 (Stewartville)	25.530%	27.760%	23.502%	24.802%	25.284%
Olmsted County	54.346%	54.837%	53.562%	52.017%	46.961%
Fillmore County	33.063%	33.484%	32.954%	32.151%	33.611%
Mower County	48.204%	51.210%	52.009%	52.376%	49.049%
City of Rochester	51.109%	52.147%	52.723%	51.847%	48.242%
City of Stewartville	64.083%	65.727%	66.039%	66.916%	67.229%
Town of Rochester[2]	18.819%	18.754%	16.664%	20.429%	19.846%
Olmsted County HRA	0.793%	0.966%	1.286%	1.692%	1.687%
Mower County HRA	0.374%	0.413%	0.444%	0.463%	0.431%
Referendum Market Value Rates:					
I.S.D. No. 534 (Stewartville)	0.18030%	0.17891%	0.16336%	0.22557%	0.21054%
City of Rochester	N/A	N/A	N/A	N/A	0.01436%
City of Stewartville	0.07195%	0.06632%	0.06282%	0.05966%	0.05887%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Olmsted, Fillmore and Mower Counties.

[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 247, including 78 non-licensed employees and 169 licensed employees (158 of whom are teachers). The District provides education for 2,089 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
Teachers	June 30, 2021
Maintenance Engineers/Custodians	June 30, 2023
Principals	June 30, 2022
Superintendent	June 30, 2023

Status of Contracts

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

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent Financial Statements (Audit) shows a total OPEB liability of $4,021,553 as of June 30, 2021. The District has been funding these obligations on a pay-as-you-go basis.

Source: The District's most recent Audit.

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2016/17	155	1,031	868	2,054
2017/18	160	1,009	909	2,078
2018/19	163	1,002	899	2,064
2019/20	157	1,035	934	2,126
2020/21	144	983	962	2,089

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2021/22	142	949	935	2,026
2022/23	150	910	981	2,041
2023/24	150	915	990	2,055

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Central Education Center	1930	1964
Bonner Elementary	1969	1980
Bear Cave Intermediate	2016	--
Stewartville Middle School	1998	--
Stewartville High School	1955	1972, 1976, 1997, 1999

FUNDS ON HAND (as of October 31, 2021)

Fund	Total Cash and Investments
General	$8,693,217
Food Service	670,651
Community Service	182,753
Debt Service	1,727,492
Internal Service	1,077,862
Total Funds on Hand	$12,351,975

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

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

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the District's General Fund. These summaries are not purported to be the complete audited financial statements of the District, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the District. Copies of the complete statements are available upon request. Appendix A includes the District's 2021 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				
	2018 Audited	2019 Audited	2020 Audited	2021 Audited	2021-22 Adopted Budget 1)
Revenues					
Local property taxes	$1,937,825	$2,169,436	$2,093,778	$2,713,378	$2,823,777
Other local and county revenues	390,177	363,579	463,747	422,522	362,750
Investment income	40,546	50,616	19,025	36,895	5,000
Revenues from state sources	18,695,562	19,076,595	20,186,835	20,212,202	20,493,666
Revenues from federal sources	451,282	403,289	431,995	1,479,725	585,000
Sales and other conversions of assets	4,046	540	322	0	0
Total Revenues	$21,519,438	$22,064,055	$23,195,702	$24,864,722	$24,270,193
Expenditures					
Current:					
Administration	$902,466	$985,907	$1,070,440	$1,124,790	$1,179,571
District support services	981,579	1,064,970	1,146,816	1,228,130	1,219,367
Elementary & secondary regular instruction	9,847,137	10,317,828	10,333,321	10,627,725	11,414,913
Vocational education instruction	310,019	308,745	308,878	307,708	189,068
Special education instruction	2,997,495	3,339,090	3,461,376	3,604,349	4,122,711
Instructional support services	758,449	642,447	446,694	411,136	618,449
Pupil support services	1,976,971	1,990,651	2,082,747	2,309,400	2,128,716
Sites and buildings	2,573,436	2,579,371	2,790,719	3,507,138	3,454,876
Fiscal and other fixed cost programs	88,605	84,673	88,355	104,670	95,000
Total Expenditures	$20,436,157	$21,313,682	$21,729,346	$23,225,046	$24,422,671
Excess of revenues over (under) expenditures	$1,083,281	$750,373	$1,466,356	$1,639,676	($152,478)
Other Financing Sources (Uses)					
Sale of capital assets	$622	$101,215	$0	$2,709	
Operating transfers in/out	0	0	0	(293,545)	
Total Other Financing Sources (Uses)	$622	$101,215	$0	($290,836)	
Net changes in Fund Balances	$1,083,903	$851,588	$1,466,356	$1,348,840	
General Fund Balance July 1	$2,676,339	$3,760,242	$4,611,830	$6,135,939	
Change in accounting standards	0	0	57,753	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance June 30	$3,760,242	$4,611,830	$6,135,939	$7,484,779	
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$103,823	$106,375	$31,603	$116,605	
Restricted	786,322	1,431,280	1,869,234	2,205,080	
Assigned	500,000	599,300	1,558,957	2,233,939	
Unassigned	2,370,097	2,474,875	2,676,145	2,929,155	
Total	$3,760,242	$4,611,830	$6,135,939	$7,484,779	

1) The 2021-22 budget was adopted on June 14, 2021. The District has a history of adopting conservative budgets and of producing actual financial results that are more favorable than the budgets.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 8,633 and a current population estimate of 9,211, and comprising an area of 224 square miles, is located approximately 100 miles South of the Minnesota-St. Paul metropolitan area and 15 miles south of the City of Rochester.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Heazlitt & Associates Incorporated	Furniture manufacturers	300
I.S.D. No. 534 (Stewartville)	Elementary and secondary education	247
Stewartville Care Center	Nursing and convalescent homes	125
Fareway	Grocers-retail	60
Star Transportation	Transportation services	50
Allstate Peterbilt-Rochester	Automotive manufacturing	38
AG Partners[2]	Co-Op	38
Strikers Corner	Liquors-retail	36
Grisim School Bus	Buses-school transportation	30
Pizza Ranch	Restaurants	25
KWIK Trip	Convenience stores	25

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

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[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").

[2] Previously known as All American Co-Op.

U.S. CENSUS DATA

Population Trend: The District

2000 U.S. Census population	8,130
2010 U.S. Census population	8,633
2019 Population Estimate	9,211
Percent of Change 2000 - 2010	6.19%

Income and Age Statistics

	The District	Olmsted County	State of Minnesota	United States
2019 per capita income	$32,340	$41,066	$37,625	$34,103
2019 median household income	$74,063	$76,951	$71,306	$62,843
2019 median family income	$86,469	$97,171	$89,842	$77,263
2019 median gross rent	$879	$968	$977	$1,062
2019 median value owner occupied units	$191,900	$214,600	$223,900	$217,500
2019 median age	37.4 yrs.	37.2 yrs.	38.0 yrs.	38.1 yrs.

	State of Minnesota	United States
District % of 2019 per capita income	85.95%	94.83%
District % of 2019 median family income	96.25%	111.92%

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	Olmsted County	Olmsted County	State of Minnesota
2017	84,418	2.7%	3.4%
2018	85,748	2.3%	3.0%
2019	87,408	2.6%	3.2%
2020	84,060	5.2%	6.2%
2021, November	88,500	1.8%	2.2%

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 #534
STEWARTVILLE, MINNESOTA

FINANCIAL STATEMENTS

JUNE 30, 2021

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA
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STEWARTVILLE, MINNESOTA
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INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA

INTRODUCTORY SECTION

JUNE 30, 2021

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INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2021

2020 - 2021

Rebecca Wortman	Chairperson	12/31/2022
Nichol O'Neill	Vice-Chairperson	12/31/2024
Ryan Ravenhorst	Treasurer	12/31/2022
Will Welch	Clerk	12/31/2024
Todd Emanuel	Director	12/31/2022
Lori Miller-Beach	Director	12/31/2022
Scott Romens	Director	12/31/2024

2019 - 2020

Rebecca Wortman	Chairperson	12/31/2022
Nichol O'Neill	Vice-Chairperson	12/31/2020
Ryan Ravenhorst	Treasurer	12/31/2022
Will Welch	Clerk	12/31/2020
Todd Emanuel	Director	12/31/2022
Lori Miller-Beach	Director	12/31/2022
Dean Mikel	Director	12/31/2020

Superintendent

Belinda Selfors

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INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA

FINANCIAL SECTION

JUNE 30, 2021

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SMITH•SCHAFER
& ASSOCIATES, LTD.
Certified Public Accountants and Consultants

Members of American Institute of CPAs
Private Companies Practice Section, Minnesota Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Education
Independent School District #534
Stewartville, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District #534, as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the Independent School District #534'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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District #534 as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District #534, Stewartville, Minnesota's basic financial statements. The introductory section, supplementary information, and Uniform Financial Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and Uniform Financial Accounting and Reporting Standards 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 addition procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and Uniform Financial Accounting and Reporting Standards Compliance Table are 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.

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statement for the year ended June 30, 2020, from which such partial information was derived.

We have previously audited the District's 2020 financial statements and our report, dated November 3, 2020 expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements 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 10, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of the audit.

Smith, Schafer and Associates, Ltd.

Rochester, Minnesota
November 10, 2021

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This section of Independent School District #534 – Stewartville Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

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

- Total liabilities and deferred inflows of resources of Independent School District #534, Stewartville, Minnesota exceed its assets and deferred outflows of resources at the close of the most recent fiscal year by ($3,609,964) (net position).
- Overall revenues and other sources for the General Fund were $24,864,722, while overall expenditures totaled $23,225,046.
- The General Fund Unassigned Fund Balance is $2,929,155. This represents an increase of $253,010 from last fiscal year. The Restricted General Fund balances included State required reserves for operating capital, long-term facilities maintenance, and other items. These balances total $2,205,080 as compared to $1,869,234 last fiscal year.
- The General Fund total fund balance increased by $1,348,840 from the prior year.
- The Food Service Fund total fund balance increased by $185,148 from the prior year.
- The Community Service Fund total fund balance increased by $156,364 from the prior year, including a transfer of $293,545 from the General Fund.

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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

The two district-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements the District's activities are shown in one category: Governmental activities. Most of the District's basic services are included here, such as elementary and secondary regular instruction, special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements. The fund financial statements provide more detailed information about the District's funds – focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (i.e. repaying its long-term debts) or to show that it is properly using certain revenues (i.e. federal grants).

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The District has three kinds of funds:

- ***Governmental funds.*** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or difference) between them.
- ***Proprietary funds.*** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's sole proprietary fund is an internal service fund which charges the District's activities for the estimated cost Post Employment Benefit obligations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The district's combined net position from Governmental activities was ($3,609,964) on June 30, 2021. This was an increase of $1,341,897 from the prior year.

	Total	
	2021	2020
Assets		
Current and other assets	$ 17,403,288	$ 15,319,856
Capital assets	34,289,791	35,119,895
Total assets	51,693,079	50,439,751
Deferred Outflows of Resources		
Total deferred outflows of resources	6,961,509	10,899,537
Liabilities		
Current liabilities	3,135,208	2,901,646
Long-Term liabilities	43,534,889	42,883,036
Total liabilities	46,670,097	45,784,682
Deferred inflows of resources		
Total deferred inflows of resources	15,594,455	20,506,467
Net Position		
Net investment in capital assets	9,541,024	8,826,492
Restricted	3,102,208	2,393,697
Unrestricted	(16,253,196)	(16,172,050)
Total net position	$ (3,609,964)	$ (4,951,861)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

District's Revenue. The District's total revenues were $29,265,824 for the year ended June 30, 2021; compared to $27,335,644 on June 30, 2020. Local property taxes (levies) accounted for 15.4% (compared to 13.5% the previous year) of the total revenue, with the remaining revenue coming from other sources – primarily the State formula aid.

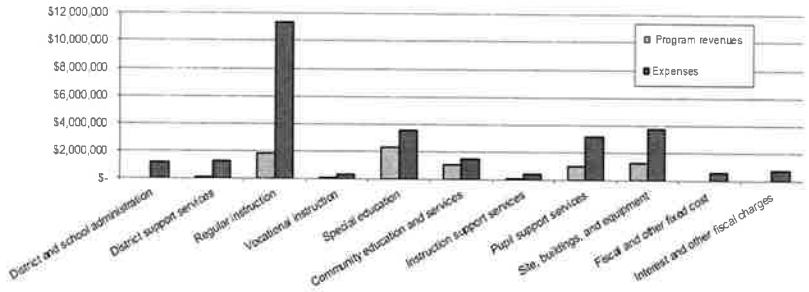
A condensed version of the Statement of Activities follows:

	Total	
	2021	2020
Revenue		
Program revenues:		
Charges for services	$ 1,301,315	$ 1,656,136
Operating grants and contributions	5,946,032	4,676,059
Capital grants and contributions	405,550	416,172
General revenues:		
Property taxes	4,507,869	3,700,978
Federal and state sources	17,051,063	16,827,704
Other sources	53,995	58,595
Total revenues	29,265,824	27,335,644
Expenses		
District and school administration	1,175,339	1,131,252
District support services	1,227,662	1,148,846
Regular instruction	11,347,803	11,144,477
Vocational instruction	307,708	336,204
Special education	3,609,213	3,676,296
Community education and services	1,515,944	1,337,225
Instructional support services	443,413	485,083
Pupil support services	3,135,734	3,115,718
Site, buildings, and equipment	3,765,845	3,060,692
Fiscal and other fixed cost programs	626,609	597,486
Interest and other fiscal charges	768,657	798,199
Total expenses	27,923,927	26,831,478
Change in net position	1,341,897	504,166
Net position - beginning of year	(4,951,861)	(5,456,027)
Net position - ending	$ (3,609,964)	$ (4,951,861)

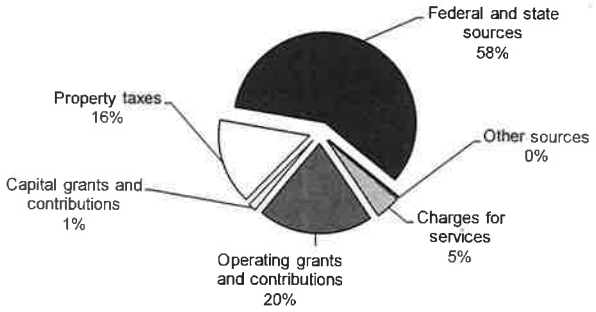
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Below are specific graphs that provide comparisons of the district activities direct program revenues with their expenses. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

Expenses and Program Revenues - District Activities



Revenues by Source - District Activities



FUND BASIS FINANCIAL ANALYSIS

Financial Analysis of the District's Funds

The financial performance of the District as a school is reflected in its governmental funds as well. As the District completed the year, its Governmental Funds reported a combined fund balance of $8,680,061.

The District experienced a decrease during the current fiscal year in the number of students.

History of adjusted average daily membership (ADM) is as follows:

Fiscal Year	ADM	% Change
2012	1,912.37	
2013	1,941.77	1.5%
2014	1,978.01	1.9%
2015	2,002.67	1.2%
2016	2,045.32	2.1%
2017	2,081.19	1.8%
2018	2,104.95	1.1%
2019	2,094.14	-0.5%
2020	2,152.59	2.8%
2021	2,113.66	-1.8%

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

Total General Fund Operating Revenue, excluding other financing sources, increased in the current year by $1,669,020 from the previous year primarily due to federal aid revenue. State sources increased in general basic aid primarily due to a 2% increase to the per pupil basic aid funding formula as well as LTFM, Basic Skills, and Safe Schools aid. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue includes excess levy referendum and the property tax shift also involves an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net revenue change.

Local property taxes are impacted by the state provided funds for school property tax relief. This relief was provided in two principal ways: 1) removal of the general education revenue property tax via a funding model of greater state aid; and 2) roll in of additional aid for referendum revenue into the basis formula for general education revenue.

This trend will continue unless the District experiences a decrease in market values of property or the legislature adjusts the aid equalization factor.

FUND BASIS FINANCIAL ANALYSIS (Continued)

General fund revenues were as follows:

	2021	2020	Increase/ (Decrease)
Local property tax levies	$ 2,713,378	$ 2,093,778	$ 619,600
Other local and county sources	422,522	463,747	(41,225)
State sources	20,212,202	20,186,835	25,367
Federal sources	1,479,725	431,995	1,047,730
Investment income	36,895	19,025	17,870
Sales and other conversions of assets		322	(322)
Total General Fund Revenues and Other Financing Sources	$ 24,864,722	$ 23,195,702	$ 1,669,020

Total General Fund expenditures (excluding transfers out) increased by $1,495,700 from the previous year. General fund expenditures were as follows:

	2021	2020	Increase/ (Decrease)
District and school administration	$ 1,124,790	$ 1,070,440	$ 54,350
District support services	1,228,130	1,146,816	81,314
Regular instruction	10,627,725	10,333,321	294,404
Vocational instruction	307,708	308,878	(1,170)
Special education	3,604,349	3,461,376	142,973
Instructional support services	411,136	446,694	(35,558)
Pupil support services	2,309,400	2,082,747	226,653
Site, buildings, and equipment	3,507,138	2,790,719	716,419
Fiscal and other fixed cost programs	104,670	88,355	16,315
Total General Fund Expenditures	$ 23,225,046	$ 21,729,346	$ 1,495,700

The total General Fund balance on June 30, 2021, is $7,484,779 compared to $6,135,939 on June 30, 2020 (increase of $1,348,840). Of the 2021 amount, $4,555,624 is nonspendable, restricted for specific purposes by state requirements, or assigned – leaving an amount of $2,929,155 in the Unassigned General Fund Balance.

Food Service Fund. The Food Service Fund accounts for the activities related to providing child nutrition services to support K-12 academic programs. The fund operates with the goal that revenues exceed expenditures on day-to-day school breakfast and lunch operations so that the excess can be used to systematically replace and upgrade kitchen equipment. By operating in this manner, the child nutrition services program is self-supporting and does not rely upon resources from K-12 instruction programs other than for use of school facilities.

The Food Service Fund Balance increased by $185,148. On June 30, 2021 the fund balance was $559,143; compared to last year's balance of $373,995.

FUND BASIS FINANCIAL ANALYSIS (Continued)

Food Service Fund (Continued)

The Food Service revenue for 2020-2021 totaled $984,288 compared to $1,110,288 the previous year – a decrease of $126,000. This can be attributed to a reduction in the numbers of meals served during the 2020-21 school year.

The Food Service expenditures for 2020-2021 totaled $799,140 compared to $990,863 the previous year – a decrease in expenditures of $191,723. This decrease is a result of a decrease in the number of meals served compared to the prior year.

Community Service Fund. The Community Service Fund accounts for the activities related to providing education and recreation programs for Pre-Kindergarten and Post-Grade 12 students. The fund operates on the goal of breaking even on a yearly basis so that is does not rely upon resources from K-12 instruction programs other than for use of school facilities.

The Community Service Fund Balance decreased by $137,181, before transfers, during the current fiscal year.

Community Service Fund revenues for 2020-2021 totaled $1,193,328; compared to $1,099,112 in the previous year. This was an increase of revenue of $94,216 from the previous year. This increase was primarily due to an increase in Tiger Time and School Readiness revenues.

Community Service Fund expenditures for 2020-2021 totaled $1,330,509 – compared to $1,297,764 in FY20. This was an increase in expenditures of $32,745 from the previous year. This increase is primarily due to an increase in non-instructional salaries mostly due to an increase in staffing levels for Tiger Time to meet the necessary COVID-19 guidelines on social distancing.

Debt Service Fund. The Debt Service fund exists to service the principal and interest on long-term debt issued by the District to construct school facilities or acquire school equipment. Annual levies will provide revenue at a rate of 105% or pending debt service payments for a fiscal year. This rate is specified in statute to ensure that principal and interest payment can be made as scheduled even if there are late property tax payments or delinquencies that may arise.

The Debt Service Restricted Fund Balance increased by $25,385 from the prior year.

The restricted fund balance is $489,238 as of June 30, 2021. This fund balance and the estimated 2020-2021 levy payable in 2022 and state aid is sufficient to make pending principal and interest payments on the School Building and Facility Bonds and other loans.

FUND BASIS FINANCIAL ANALYSIS (Continued)

Internal Service Fund

The Postemployment Benefits Fund was established in FY2007 with initial funding of $700,000 from the General Fund. The District funded $120,000 in fiscal 2021. The fund charges departments for the estimated cost of postemployment benefits including health insurance and early retirement obligations. This fund had a deficit net position of ($2,587,167) at June 30, 2021.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District provided a Revised 2020-2021 Budget in March of 2021. The Revised FY21 Budget stated revenue sources being $305,542 more than the Original FY21 Budget. This was primarily due to an increase in federal aid.

The Actual FY21 revenue was $955,063 higher than the Revised Budget Revenue due primarily to increased general education basic aid, federal aid and special education revenue higher than expected.

The Revised FY21 Budget stated expenditures are $210,363 less than the Original FY21 Budget. The Actual expenditures were $180,686 less than projected. This variance was due primarily to moving retiree benefit expenditures to the Postemployment Benefit Fund and the overall impact of staffing changes within the District. The district also saw a decreased in expenses compared to budget due to the COVID-19 pandemic. Some areas impacted were substitute costs, utilities, activity/athletic expenses such as officials and transportation, and some staffing adjustments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2021, the District had invested $56,914,544, before depreciation, in a broad range of capital assets including school buildings, athletic facilities, technology equipment, and other types of equipment.

Capital assets are recorded in the District-wide financial statements, but are not reported in the Fund financial statements.

	Total (Net of Depreciation)	
	2021	2020
Land	$ 1,340,300	$ 1,340,300
Land improvements	1,979,494	2,140,455
Buildings	30,097,742	30,808,038
Machinery and equipment	872,255	831,102
Total	$ 34,289,791	$ 35,119,895

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long Term Liabilities. As of June 30, 2021, the District had $24,674,407 in bonds, loans and special assessments payable outstanding. The District also had $63,939 severance benefits payable and compensated absences at the end of the year. A summary of outstanding long-term liabilities as of June 30, 2021, is as follows:

	Total	
	2021	2020
General obligation bonds	$ 24,210,000	$ 25,595,000
Loans payable	98,900	193,400
Special assessment payable	365,507	426,425
Compensated absences	49,279	67,346
Severance payable	14,660	26,611
Total	$ 24,738,346	$ 26,308,782

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District is dependent on the State of Minnesota for a significant portion of its revenue. The State Legislature increased the basic funding formula for 2020-21 by 2 percent, but future increases are dependent on the next legislative session. The District will strive to maintain its current level of educational programming. Enrollment will continue to be impacted by options in/out which had a net gain of 260 students in FY21. The District will carry on its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office, Independent School District #534, 301 2nd Street SW, Stewartville, Minnesota, 55976.

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA
STATEMENT OF NET POSITION
June 30, 2021
With Comparative Data as of June 30, 2020

	Governmental Activities	
	2021	2020
Assets		
Cash and investments	$ 11,447,270	$ 9,339,440
Taxes receivable	2,555,705	2,691,225
Other receivables	48,052	44,801
Due from other governmental units	3,207,257	3,206,302
Inventory	27,428	6,009
Prepaid items	117,576	32,079
Capital Assets:		
Nondepreciable	1,340,300	1,340,300
Depreciable	32,949,491	33,779,595
TOTAL ASSETS	51,693,079	50,439,751
Deferred Outflows of Resources		
Deferred outflows from pension activity	6,533,276	10,552,316
Deferred outflows from OPEB activity	428,233	347,221
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,961,509	10,899,537
Liabilities		
Accounts payable	266,364	142,308
Due to other governmental units	120,132	61,413
Accrued interest payable	299,494	313,385
Salaries and accrued liabilities payable	2,178,805	2,178,694
Unearned revenue	270,413	205,846
Long-Term Liabilities:		
Due within one year	1,597,409	1,558,564
Due in more than one year	23,215,297	24,828,796
Other post-employment benefits	4,021,553	3,842,951
Net pension liability	14,700,630	12,652,725
TOTAL LIABILITIES	46,670,097	45,784,682
Deferred Inflows of Resources		
Deferred inflows from pension activity	10,773,272	15,828,872
Deferred inflows from OPEB activity	71,672	80,633
Property taxes levied for subsequent year	4,749,511	4,596,962
TOTAL DEFERRED INFLOWS OF RESOURCES	15,594,455	20,506,467
Net Position		
Net investment in capital assets	9,541,024	8,826,492
Restricted:		
Operating capital purposes	796,230	751,133
State-mandated reserves	1,408,850	1,118,101
Food service	559,143	373,995
Community service	148,241	
Debt service	189,744	150,468
Unrestricted	(16,253,196)	(16,172,050)
TOTAL NET POSITION	$ (3,609,964)	$ (4,951,861)

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021
With Partial Comparative Data for the Year Ended June 30, 2020

	2021			
		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
District and school administration	$ 1,175,339	$	$	$
District support services	1,227,662	55,235		
Regular instruction	11,347,803	240,982	1,565,669	
Vocational instruction	307,708		31,420	
Special education	3,609,213	90,487	2,240,532	
Community education and services	1,515,944	893,592	195,484	
Instructional support services	443,413	899	98,460	
Pupil support services	3,135,734	2,742	981,300	
Site, buildings, and equipment	3,765,845	17,378	833,167	405,550
Fiscal and other fixed cost programs	626,609			
Interest and other fiscal charges	768,657			
Total governmental activities	$ 27,923,927	$ 1,301,315	$ 5,946,032	$ 405,550
General Revenues:				
Property taxes levied for:				
General purposes				
Community service				
Debt service				
State aid not restricted to specific purposes				
Investment income				
Total general revenues				
Change in net position				
Net Position - Beginning				
Net Position - Ending				

See Notes to Financial Statements

2021 Net (Expense) Revenue and Changes in Net Position Total Governmental Activities	2020 Net (Expense) Revenue and Changes in Net Position Total Governmental Activities
$ (1,175,339)	$ (1,131,252)
(1,172,427)	(1,098,579)
(9,541,152)	(10,332,376)
(276,288)	(304,087)
(1,278,194)	(1,242,275)
(426,868)	(347,615)
(344,054)	(404,492)
(2,151,692)	(1,935,218)
(2,509,750)	(1,891,532)
(626,609)	(597,486)
(768,657)	(798,199)
(20,271,030)	(20,083,111)
2,719,612	2,082,080
104,252	107,969
1,684,005	1,510,929
17,051,063	16,827,704
53,995	58,595
21,612,927	20,587,277
1,341,897	504,166
(4,951,861)	(5,456,027)
$ (3,609,964)	$ (4,951,861)

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021
With Partial Comparative Data as of June 30, 2020

	General	Food Service	Community Service
Assets			
Cash and investments	$ 8,299,453	$ 552,674	$ 210,860
Current property taxes receivable	1,351,123		53,203
Delinquent property taxes receivable	33,352		1,340
Accounts receivable	9,924		38,128
Due from other Minnesota school districts	110,370		
Due from Minnesota Department of Education	2,079,178		15,044
Due from Federal through Minnesota Department of Education	746,195	180,920	24,132
Inventory		27,428	
Prepaid items	116,605		971
TOTAL ASSETS	$ 12,746,200	$ 761,022	$ 343,678
Liabilities, Deferred Inflows of Resources and Fund Balance			
Liabilities			
Accounts payable	$ 187,078	$ 77,328	$ 1,958
Salaries and accrued liabilities payable	2,129,376		49,429
Due to other Minnesota school districts	120,132		
Unearned revenue	113,794	124,551	32,068
TOTAL LIABILITIES	2,550,380	201,879	83,455
Deferred Inflows of Resources			
Unavailable revenue			
Property taxes	33,352		1,340
Taxes levied for subsequent year	2,677,689		111,982
TOTAL DEFERRED INFLOWS OF RESOURCES	2,711,041		113,322
Fund Balances			
Nonspendable	116,605	27,428	971
Restricted	2,205,080	531,715	145,930
Assigned	2,233,939		
Unassigned	2,929,155		
TOTAL FUND BALANCES	7,484,779	559,143	146,901
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 12,746,200	$ 761,022	$ 343,678

See Notes to Financial Statements

	Total Governmental Funds	
Debt Service	2021	2020
$ 1,306,458	$ 10,369,445	$ 8,223,074
1,091,202	2,495,528	2,637,282
25,485	60,177	53,943
	48,052	44,801
	110,370	146,951
51,418	2,145,640	2,548,092
	951,247	511,259
	27,428	6,009
	117,576	32,079
$ 2,474,563	$ 16,325,463	$ 14,203,490
$	$ 266,364	$ 142,308
	2,178,805	2,178,694
	120,132	61,413
	270,413	205,846
	2,835,714	2,588,261
25,485	60,177	53,943
1,959,840	4,749,511	4,596,962
1,985,325	4,809,688	4,650,905
	145,004	38,088
489,238	3,371,963	2,792,909
	2,233,939	1,558,957
	2,929,155	2,574,370
489,238	8,680,061	6,964,324
$ 2,474,563	$ 16,325,463	$ 14,203,490

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2021
With Partial Comparative Data for the Year Ended June 30, 2020

	General	Food Service	Community Service
Revenues			
Local sources:			
Property tax levies	$ 2,713,378	$	$ 104,252
Other local and county sources	422,522		910,612
Investment income	36,895	246	
State sources	20,212,202	26,370	154,272
Federal sources	1,479,725	954,930	24,132
Sales and other conversions of assets		2,742	60
TOTAL REVENUES	24,864,722	984,288	1,193,328
Expenditures			
District and school administration	1,124,790		
District support services	1,228,130		
Regular instruction	10,627,725		
Vocational instruction	307,708		
Special education	3,604,349		
Community education and services			1,330,509
Instructional support services	411,136		
Pupil support services	2,309,400	799,140	
Site, buildings, and equipment	3,507,138		
Fiscal and other fixed cost programs	104,670		
TOTAL EXPENDITURES	23,225,046	799,140	1,330,509
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,639,676	185,148	(137,181)
Other Financing Sources (Uses)			
Sale of capital assets	2,709		
Transfers in			293,545
Transfers out	(293,545)		
NET CHANGE IN FUND BALANCES	1,348,840	185,148	156,364
FUND BALANCE - BEGINNING	6,135,939	373,995	(9,463)
FUND BALANCE - ENDING	$ 7,484,779	$ 559,143	$ 146,901

See Notes to Financial Statements

	Total Governmental Funds	
Debt Service	2021	2020
$ 1,684,005	$ 4,501,635	$ 3,712,676
	1,333,134	1,304,691
519	37,660	34,195
514,184	20,907,028	20,782,003
	2,458,787	1,078,953
	2,802	410,424
2,198,708	29,241,046	27,322,942
	1,124,790	1,070,440
	1,228,130	1,146,816
	10,627,725	10,333,321
	307,708	308,878
	3,604,349	3,461,376
	1,330,509	1,297,764
	411,136	446,694
	3,108,540	3,073,610
	3,507,138	2,968,101
2,173,323	2,277,993	2,255,063
2,173,323	27,528,018	26,362,063
25,385	1,713,028	960,879
	2,709	
	293,545	
	(293,545)	
25,385	1,715,737	960,879
463,853	6,964,324	6,003,445
$ 489,238	$ 8,680,061	$ 6,964,324

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
DISTRICT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
June 30, 2021

Amounts reported for governmental activities in the statement of net position are different because:

Total governmental fund balances (pages 17 and 18)		$ 8,680,061
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	$ 56,914,544	
Less: Accumulated depreciation	22,624,753	
		34,289,791
Certain long-term assets not available to pay for current-period expenditures and, therefore, are unavailable in the funds:		
Delinquent property taxes		60,177
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	$ (24,383,260)	
Special assessment payable	(365,507)	
Accrued compensated absences	(49,279)	
Net pension liability	(18,940,626)	
Severance payable	(14,660)	
Accrued interest	(299,494)	
		(44,052,826)
Internal service used to charge the cost of postemployment benefits for employees to departments. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position		(2,587,167)
Net position of governmental activities (page 14)		$ (3,609,964)

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds (pages 19 and 20)		$ 1,715,737
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	$ 519,535	
Depreciation expense	(1,349,639)	
		(830,104)
Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent property taxes		6,234
Internal service used to charge the cost of postemployment benefits for employees to departments. The net revenue (expense) of the internal service fund is reported as a governmental activity		(127,170)
The governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligations bonds and related items is as follows.		
Principal retirement on long-term debt	$ 1,540,418	
Change in accrued interest expense	13,891	
Amortization of bond premium	7,660	
Amortization of bond discount	(3,442)	
		1,558,527
In the statement of activities, certain operating expenses - severance payable, net pension liability, and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
Severance payable	$ 11,951	
Net pension liability	(1,011,345)	
Compensated absences	18,067	
		(981,327)
Change in net position of governmental activities (pages 15 and 16)		$ 1,341,897

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2021
With Partial Comparative Data for the Year Ended June 30, 2020

	Budgeted Amounts		2021	Over (Under)	2020
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Property tax levies	$ 2,642,750	$ 2,672,723	$ 2,713,378	$ 40,655	$2,093,778
Other local and county sources	314,750	299,072	422,522	123,450	463,747
Investment income	25,000	5,000	36,895	31,895	19,025
State sources	20,204,117	19,872,133	20,212,202	340,069	20,186,835
Federal sources	417,500	1,060,731	1,479,725	418,994	431,995
Sales and other conversions of assets					322
TOTAL REVENUES	23,604,117	23,909,659	24,864,722	955,063	23,195,702
Expenditures					
District and school administration	1,153,117	1,140,311	1,124,790	(15,521)	1,070,440
District support services	1,131,970	1,340,970	1,228,130	(112,840)	1,146,816
Regular instruction	11,377,727	10,933,101	10,627,725	(305,376)	10,333,321
Vocational instruction	232,497	177,922	307,708	129,786	308,878
Special education	3,864,506	3,729,697	3,604,349	(125,348)	3,461,376
Instructional support services	509,988	514,002	411,136	(102,866)	446,694
Pupil support services	2,236,278	2,195,037	2,309,400	114,363	2,082,747
Site, buildings, and equipment	3,017,012	3,275,992	3,507,138	231,146	2,790,719
Fiscal and other fixed cost programs	93,000	98,700	104,670	5,970	88,355
TOTAL EXPENDITURES	23,616,095	23,405,732	23,225,046	(180,686)	21,729,346
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(11,978)	503,927	1,639,676	1,135,749	1,466,356
Other Financing Sources (Uses)					
Transfers out			(293,545)	(293,545)	
Sale of capital assets			2,709	2,709	
NET CHANGE IN FUND BALANCE	(11,978)	503,927	1,348,840	844,913	1,466,356
FUND BALANCE - BEGINNING	6,135,939	6,135,939	6,135,939		4,669,583
FUND BALANCE - ENDING	$ 6,123,961	$ 6,639,866	$ 7,484,779	$ 844,913	$6,135,939

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2021
With Partial Comparative Data for the Year Ended June 30, 2020

	Budgeted Amounts		2021	Over (Under)	2020
	Original	Final	Actual	Final Budget	Actual
Revenues					
State sources	$ 67,000	$ 26,370	$ 26,370	$	$ 50,402
Federal sources	370,000	700,000	954,930	254,930	646,958
Food sales	578,000		2,742	2,742	410,042
Investment income	1,000	1,000	246	(754)	2,886
TOTAL REVENUES	1,016,000	727,370	984,288	256,918	1,110,288
Expenditures					
Pupil support services	1,055,860	765,500	799,140	33,640	990,863
NET CHANGE IN FUND BALANCES	(39,860)	(38,130)	185,148	223,278	119,425
FUND BALANCES - BEGINNING	373,995	373,995	373,995		254,570
FUND BALANCES - ENDING	$ 334,135	$ 335,865	$ 559,143	$ 223,278	$ 373,995

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
For the Fiscal Year Ended June 30, 2021
With Partial Comparative Data for the Year Ended June 30, 2020

	Budgeted Amounts		2021	Over (Under)	2020
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Property tax levies	$ 108,507	$ 103,846	$ 104,252	$ 406	$ 107,969
Other local and county sources	1,031,000	817,500	910,612	93,112	840,944
Investment income	2,500	500		(500)	1,533
State sources	145,116	150,421	154,272	3,851	148,606
Federal sources			24,132	24,132	
Sales and other conversions of assets			60	60	60
TOTAL REVENUES	1,287,123	1,072,267	1,193,328	121,061	1,099,112
Expenditures					
Community education and services	1,375,138	1,369,903	1,330,509	(39,394)	1,297,764
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(88,015)	(297,636)	(137,181)	160,455	(198,652)
Other Financing Sources					
Transfer in			293,545	293,545	
NET CHANGE IN FUND BALANCES	(88,015)	(297,636)	156,364	454,000	(198,652)
FUND BALANCES - BEGINNING	(9,463)	(9,463)	(9,463)		189,189
FUND BALANCES - ENDING	$ (97,478)	$ (307,099)	$ 146,901	$ 454,000	$ (9,463)

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2021 and 2020

	Governmental Activities - Internal Service	
	Postemployment Benefits Fund	
	2021	2020
Assets		
Cash and cash equivalents	$ 767,691	$ 340,810
Investments	310,134	775,556
Total Assets	1,077,825	1,116,366
Deferred Outflows of Resources		
Deferred outflows from OPEB activity	428,233	347,221
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,506,058	$ 1,463,587
Liabilities		
Post-retirement benefits payable	$ 4,021,553	$ 3,842,951
Deferred Inflows of Resources		
Deferred inflows from OPEB activity	71,672	80,633
Net Position		
Unrestricted	(2,587,167)	(2,459,997)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 1,506,058	$ 1,463,587

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Fiscal Years Ended June 30, 2021 and 2020

	Governmental Activities - Internal Service	
	Postemployment Benefits Fund	
	2021	2020
REVENUES		
Departmental charges	$ 120,000	$ 543,548
EXPENSES		
Post-retirement benefit expense	263,505	618,441
Operating Loss	(143,505)	(74,893)
Non-Operating Revenues		
Investment income	16,335	24,400
Change in Net Position	(127,170)	(50,493)
Net Position - Beginning	(2,459,997)	(2,409,504)
Net Position - Ending	$ (2,587,167)	$ (2,459,997)

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Years Ended June 30, 2021 and 2020

	Governmental Activities - Internal Service Postemployment Benefits Fund	
	2021	2020
Cash Flows From Operating Activities		
Departmental charges received	$ 120,000	$ 543,548
Benefits paid	(174,876)	(617,057)
Net Cash Used In Operating Activities	(54,876)	(73,509)
Cash Flows From Investing Activities		
Investment income	16,335	24,400
Sale (Purchase) of investments	465,422	(22,410)
Net Cash Provided By Investing Activities	481,757	1,990
Increase (Decrease) in Cash and Cash Equivalents	426,881	(71,519)
Cash and Cash Equivalents - Beginning	340,810	412,329
Cash and Cash Equivalents - Ending	$ 767,691	$ 340,810

Reconciliation of Operating Loss to Net Cash Used In Operating Activities

Operating Loss	$ (143,505)	$ (74,893)
Adjustments to reconcile Operating Loss to Net Cash Used In Operating Activities:		
Increase in deferred outflows of resources	(81,012)	(13,267)
Increase (decrease) in deferred inflows of resources	(8,961)	80,633
Increase (decrease) in Post-retirement benefits payable	178,602	(65,982)
Net Cash Used In Operating Activities	$ (54,876)	$ (73,509)

See Notes to Financial Statements

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INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

1. Summary of Significant Accounting Policies

Independent School District #534 was formed and operates pursuant to applicable Minnesota laws and statutes.

The governing body consists of a seven-member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments. The following is a summary of the more significant accounting policies:

Financial Reporting Entity

Independent School District #534 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting principles generally accepted in the United States of America (GAAP) require that the District's financial statements include all funds, account groups, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. Based on the aforementioned criteria, the District has no component units.

Basic Financial Statement Presentation

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense, and is reported separately on the Statement of Activities. Generally, the effect of material inter-fund activity has been removed from the District-wide financial statements.

1. Summary of Significant Accounting Policies (Continued)

Basic Financial Statement Presentation (Continued)

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Proprietary funds are presented in the proprietary fund financial statements by type. Fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the District-wide statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts recognized in advance in accordance with a statutory "tax shift" described later in these notes.

Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State aids are recorded as revenue in the fiscal year for which the aids are designated by statute.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

Governmental fund types are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual, i.e. both measurable and available to finance expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, state aids, fees, and interest. For this purpose, the District considers all revenues to be available if collected within 60 days after the end of the current period.

Expenditures are generally recognized using the modified accrual basis of accounting when a related fund liability is incurred. Exceptions to this rule include (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued, and (2) principal and interest on general long-term debt which is recognized when due.

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are services for which the District charges a fee. Operating expenses for the proprietary fund are charges to District activities for the estimated cost of health insurance and early retirement obligations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use the restricted resources first, then unrestricted resources as they are needed.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transaction, in which the District receives value without directly giving equal value in return, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year in when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements other than time requirements are met are recorded as unearned revenue. Grants received before time requirements are met are recorded as a deferred inflow of resources.

1. Summary of Significant Accounting Policies (Continued)

Description of Funds

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues and expenditures. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The District electively added as major funds, those which had specific community focus.

The major funds of the District are presented as follows:

The *general fund* is the District's primary operating fund. It accounts for all financial resources and transactions except those required to be accounted for in other funds.

The *food service fund* accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities.

The *community service fund* accounts for the resources designated for programs other than those for elementary and secondary students.

The *debt service fund* accounts for the accumulation of resources for, and the payment of long-term debt principal, interest and related costs.

The District reports the following proprietary fund:

The *post-employment benefits fund* is an internal service fund which accounts for the cost of post-employment benefits of the District. Post-employment benefit costs are charged to other funds of the District based on an established rate. Internal service funds account for the financing of services, provided by one fund to other funds of the District on a cost reimbursement basis.

Budgets and Budgetary Accounting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, Building Fund, and Debt Service Funds. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

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

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Continued)

Total fund expenditures in excess of the budget require approval of the School Board. Spending control for most funds is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Cash and Investments

Except where otherwise required, the District maintains all deposits in bank accounts in the name of the District. These deposits are invested on a short-term basis with interest income allocated to each fund based upon their relative account balance. The balances shown in each fund represents an equity interest in the commingled pool of cash and temporary cash investments, which is under the management of the District. Investments consist primarily of nonparticipating certificates of deposit recorded at cost, which approximates market.

The District has designated cash and cash equivalents as demand deposits and all investments with an original maturity of three months or less.

Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

Use of Estimates

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

Unearned Revenue

Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Inventories

Inventories are recorded using the consumption method of accounting and consist of food and commodities on hand at the end of the fiscal year. The food is recorded at the lower of cost or market, based on the latest invoice cost, which approximates the FIFO inventory method. Surplus commodities are stated at standardized commodities cost as determined by the Department of Agriculture.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

1. Summary of Significant Accounting Policies (Continued)

Property Taxes

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

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred revenue (property taxes levied for subsequent year). The majority of District revenue in the General and Special Revenue Funds is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. 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 $146,090 of the property tax levy collectible in 2021 as revenue to the District in fiscal year 2020-2021. The remaining portion of the taxes collectible in 2021 is recorded as deferred inflows of resources.

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

Capital Assets

Capital assets are recorded at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a capitalization threshold level of $1,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statement, but are not reported in the Fund financial statements. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Deprecation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	Useful Life in Years
Buildings	20 - 50
Furniture and fixtures	5 - 20

1. Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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

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

Compensated Absences

Employees can earn compensatory leave for hours worked for the District that are for meetings and other activities outside of the normal workday. Compensatory leave may be carried over from year to year with a maximum of 80 hours. Compensatory hours may be paid if a written request is received by May 1 of each year.

Severance Benefits

Severance benefits are provided to various employees based on the contracts in effect for each year. Severance is based on sick leave earned and years of service.

Long-term Obligations

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

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

Other Postemployment Benefits Payable

Under the provisions of the various employee and union contracts the District provides Health and Dental Care coverage until age 65, if certain age and minimum years of service requirements are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB Statement No. 75.

Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has one type of item which occurs related to revenue recognition. The deferred outflow of resources is pension related.

1. Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the financial statement will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items which occur related to revenue recognition. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. The third type is pension related.

Fund Balance

In the fund financial statements, governmental fund types report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Committed and assigned fund balances represent tentative management plans that are subject to change.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the government-wide financial statements. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position are reported as restricted in the government-wide financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses or revenues/income initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses or revenues/income in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Pensions

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

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

1. Summary of Significant Accounting Policies (Continued)

Comparative Data

Comparative data for the prior year has been presented in certain of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data has not been presented since their inclusion would not provide meaningful comparisons. Certain amounts in the prior year totals column have been reclassified to conform with the current year presentation.

Concentration of Credit Risk

Financial instruments which expose the District to a concentration of credit risk consist primarily of cash and investments. Credit risk associated with cash and investments are discussed in Note 2.

2. Stewardship and Accountability

Excess expenditures over appropriation at the individual fund level during 2021 is as follows:

Special Revenue Fund:		
Food Service Fund	$	33,640

Excess expenditures were the result of planned processes.

Transfers during the year ended June 30, 2021 were as follows:

Funds	Transfers In	Transfers Out
General Fund	$	$ 293,545
Community Service Fund	293,545	
Totals	$ 293,545	$ 293,545

The District utilizes interfund transfers for cash flow purposes.

3. Cash and Investments

Summary of Cash and Investments

As of June 30, 2021, the District's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Cash on hand	$ 7,376
Deposits	10,793,000
Minnesota School District Liquid Asset Fund	26,626
Investments Held by Postemployment Benefits Fund	310,134
Cash and Investments per Statement of Net Position	$ 11,447,270

At June 30, 2021, the District's investment balances were as follows:

	Amortized Cost
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	$ 26,626

The MSDLAF+ is an external investment pool and its investments are valued at amortized cost, which approximates fair in accordance with Rule 2a-7 of the Investment Company Act of 1940. The amortized cost method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuation interest rates on the market value of instruments.

The MSDLAF+ pool is rated AAA by Standard & Poor's.

The District's investments held for the OPEB Internal Service Fund consisted of the following:

Investment	Maturities	Ratings	Fair Value
Non-Negotiable CDs	January 25, 2022	Unrated	$ 310,134

3. Cash and Investments (Continued)

Investments Authorized by Minnesota Statues

The District is authorized by Minnesota Statues to invest idle funds as follows:

a) Direct obligations or obligations guaranteed by the United States or its agencies.
b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
c) General obligations rated "A" or better; revenue obligations rated "AA" or better.
d) General obligations of the Minnesota Housing Finance Agency rated "A" or better.
e) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
f) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
g) 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, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
h) Guaranteed Investments 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.

Fair Value Measurement

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data. Inputs to the valuation methodology include:
    - Quoted prices for similar assets or liabilities in active markets
    - Quoted prices for identical assets or liabilities in inactive markets
    - Inputs other than quoted prices that are observable for the asset or liability
    - Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

3. Cash and Investments (Continued)

Fair Value Measurement (continued)

The District's investments within the fair value hierarchy at June 30, 2021 and 2020:

	At June 30, 2021			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Negotiable Certificates of Deposits	$ 310,134	$ 310,134	$	$

	At June 30, 2020			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Negotiable Certificates of Deposits	$ 775,556	$ 775,556	$	$

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's deposit policy for custodial credit risk follows Minnesota Statutes for deposits. The District's deposits are entirely covered by federal depository insurance or by collateral held by the District's custodial banks in the District's name.

Minnesota Statues require that all District deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state or local government obligations and legal investments. Minnesota Statues also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

Credit Risk

The District has no investment policy that would limit its investment choices.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

4. Due From Other Governmental Units

Amounts due from other governmental units at June 30, 2021 are as follows:

Fund	Minnesota Department of Education	Federal Government Through MDE	Other Minnesota School Districts	Total
General	$ 2,079,178	$ 746,195	$ 110,370	$ 2,935,743
Food Service		180,920		180,920
Community Service	15,044	24,132		39,176
Debt Service	51,418			51,418
	$ 2,145,640	$ 951,247	$ 110,370	$ 3,207,257

5. Capital Assets

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

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,340,300	$	$	$ 1,340,300
Total capital assets, not being depreciated	1,340,300			1,340,300
Capital assets, being depreciated:				
Buildings	46,077,193	340,347		46,417,540
Land improvements	3,863,867			3,863,867
Equipment	5,113,649	179,188		5,292,837
Total capital assets, being depreciated	55,054,709	519,535		55,574,244
Less accumulated depreciation for:				
Buildings	15,269,155	1,050,643		16,319,798
Land improvements	1,723,412	160,961		1,884,373
Equipment	4,282,547	138,035		4,420,582
Total accumulated depreciation	21,275,114	1,349,639		22,624,753
Total capital assets, being depreciated, net	33,779,595	(830,104)		32,949,491
Governmental activities capital assets, net	$ 35,119,895	$ (830,104)	$	$ 34,289,791

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
District and school administration	$ 3,603
District support services	6,771
Regular instruction	52,247
Exceptional instruction	331
Community education services	1,620
Instructional support services	1,403
Pupil support services	19,459
Site, buildings and equipment	1,264,205
Total depreciation expense - governmental activities	$ 1,349,639

6. Long-Term Debt

The long-term debt obligations outstanding and related maturities and interest rates are summarized in the following schedules. General Obligation Bonds are serviced by the Debt Service Fund. They are backed by the full faith and credit of the District. The remaining debt is serviced by the General Fund.

A summary of interest rates, maturities and June 30, 2021 balances is as follows:

	Original Amount of Debt	Range of Interest Rates	Final Maturity	Balance June 30, 2021
General Obligation Bonds:				
Refunding Bonds of 2008	$ 8,460,000	2.30%-4.20%	2022	$ 130,000
School Building Bonds of 2014	24,485,000	1.50%-4.00%	2035	21,030,000
Alt Facilities Refunding Bonds of 2016	3,015,000	2.00%	2027	1,890,000
Tax Abatement Bonds of 2017	1,395,000	3.00%	2033	1,160,000
Special Assessment Payable	1,809,179	3.49%	2027	365,507
Energy Loan	1,100,000	4.83%	2022	98,900
Compensated Absences				49,279
Severance Payable				14,660
Bond Premium				122,557
Bond Discount				(48,197)
Total				$ 24,812,706

Special Assessment Payable

The District entered into agreements with the City of Stewartville on September 18, 2016. The proceeds of the loans were used to pay for various improvements made by the City of Stewartville to property owned by the District. Assets of the General Fund are dedicated to retire this liability.

6. Long-Term Debt (Continued)

The following is a summary of the changes in long-term debt obligations for the year ended June 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds Payable:					
General Obligation Bonds:					
Refunding Bonds of 2008	$ 255,000	$	$ 125,000	$ 130,000	$ 130,000
School Building Bonds of 2014	21,915,000		885,000	21,030,000	905,000
Alt Facilities Refunding Bonds of 2016	2,185,000		295,000	1,890,000	295,000
Tax Abatement Bonds of 2017	1,240,000		80,000	1,160,000	80,000
Bond Discount	(51,639)		(3,442)	(48,197)	(3,443)
Bond Premium	130,217		7,660	122,557	7,660
Other Liabilities:					
Special Assessment Payable	426,425		60,918	365,507	60,918
Energy Loan	193,400		94,500	98,900	98,900
Compensated Absences	67,346	5,307	23,374	49,279	23,374
Severance Payable	26,611		11,951	14,660	
Governmental Activities Long-term Liabilities	$26,387,360	$ 5,307	$1,579,961	$24,812,706	$1,597,409

The annual requirements to amortize all long-term debt outstanding as of June 30, 2021, over the life of the debt, are summarized below:

	General Obligation Bonds		Special Assessment and Energy Improvement Loans		Total
Years	Principal	Interest	Principal	Interest	
2022	$ 1,410,000	$ 751,299	$ 159,818	$ 17,526	$ 2,338,643
2023	1,460,000	701,339	60,918	10,624	2,232,881
2024	1,500,000	660,589	60,918	8,499	2,230,006
2025	1,545,000	618,689	60,918	6,374	2,230,981
2026	1,585,000	575,539	60,918	4,250	2,225,707
2027-2031	8,810,000	2,156,550	60,917	1,225	11,028,692
2032-2035	7,900,000	673,460			8,573,460
Totals	$ 24,210,000	$ 6,137,464	$ 464,407	$ 48,498	$ 30,860,369

7. Fund Equity

In accordance with Government Accounting Standards, the District classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained to due constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the school board through formal action and remain binding unless removed by the school board by subsequent formal action.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The school board, by majority vote, may assigned fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the following: superintendent and business manager. Assignments so made shall be reported to the school board on a monthly basis.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District has a formal minimum fund balance policy for the general fund unassigned fund balance to be at least eight percent of the annual budget.

Reservation of fund balance indicates that a portion of the fund balance is legally segregated for a specific future use. The following is a summary of the reserved fund balances for the governmental funds:

Restricted for Staff Development – Represents available resources within the General Fund reserved for staff development.

Restricted for Scholarships - Represents the resources available for the scholarship funds.

Restricted for Student Activities – Represents the resources available for the extracurricular activity funds raised by students.

Restricted for Operating Capital - Beginning in the 1996-97 year, represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted for Long-Term Facilities Maintenance – Represents available resources to be used for LTFM projects in accordance with the 10 year plan.

7. **Fund Equity (Continued)**

Restricted for Gifted and Talented – Represents unspent general education aid available to provide gifted and talented programming.

Restricted for Achievement and Integration - Represents the resources available for innovative and integrated learning environments, school enrollment choices, family engagement activities, and other approved programs providing direct services to students.

Restricted for Safe Schools – Represents the resources available to provide for Safe School programs.

Restricted for School Readiness - Represents the resources available to provide for services for school readiness programs.

Restricted for Early Childhood and Family Education - Represents available resources within the Community Service Fund whose focus is to improve parenting skills of new and expectant parents, and/or to provide learning experiences for parents and children.

Restricted for Community Education - Represents available resources within the Community Service Fund for enrichment programs for any age level that are not part of the K-12 education program which are not taken for credit or required for graduation.

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

7. **Fund Equity (Continued)**

The following is a summary of fund balances as of June 30, 2021 with comparative totals as of June 30, 2020:

	General	Food Service	Community Service	Debt Service	2021 Totals	2020 Totals
Nonspendable						
Inventory	$	$ 27,428	$	$	$ 27,428	$ 6,009
Prepaid items	116,605		971		117,576	32,079
Total nonspendable	116,605	27,428	971		145,004	38,088
Restricted						
Staff development	192,591				192,591	40,441
Scholarships	24,760				24,760	27,730
Student activities	48,082				48,082	47,739
Operating capital	796,230				796,230	751,133
Long-term facilities maintenance	910,793				910,793	828,080
Gifted and talented	29,245				29,245	
Achievement and integration						1,080
Safe schools	203,359				203,359	173,031
Food service		531,715			531,715	367,986
Community service			25,065		25,065	33,728
Early childhood and family education			95,865		95,865	58,108
Community education			25,000		25,000	
Debt service				489,238	489,238	463,853
Total restricted	2,205,060	531,715	145,930	489,238	3,371,963	2,792,909
Assigned						
Curriculum	1,250,000				1,250,000	500,000
OPEB contribution	720,000				720,000	840,000
Tiger Time						125,000
Levy Shortfall	200,000				200,000	
Compensated absences and severance	63,939				63,939	93,957
Total assigned	2,233,939				2,233,939	1,558,957
Unassigned	2,929,155				2,929,155	2,574,370
Total Fund Balance	$ 7,484,779	$ 559,143	$ 146,901	$ 489,238	$ 8,680,061	$ 6,964,324

7. Fund Equity (Continued)

	GASB Balance	Reconciling Balance	UFARS Balance June 30, 2021	UFARS Balance June 30, 2020
Nonspendable				
Inventory	$ 27,428	$	$ 27,428	$ 6,009
Prepaid items	117,576		117,576	32,079
Total nonspendable	145,004		145,004	38,088
Restricted				
Staff development	192,591		192,591	40,441
Scholarships	24,780		24,780	27,730
Student activities	48,082		48,082	47,739
Operating capital	796,230		796,230	751,133
Long-term facilities maintenance	910,793		910,793	828,080
Gifted and talented	29,245		29,245	
Achievement and integration				1,080
Safe schools	203,359		203,359	173,031
Food service	531,715		531,715	367,986
Community service	25,065		25,065	33,728
Early childhood and family education	95,865		95,865	58,108
School readiness				(90,592)
Community education	25,000		25,000	(11,183)
Debt service	489,238		489,238	463,853
Total restricted	3,371,963		3,371,963	2,691,134
Assigned				
Curriculum	1,250,000		1,250,000	500,000
OPEB contribution	720,000		720,000	840,000
Tiger time				125,000
Levy Shortfall	200,000		200,000	
Compensated absences and severance	63,939		63,939	93,957
Total assigned	2,233,939		2,233,939	1,558,957
Unassigned	2,929,155		2,929,155	2,676,145
Total Fund Balance	$ 8,680,061	$	$ 8,680,061	$ 6,964,324

8. Defined Benefit Pension Plans - Statewide

Plan Description

1. General Employees Retirement Fund

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

8. Defined Benefit Pension Plans – Statewide (Continued)

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

2. Teachers Retirement Association (TRA)

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

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

Benefits Provided

1. General Employees Plan Benefits

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

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

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

8. Defined Benefit Pension Plans – Statewide (Continued)

2. TRA Benefits

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

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

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

With these provisions:

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

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

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

or

Tier II Benefits

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

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 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 also 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.

8. Defined Benefit Pension Plans – Statewide (Continued)

Contributions

1. General Employees Fund Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021 were $195,973. The District's contributions were equal to the required contributions as set by the state statute.

2. TRA Contributions

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended were:

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

The District's contributions to the TRA Fund for the year ended June 30, 2021 were $832,888. The District's contributions were equal to the required contributions as set by the state statute.

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

Employer contributions reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	$ 425,223,000
Add employer contributions not related to future contribution effort	(56,000)
Deduct TRA's contributions not included in allocation	(508,000)
Total employer contributions	$ 424,659,000
Total non-employer contributions	35,587,000
Total Contributions reported in Schedule of Employer and Non-Employer Allocations	$ 460,246,000

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

8. Defined Benefit Pension Plans – Statewide (Continued)

Pension Costs

1. General Employees Fund Pension Costs

At June 30, 2021, the District reported a liability of $2,170,355 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $67,076. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the District's proportion share was 0.0362 percent at the end of the measurement period and 0.0339 percent for the beginning of the period.

District's proportionate share of net pension liability	$ 2,170,355
State's proportionate share of the net pension liability associated with the district	$ 67,076

For the year ended June 30, 2021, the District recognized pension expense of ($98,409) for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional $5,838 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

At June 30, 2021, the District reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 18,564	$ 8,212
Difference between projected and actual investment earnings	39,546	
Changes in actuarial assumptions		78,558
Changes in proportion	95,371	49,587
Contributions paid to PERA subsequent to the measurement date	195,973	
Total	$ 349,454	$ 136,357

The $195,973 reported as deferred outflows of resources related to pensions resulting from District contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

8. Defined Benefit Pension Plans – Statewide (Continued)

Other amounts reported as deferred outflows and inflows of resources related to General Employee Plan's pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2022	$ (117,929)
2023	9,768
2024	72,850
2025	52,435

2. TRA Pension Costs

At June 30, 2021, the District reported a liability of $12,530,275 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.1696 percent at the end of the measurement period and 0.1691 percent for the beginning of the period.

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

District's proportionate share of net pension liability	$ 12,530,275
State's proportionate share of the net pension liability associated with the district	$ 1,049,999

For the year ended June 30, 2021, the District recognized pension expense of $1,109,754. It also recognized $60,356 as an increase to pension expense for the support provided by direct aid.

8. Defined Benefit Pension Plans – Statewide (Continued)

At June 30, 2021, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 251,283	$ 185,483
Difference between projected and actual investment earnings	220,807	
Changes in actuarial assumptions	4,371,543	10,268,563
Changes in proportion	507,301	182,869
Contributions paid to TRA subsequent to the measurement date	832,888	
Total	$ 6,183,822	$ 10,636,915

The $832,888 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

Year ending June 30:	Pension Expense Amount
2022	$ 314,357
2023	(3,611,334)
2024	(2,364,119)
2025	317,663
2026	57,452

Aggregate Pension Costs

Pension expense recognized by the District for the fiscal year ended June 30, 2021 is as follows:

General Employee Retirement Fund	$ (92,571)
TRA	1,170,110
Total	$ 1,077,539

Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and following the actuarial assumptions:

1. General Employees Fund Actuarial Assumptions

Assumptions	General Employees Retirement Fund
Inflation	2.50% per year
Active Member Payroll Growth	3.00% per year
Investment Rate of Return	7.50%

8. Defined Benefit Pension Plans – Statewide (Continued)

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

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

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

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study.
- The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

8. Defined Benefit Pension Plans – Statewide (Continued)

2. TRA Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation Date	July 1, 2020
Experience Study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increases	2.85% - 8.85% before July 1, 2028 and 3.25% - 9.25% after June 30, 2028
Cost of Living Adjustment	1% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions:	
Pre-Retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projections uses the MP-2015 scale.
Post-Retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustment of the rates. Generational projection uses the MP-2015 scale.
Post-Disability:	RP-2014 disabled retiree morality table, without adjustment.

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

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

8. Defined Benefit Pension Plans – Statewide (Continued)

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%	5.90%
Cash Equivalents	2.00%	0.00%
Total	100%	

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

The following changes in TRA actuarial assumptions since the 2018 valuation:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

8. Defined Benefit Pension Plans – Statewide (Continued)

Discount Rate

1. General Employees Fund Discount Rate

The discount rate used to measure the total pension liability in 2020 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 the rates specified in Minnesota Statutes. Based on those assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. TRA Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2020 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
General Employees Retirement Fund Discount Rate	6.50%	7.50%	8.50%
District's proportionate share of the General Employees Retirement Fund net pension liability	$ 3,478,327	$ 2,170,355	$ 1,091,384
TRA Discount Rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	$ 19,183,719	$ 12,530,275	$ 7,048,174

Pension Plan Fiduciary Net Position

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

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive 400, St. Paul, Minnesota, 55103-4000; or by calling (651) 296-2409 or 1-800-657-3669.

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NOTES TO FINANCIAL STATEMENTS

9. Severance Pay and Early Retirement Incentive Pay

In accordance to the current contracts, certain employees of the District are eligible to receive severance pay and health insurance benefits. Severance pay is an amount equal to one half of unused sick leave days times the employee's current daily rate of pay, up to a maximum of $30,000. This amount is reduced by any matching contributions made on behalf of the employee by the District to a deferred annuity plan.

An estimate of the potential obligation to be paid in future years is $14,660. This amount is accounted for in the financial statements as part of long-term liabilities.

10. Flexible Benefit Plan

The District has a flexible benefit plan which is classified as a "cafeteria plan" under Section 125 of the Internal Revenue Code. All employees of the District are eligible to participate in the plan if and when the collective bargaining agreement or contract with their group allows eligibility. Employees can elect to contribute pre-tax dollars withheld from compensation to the plan for health care and dependent care benefits.

Before the beginning of the plan year, which is from September 1 to August 31, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the medical reimbursement portion of the plan, whether or not such contributions have been made.

Payments of insurance premiums (health, life, and disability) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the appropriate fund.

All plan property and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to eligible health care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

11. Other Post-Employment Benefits

Plan Description

The District provides health insurance benefits for certain retired employees under a single-employer self-insured plan. The District provides benefits for retirees as required by state statute to active employees when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and if they do not participate in any other health benefits program providing similar coverage. These retirees will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the District's health benefits program. Retirees are required to pay 100% of the total premium cost. Since the premium is a blended rate determined on the entire active retiree population, the retirees are receiving an implicit rate subsidy. As of July 1, 2019 there were approximately 263 active participants and 71 retirees participating in the District's group health plan.

Funding Policy

For the fiscal year 2021, the District will continue on a "pay-as-you-go" funding policy.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of date. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	$ 4,021,553
Plan fiduciary net position	
Net OPEB liability	$ 4,021,553
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Liability discount rate	2.40%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

11. Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Economic Assumptions:	
Discount rate	2.40%
20-Year Municipal Bond Yield	2.40%
Inflation rate	2.50%
Salary Increases	Service graded table (3.00% used to roll pay forward to the valuation date.)
Medical Trend Rate	6.25% in 2020 grading to 5.00% over 5 years
Dental Trend Rate	4.00%
Other Assumptions:	
Mortality	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale
Disability	None
Expenses	Assumed paid outside Plan
Percent Married	Current Retirees: Actual Retiree/spouse election used. Future Retirees: Male 85%, Females 65%
Age Difference	Actual spouse birthdate for current retirees (if provided). For all others, males assumed to be 3 years older than females.
Retiree Plan Participation	Future Retirees Electing Coverage: Pre-65 subsidy available: 100% Pre-65 subsidy not available: 50%
Percent Married Retirees Electing Spouse Coverage	Percent Future Retirees Electing Pre-65 Spouse Coverage: Spouse subsidy available: Directors and Principals 25% Superintendent 100% All Others 10% Spouse subsidy not available: 10%

The following changes in OPEB actuarial assumptions since the 2020 valuation:

- The discount rate was changed from 3.10% to 2.40%.

11. Other Post-Employment Benefits (Continued)

Changes in Net OPEB Liability

	Total OPEB Liability (a)
Beginning Balance 7/1/2020	$ 3,842,951
Service Cost	242,658
Interest	121,636
Assumption Changes	140,530
Plan Changes	
Differences between Expected and Actual Experience	
Benefit Payouts	(326,222)
Net Changes	178,602
Balance End of Year 6/30/2021	$ 4,021,553

Net OPEB Liability Sensitivity to Discount and Health-Care Cost Trend Rate Changes

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

	Total OPEB Liability (a)
1% decrease in Discount Rate (1.40%)	$ 4,265,738
Current Discount Rate (2.40%)	4,021,553
1% increase in Discount Rate (3.40%)	3,786,278

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

	Total OPEB Liability (a)
1% decrease in Trend Rates	$ 3,635,389
Current Trend Rates	4,021,553
1% increase in Trend Rates	4,478,853

11. Other Post-Employment Benefits (Continued)

OPEB Related Deferred Outflows and Deferred Inflows of Resources

At June 30, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses (gains)	$	$ 3,177
Assumption changes	126,477	68,495
Contributions paid to subsequent to the measurement date	301,756	
Total	$ 428,233	$ 71,672

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

Year ending June 30:	Other Post - Employment Expense Amount
2022	$ 5,092
2023	5,092
2024	5,092
2025	5,092
2026	5,092
Thereafter	29,345

12. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries insurance for employee health, liability, property, and automotive insurance. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There was no reduction in insurance coverage during 2021.

13. Commitments and Contingencies

Federal and State Grants
The District participates in a number of federal and state agency assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District does not anticipate any audit adjustments or disallowed program expenditures that would be material in relation to the general purpose financial statements taken as a whole.

14. Jointly Governed Organization

The District is a member of the Zumbro Education District. The Zumbro Education District was established in 1988 by its seven member districts. The primary objective of the education district is to provide, by a cooperative effort, comprehensive education programs and other related services as can be effectively operated by its member districts. Each member shares in the cost of the programming, which is paid to the education district in the form of membership fees, reimbursements and other charges for services. The education district is able to recover the cost of its programming through the previously mention revenue sources. The jointly governed organization's financial statements are audited and available for inspections.

15. Tax Abatement

The District may enter into tax abatement agreements as authorized by Minnesota Abatement Laws under State Statutes Sections 469.1812, 469.1813 and 469.1815. Any parcel of property in the District qualifies for tax abatement. The District negotiates tax abatement agreements on an individual basis generally with the purpose of adding employment or increasing the tax capacity of the parcel. The District has made no commitments, other than tax abatements, under the agreements. The taxpayer submits property taxes annual and is reimbursed by the District for the abatement amount if the taxpayer has filed reports substantiating that it has met the agreements. The District had the following tax abatement agreements as of June 30, 2021.

Sprouts Child Care and Early Learning Center, LLC

The District entered into a tax abatement in December 2017 for the purpose of construction of a daycare center. Under the agreement, District property taxes not to exceed $20,000 or up to 5 years. There was no abatement of property taxes in the current year.

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INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA

Other Post-Employment Benefits Plan
Schedule of Changes in the District's Net OPEB
Liability and Related Ratios

Total OPEB Liability	2021	2020	2019	2018
Service Cost	$ 242,658	$ 211,883	$ 182,298	$ 176,988
Interest	121,636	134,478	133,947	134,268
Assumption Changes	140,530	(85,621)		
Plan Changes		11,205		
Differences between Expected and Actual Experience		(3,973)		
Benefit Payments	(326,222)	(333,954)	(326,528)	(325,497)
Net change in total OPEB liability	178,602	(65,982)	(10,283)	(14,241)
Total OPEB Liability - beginning of year	3,842,951	3,908,933	3,919,216	3,933,457
Total OPEB Liability - end of year	$ 4,021,553	$ 3,842,951	$ 3,908,933	$ 3,919,216
Net OPEB Liability - End of Year	$ 4,021,553	$ 3,842,951	$ 3,908,933	$ 3,919,216
Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.0%	0.0%	0.0%	0.0%
OPEB-eligible payroll for measurement period	$ 12,378,600	$ 12,018,058	$ 11,141,065	$ 10,816,568
Net OPEB Liability as a Percentage of eligible payroll	32.5%	32.0%	35.1%	36.2%

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA

Schedule of District's Contributions
General Employee Retirement Funds
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	Pension Plan	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Payroll (b/c)
2015	PERA	$ 140,029	$ 140,029	$	$ 1,867,053	7.50%
2016	PERA	155,096	155,096		2,067,947	7.50%
2017	PERA	166,305	166,305		2,217,400	7.50%
2018	PERA	173,575	173,575		2,314,333	7.50%
2019	PERA	178,499	178,499		2,379,987	7.50%
2020	PERA	180,093	180,093		2,401,240	7.50%
2021	PERA	193,853	193,853		2,584,707	7.50%
2022						
2023						
2024						

Schedule of District's Contributions
TRA Retirement Funds
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	Pension Plan	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Payroll (b/c)
2015	TRA	$ 550,742	$ 550,742	$	$ 7,343,227	7.50%
2016	TRA	627,526	627,526		8,367,013	7.50%
2017	TRA	643,514	643,514		8,580,187	7.50%
2018	TRA	656,598	656,598		8,754,640	7.50%
2019	TRA	688,747	688,747		9,183,293	7.50%
2020	TRA	740,135	740,135		9,599,676	7.71%
2021	TRA	780,704	780,704		9,857,374	7.92%
2022						
2023						
2024						

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA

Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
PERA General Employees Retirement Fund
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	District's Portion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability (Asset) Associated with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With the District (a+b)	Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0368%	$ 1,728,680	$	$ 1,728,680	$ 1,867,053	93%	78.70%
2015	0.0358%	1,855,342		1,855,342	2,067,947	90%	78.20%
2016	0.0357%	2,898,663	37,893	2,936,556	2,217,400	131%	68.90%
2017	0.0359%	2,291,832	28,838	2,320,670	2,314,333	99%	75.90%
2018	0.0354%	1,963,847	64,486	2,028,333	2,379,987	83%	79.53%
2019	0.0339%	1,874,255	58,331	1,932,586	2,401,240	78%	80.23%
2020	0.0362%	2,170,355	67,076	2,237,431	2,584,707	84%	79.06%
2021							
2022							
2023							

Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
TRA
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	District's Portion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability (Asset) Associated with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With the District (a+b)	Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1724%	$ 7,944,068	$ 558,769	$ 8,502,837	$ 7,343,227	108%	81.50%
2015	0.1649%	10,200,696	1,251,033	11,451,729	8,367,013	122%	76.80%
2016	0.1649%	39,332,585	3,949,017	43,281,602	8,580,187	458%	44.90%
2017	0.1626%	32,457,910	3,137,285	35,595,195	8,754,640	371%	51.57%
2018	0.1662%	10,439,956	980,687	11,420,643	9,183,293	114%	78.07%
2019	0.1691%	10,778,470	954,044	11,732,514	9,599,676	112%	78.07%
2020	0.1696%	12,530,275	1,049,999	13,580,274	9,857,374	127%	75.48%
2021							
2022							
2023							

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA

SUPPLEMENTARY INFORMATION

JUNE 30, 2021

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA
COMPARATIVE BALANCE SHEET
GENERAL FUND
June 30, 2021 and 2020

	2021	2020
Assets		
Cash and investments	$ 8,299,453	$ 6,651,574
Current property taxes receivable	1,351,123	1,373,455
Delinquent property taxes receivable	33,352	28,588
Accounts receivable	9,924	3,623
Due from other Minnesota school districts	110,370	146,951
Due from Minnesota Department of Education	2,079,178	2,493,964
Due from Federal through Minnesota Department of Education	746,195	273,402
Prepaid items	116,605	31,603
TOTAL ASSETS	$ 12,746,200	$ 11,003,160
Liabilities		
Accounts payable	$ 187,078	$ 44,020
Salaries and accrued liabilities payable	2,129,376	2,131,348
Due to other Minnesota school districts	120,132	61,413
Unearned revenue	113,794	100,379
TOTAL LIABILITIES	2,550,380	2,337,160
Deferred Inflows of Resources		
Unavailable revenue		
Property taxes	33,352	28,588
Taxes levied for subsequent year	2,677,689	2,501,473
TOTAL DEFERRED INFLOWS OF RESOURCES	2,711,041	2,530,061
Fund Balances		
Nonspendable	116,605	31,603
Restricted	2,205,080	1,869,234
Assigned	2,233,939	1,558,957
Unassigned	2,929,155	2,676,145
TOTAL FUND BALANCES	7,484,779	6,135,939
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 12,746,200	$ 11,003,160

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2021
With Partial Comparative Data for the Year Ended June 30, 2020

	Budgeted Amounts		2021	Over (Under)	2020
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Property tax levies	$ 1,765,834	$ 1,675,351	$ 1,684,005	$ 8,654	$ 1,510,929
Investment income		1,000	519	(481)	9,304
State sources	392,952	514,184	514,184		396,160
TOTAL REVENUES	2,158,786	2,190,535	2,198,708	8,173	1,916,393
Expenditures					
Fiscal and other fixed cost programs	2,172,549	2,172,549	2,173,323	774	2,166,708
NET CHANGE IN FUND BALANCES	(13,763)	17,986	25,385	7,399	(250,315)
FUND BALANCE - BEGINNING	463,853	463,853	463,853		714,168
FUND BALANCE - ENDING	$ 450,090	$ 481,839	$ 489,238	$ 7,399	$ 463,853

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA
SUPPLEMENTAL COST SCHEDULES
For the Fiscal Years Ended June 30, 2021 and 2020
(Unaudited)

Fiscal Year Ended June 30, 2021	2020 - 2021 Expenditures	Cost Per Adjusted Average Daily Membership (All Funds)
District and school administration	$ 1,124,790	$ 532
District support services	1,228,130	581
Regular instruction	10,627,725	5,028
Vocational instruction	307,708	146
Special education	3,604,349	1,705
Community education and services	1,330,509	629
Instructional support services	411,136	195
Pupil support services	3,108,540	1,471
Site, buildings, and equipment	3,507,138	1,659
Fiscal and other fixed cost programs	2,277,993	1,078
TOTALS	$ 27,528,018	$ 13,024

2020-2021 Adjusted Average Daily Membership - 2,113.66

Fiscal Year Ended June 30, 2020	2019 - 2020 Expenditures	Cost Per Adjusted Average Daily Membership (All Funds)
District and school administration	$ 1,070,440	$ 497
District support services	1,146,816	533
Regular instruction	10,333,321	4,800
Vocational instruction	308,878	143
Special education	3,461,376	1,608
Community education and services	1,297,764	603
Instructional support services	446,694	208
Pupil support services	3,073,610	1,428
Site, buildings, and equipment	2,790,719	1,296
Fiscal and other fixed cost programs	2,255,063	1,048
TOTALS	$ 26,184,681	$ 12,164

2019-2020 Adjusted Average Daily Membership - 2,152.59

* Expenditures exclude payments for building construction, special assessment and bond refunding

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA

TAX LEVY HISTORY

	20 Pay 21 Fiscal 22	19 Pay 20 Fiscal 21	18 Pay 19 Fiscal 20	17 Pay 18 Fiscal 19	16 Pay 17 Fiscal 18
Tax Levy*					
General Maintenance	$ 1,094,555	$ 855,101	$ 857,860	$ 892,863	$ 716,394
General Referendum	1,729,224	1,750,301	1,211,347	1,238,124	1,184,554
Community Service	111,982	104,655	109,754	109,961	115,692
Debt Redemption (Net)	1,959,840	1,990,834	1,725,473	2,001,615	1,870,192
TOTAL TAX LEVY	$ 4,895,601	$ 4,700,891	$ 3,904,434	$ 4,242,563	$ 3,886,832

* The tax levy includes property tax apportionments from Olmsted, Mower, and Fillmore counties and state aid credits from the State of Minnesota.

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INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA

OTHER REQUIRED REPORTS

JUNE 30, 2021

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SMITH•SCHAFER
& ASSOCIATES, LTD.
Certified Public Accountants and Consultants

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Private Companies Practice Section, Minnesota Society of CPAs

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 Board of Education
Independent School District #534
Stewartville, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Independent School District #534, Stewartville, Minnesota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises Independent School District #534, Stewartville, Minnesota's basic financial statements and have issued our report thereon dated November 10, 2021. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* promulgated by the Legal Compliance Task Force pursuant to Minnesota Statutes Section 6.65.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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 for school districts sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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.

Purpose of this Report

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

Smith, Schafer and Associates, Ltd.

Rochester, Minnesota
November 10, 2021

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& ASSOCIATES, LTD.
Certified Public Accountants and Consultants

Members of American Institute of CPAs
Private Companies Practice Section, Minnesota Society of CPAs

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

To the Board of Education
Independent School District #534
Stewartville, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District #534, Stewartville, Minnesota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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.

Opinion on Each Major Federal Program

In our opinion, Independent School District #534, Stewartville, Minnesota, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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Report on Internal Control Over Compliance (Continued)

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #534, Stewartville, Minnesota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 10, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

Smith, Schafer and Associates, Ltd.

Rochester, Minnesota
November 10, 2021

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Federal Expenditures	
U.S. Department of Education			
Pass-through from Minnesota Department of Education:			
Title I Grants to Local Educational Agencies	84.010	$ 221,604	
Supporting Effective Instruction State Grants	84.367	41,159	
Student Support and Academic Enrichment Program	84.424	5,554	
Elementary and Secondary School Emergency Relief Fund	84.425DC	534,666	
Governor's Emergency Education Relief Fund	84.425CC	18,063	
Special Education Cluster:			
Special Education - Grants to States	84.027	276	
Special Education - Preschool Grants	84.173	15,100	
Pass-through from Zumbro Education District:			
Special Education Cluster:			
Special Education - Grants to States	84.027	109,270	
Subtotal - U.S. Department of Education		945,692	
U.S. Department of Treasury			
Coronavirus Relief Fund	21.019C	558,165	
Subtotal - U.S. Department of Treasury		558,165	***
U.S. Department of Agriculture			
Pass-through from Minnesota Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	75,210	
Cash Assistance:			
Summer Food Service Program for Children	10.559	879,720	
Subtotal - U.S. Department of Agriculture		954,930	
Total Expenditures of Federal Awards		$ 2,458,787	

*** Major Program

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. General

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Independent School District #534, Stewartville, Minnesota under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in assets, or cash flows of the District.

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

2. Summary of Significant Accounting Principles

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Food Distribution

Nonmonetary assistance is reported in the schedule with the National School Lunch Program at the fair market value of the commodities received and disbursed which totaled $75,210.

4. Indirect Cost Rate

Independent School District #534 has not charged indirect costs to any of the federal programs. Therefore, the election of the 10 percent de minimis indirect cost rate is not applicable as allowed under the Uniform Guidance.

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2021

FINDINGS – FINANCIAL STATEMENT AUDIT

No findings were noted during the District's financial statement audit for the fiscal year ended June 30, 2020.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings or questioned costs were noted during the agency's federal program audit for the fiscal year ended June 30, 2020.

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1 Type of auditor's report issued: Unmodified

2 Internal control over financial reporting:

- Material weakness(es) identified? ____ Yes X No
- Significant deficiency(ies) identified? ____ Yes X None reported

3 Noncompliance material to financial statements noted? ____ Yes X No

Federal Awards

1 Internal control over major federal programs:

- Material weakness(es) identified? ____ Yes X No
- Significant deficiency(ies) identified? ____ Yes X None reported

2 Type of auditor's report issued on compliance for major federal programs: Unmodified

3 Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ____ Yes X No

Programs Tested as a Major Program

CFDA Number(s)	Name of Federal Program or Cluster
- 21.019C	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee? X Yes ____ No

INDEPENDENT SCHOOL DISTRICT #534
STEWARTVILLE, MINNESOTA

COMPLIANCE TABLE

June 30, 2021

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Fiscal Compliance Report - 6/30/2021
District: STEWARTVILLE (534-1)

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$24,864,722	$24,864,716	$6
Total Expenditures *Non Spendable*	$23,225,046	$23,225,039	$7
4.60 Non Spendable Fund Balance *Restricted / Reserved*	$116,605	$116,605	$0
4.01 Student Activities	$48,082	$48,082	$0
4.02 Scholarships	$24,780	$24,780	$0
4.03 Staff Development	$192,591	$192,591	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$796,230	$796,230	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$29,245	$29,245	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$203,358	$203,358	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retirem Levy	$0	$0	$0
4.56 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$910,793	$910,793	$0
4.72 Medical Assistance	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan *Restricted:*	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments In Lieu of Taxes *Committed:*	$0	$0	$0
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance *Assigned*	$0	$0	$0
4.62 Assigned Fund Balance *Unassigned*	$2,233,939	$2,233,939	$0
4.22 Unrestricted Fund Balance	$2,629,155	$2,629,153	$2
02 FOOD SERVICES			
Total Revenue	$984,288	$984,288	$0
Total Expenditures *Non Spendable.*	$799,140	$798,141	($1)
4.60 Non Spendable Fund Balance *Restricted / Reserved*	$27,428	$27,427	$1
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.74 EIDL Loan *Restricted.*	$0	$0	$0
4.64 Restricted Fund Balance *Unassigned*	$531,715	$531,715	$0
4.63 Unassigned Fund Balance	$0	$0	$0
04 COMMUNITY SERVICE			
Total Revenue	$1,193,328	$1,193,327	$1
Total Expenditures *Non Spendable.*	$1,330,509	$1,330,509	$0
4.60 Non Spendable Fund Balance *Restricted / Reserved:*	$971	$971	$0
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$25,000	$25,000	$0
4.32 E.C.F.E	$95,865	$95,865	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$0	$0	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan *Restricted.*	$0	$0	$0
4.64 Restricted Fund Balance *Unassigned*	$25,065	$25,066	($1)
4.63 Unassigned Fund Balance	$0	$0	$0

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$0	$0	$0
Total Expenditures *Non Spendable.*	$0	$0	$0
4.60 Non Spendable Fund Balance *Restricted / Reserved*	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM *Restricted.*	$0	$0	$0
4.64 Restricted Fund Balance *Unassigned*	$0	$0	$0
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$2,198,708	$2,198,709	($1)
Total Expenditures *Non Spendable:*	$2,173,324	$2,173,324	($1)
4.60 Non Spendable Fund Balance *Restricted / Reserved*	$0	$0	$0
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM *Restricted*	$0	$0	$0
4.64 Restricted Fund Balance *Unassigned:*	$489,238	$489,238	($1)
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$0	$0	$0
Total Expenditures *Restricted / Reserved*	$0	$0	$0
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
18 CUSTODIAL			
Total Revenue	$0	$0	$0
Total Expenditures *Restricted / Reserved*	$0	$0	$0
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
20 INTERNAL SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$136,335	$136,334	$1
Total Expenditures	$263,505	$263,505	$0
4.22 Unassigned Fund Balance (Net Assets)	($2,587,167)	($2,587,167)	$0
45 OPEB IRREVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
47 OPEB DEBT SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures *Non Spendable:*	$0	$0	$0
4.60 Non Spendable Fund Balance *Restricted*	$0	$0	$0
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance *Unassigned*	$0	$0	$0
4.63 Unassigned Fund Balance	$0	$0	$0

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

DORSEY
always ahead

FORM OF LEGAL OPINION

Independent School District No. 534
Stewartville, Minnesota

[Original Purchaser]

Re: $31,420,000* General Obligation Facilities Maintenance, Capital Facilities and Refunding Bonds, Series 2022A
Independent School District No. 534 (Stewartville)
Olmsted, Mower and Fillmore Counties, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Independent School District No. 534 (Stewartville), Olmsted, Mower and Fillmore Counties, Minnesota, of the obligations described above, dated, as originally issued, as of February 10, 2022 (the Bonds), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the District in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

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

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

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

Independent School District No. 534
[Purchaser]

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

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

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

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

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

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

Dated this 10th day of February, 2022.

Very truly yours,

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE COVENANTS (EXCERPTS FROM SALE RESOLUTION)

(See following pages)

FORM OF CONTINUING DISCLOSURE

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

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

(1) on or before twelve (12) months after the end of each fiscal year of the District, commencing with the fiscal year ending June 30, 2022, the following financial information and operating data in respect of the District (the Disclosure Information):

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

certified as to accuracy and completeness in all material respects by the fiscal officer of the District; and

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

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

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

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

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

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

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

confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

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

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

(c) Manner of Disclosure.

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

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

(d) Term; Amendments; Interpretation.

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

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

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

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

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

APPENDIX E

TERMS OF PROPOSAL

$31,420,000* GENERAL OBLIGATION FACILITIES MAINTENANCE, CAPITAL FACILITIES AND REFUNDING BONDS, SERIES 2022A INDEPENDENT SCHOOL DISTRICT NO. 534 (STEWARTVILLE), MINNESOTA

Proposals for the purchase of $31,420,000* General Obligation Facilities Maintenance, Capital Facilities and Refunding Bonds, Series 2022A (the "Bonds") of Independent School District No. 534 (Stewartville), 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 9:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 9:30 A.M. Central Time, on January 10, 2022, at which time they will be opened, read and tabulated. The proposals will be presented to the School Board for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Sections 123B.595 (long-term facilities maintenance revenue), 123B.62 and 475.67 and Chapter 475, by the District, to finance various health and safety and deferred capital maintenance projects at District facilities as described in the District's ten-year facility plan, certain capital projects as described in the list of proposed projects submitted to the Commissioner of Education and 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 February 10, 2022, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2023	$1,510,000	2029	$1,925,000	2035	$2,315,000
2024	1,500,000	2030	1,985,000	2036	1,590,000
2025	1,535,000	2031	2,025,000	2037	1,670,000
2026	1,590,000	2032	2,065,000	2038	1,710,000
2027	1,635,000	2033	2,105,000	2039	1,760,000
2028	1,870,000	2034	2,265,000	2040	365,000

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

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

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

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

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 February 10, 2022, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the District.

SUBMISSION OF PROPOSALS

Proposals must not be for less than $31,420,000 plus accrued interest on the principal sum of $31,420,000 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 9:30 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

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

A good faith deposit ("Deposit") in the amount of $628,400 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

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

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

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

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

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

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

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

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

PRELIMINARY OFFICIAL STATEMENT

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

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

By Order of the School Board

Independent School District No. 534 (Stewartville),
Minnesota

PROPOSAL FORM

The School Board **January 10, 2022**
Independent School District No. 534 (Stewartville), Minnesota (the "District")

RE: $31,420,000* General Obligation Facilities Maintenance, Capital Facilities and Refunding Bonds, Series 2022A (the "Bonds")
DATED: February 10, 2022

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you $_____ (not less than $31,420,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

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

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

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

A good faith deposit ("Deposit") in the amount of $628,400 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about February 10, 2022.

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

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

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

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

If the competitive sale requirements are <u>not</u> 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 February 10, 2022 of the above proposal is $_____and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the School Board of Independent School District No. 534 (Stewartville), Minnesota, on January 10, 2022.

By: _____ By: _____

Title: _____ Title: _____