PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 14, 2021

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 877 (BUFFALO-HANOVER-MONTROSE), MINNESOTA

(Wright and Hennepin Counties)

(Minnesota School District Credit Enhancement Program)

$8,145,000* GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS, SERIES 2021A

PROPOSAL OPENING: October 25, 2021, 10:30 A.M., C.T.
CONSIDERATION: October 25, 2021, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $8,145,000* General Obligation School Building Refunding Bonds, Series 2021A (the "Bonds") are authorized pursuant to Minnesota Statutes, Chapter 475, as amended (specifically, Section 475.67), by Independent School District No. 877 (Buffalo-Hanover-Montrose), Minnesota (the "District"), for the purpose of effecting a current refunding of certain outstanding general obligations of the District as more fully described herein. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: November 18, 2021

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*
2023	$4,125,000	2024	$4,020,000

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: The Bonds are being offered without option of prior optional redemption.

MINIMUM PROPOSAL: $8,063,550.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $162,900 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Kennedy & Graven, Chartered

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

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BUFFALO-HANOVER-MONTROSE
SCHOOL BOARD

		Term Expires
Melissa Brings	Chairperson	January 2025
Susan Lee	Vice Chairperson	January 2025
Bob Sansvere	Clerk	January 2023
Ken Ogden	Treasurer	January 2023
Adam Bjorklund	Member	January 2025
Amanda Lawrence	Member	January 2025
Amanda Reineck	Member	January 2023

ADMINISTRATION

Scott Thielman, Superintendent of Schools

Ryan Tangen, Finance and Operations Director

PROFESSIONAL SERVICES

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

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 877 (Buffalo-Hanover-Montrose), Minnesota (the "District") and the issuance of its $8,145,000* General Obligation School Building Refunding Bonds, Series 2021A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the School Board on October 25, 2021.

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

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of $5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of November 18, 2021. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2022, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

OPTIONAL REDEMPTION

The Bonds are being offered without the option of prior optional redemption.

*Preliminary, subject to change.

AUTHORITY; PURPOSE

The Bonds are authorized pursuant to Minnesota Statutes, Chapter 475, (specifically, Section 475.67), by the District, for the purpose of effecting a current refunding of the District's $31,215,000 General Obligation Refunding Bonds, Series 2012A (the "Series 2012A Bonds") as follows:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 119655
Series 2012A Bonds	3/21/12	2/1/22	Par	2023	4.00%	$4,180,000	QJ0
				2024	4.00%	4,355,000	QK7
Total Series 2012A Bonds Being Refunded						$8,535,000	

Proceeds of the Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance. The District will pay the principal and interest payment due on February 1, 2022, from the Debt Service Fund for the Series 2012A Bonds.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	$8,145,000	
Reoffering Premium	485,764	
Total Sources		**$8,630,764**
Uses		
Total Underwriter's Discount (0.300%)	$24,435	
Costs of Issuance	67,500	
Deposit to Current Refunding Fund	8,535,000	
Rounding Amount	3,829	
Total Uses		**$8,630,764**

*Preliminary, subject to change.

SECURITY

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

RATING

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

The District currently has a "Aa2" underlying rating from Moody’s and will be requesting an underlying rating on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgement of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on September 27, 2021 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

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

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

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

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

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

CONTINUING DISCLOSURE

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

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

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

Prior continuing disclosure undertakings entered into by the District included language stating that the annual report including audited financial statements and operating data would be filed “as soon as available.” Although the District did not always comply with this requirement, the audited financial statements were timely filed within the required 365 days after the end of the fiscal year timeframe as provided for in each undertaking. Other than what is described in this paragraph, the City believes it has complied in all material respects with its prior disclosure undertakings under the Rule in the last five years. The District has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the District.

LEGAL OPINION

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

TAX EXEMPTION

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

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

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

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

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

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

Legislative proposals

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

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

RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

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

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	$4,411,679,996[1]

2020/21 Assessor's Estimated Market Value

	Wright County	Hennepin County	Total
Real Estate	$3,410,629,900	$644,391,400	$4,055,021,300
Personal Property	43,472,900	14,096,000	57,568,900
Total Valuation	$3,454,102,800	$658,487,400	$4,112,590,200

2020/21 Net Tax Capacity

	Wright County	Hennepin County	Total
Real Estate	$34,660,169	$6,306,094	$40,966,263
Personal Property	851,260	278,170	1,129,430
Net Tax Capacity	$35,511,429	$6,584,264	$42,095,693
Less: Captured Tax Increment Tax Capacity[2]	(150,178)	0	(150,178)
Power Line Adjustment[3]	(5,266)	(3,792)	(9,058)
Fiscal Disparities Contribution[4]	0	(164,287)	(164,287)
Taxable Net Tax Capacity	$35,355,985	$6,416,185	$41,772,170
Plus: Fiscal Disparities Distribution[5]	0	513,273	513,273
Adjusted Taxable Net Tax Capacity	$35,355,985	$6,929,458	$42,285,443

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1 According to the Minnesota Department of Revenue, the 2020/21 Assessor's Estimated Market Value (the "AEMV") for the District is about 94.38% 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 $4,411,679,996.

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

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

4 Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base since 1972 to an area pool which is then distributed among the municipalities on the basis of population, special needs, etc. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

2020/21 NET TAX CAPACITY BY CLASSIFICATION

	2020/21 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$26,810,426	63.69%
Agricultural	3,484,731	8.28%
Commercial/industrial	4,860,335	11.55%
Public utility	1,841,007	4.37%
Railroad operating property	90,646	0.22%
Non-homestead residential	3,439,701	8.17%
Commercial & residential seasonal/rec.	428,492	1.02%
Other	10,925	0.03%
Personal property	1,129,430	2.68%
Total	$42,095,693	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Adjusted Taxable Net Tax Capacity[2]	Percent +/- in Estimated Market Value
2016/17	$3,177,219,800	$2,966,231,930	31,685,623	31,885,143	+ 4.19%
2017/18	3,364,192,000	3,158,325,295	33,677,659	33,855,582	+ 5.88%
2018/19	3,579,010,800	3,366,225,865	35,805,143	36,028,834	+ 6.39%
2019/20	3,831,389,500	3,618,741,583	38,533,690	38,778,361	+ 7.05%
2020/21	4,112,590,200	3,897,055,820	42,095,693	42,285,443	+ 7.34%

1 Net Tax Capacity is before fiscal disparities adjustments and includes tax increment and power line values.

2 Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments and does not include tax increment or power line values.

LARGER TAXPAYERS/TAXPAYING PARCELS[1]

Taxpayer	Type of Property	2020/21 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Great River Energy	Utility	$ 1,843,351	4.38%
Northern Natural Gas	Utility	406,174	0.96%
Centerpoint	Utility	361,458	0.86%
Pfeifer Property Management	Commercial	247,936	0.59%
TKG Wright County Center, LLC	Commercial	210,268	0.50%
Menards	Commercial	156,828	0.37%
Buffalo Clinic Building Partnership	Commercial	151,628	0.36%
Xcel Energy	Utility	149,519	0.36%
Target Corporation	Commercial	111,164	0.26%
Ryan Buffalo Land Company, LLC	Commercial	102,808	0.24%
Total		$ 3,741,134	8.89%

District's Total 2020/21 Net Tax Capacity $42,095,693

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers/Taxpaying Parcels have been furnished by Wright and Hennepin Counties.

[1] Hennepin County has provided only the ten largest taxpaying parcels which appear on the tax rolls of the County, and therefore the information stated above may not be reflective of the entire valuation of all parcels and may not include all classifications of property.

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids[2] (includes the Bonds)*	$50,905,000

Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations[3]	$1,024,758

*Preliminary, subject to change.

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

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

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

STATE AID FOR DEBT SERVICE

The Minnesota Debt Service Equalization program provides state aid to finance a portion of the principal and interest payments on most school district bonds. Bonds 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 Districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to Districts to offset a portion of certain bond levies (Minn. Stat. Section 273.1387). The reimbursement percentages are 40% for taxes payable in 2018 and 2019, 50% for 2020, 55% for 2021, 60% for 2022, and 70% for 2023 and thereafter. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, and to rural vacant land and managed forest land. The amount of agricultural credit received in the debt service fund for taxes payable 2022 is approximately 3.00 % of total annual debt service levies, based on the District’s 2020/21 qualifying agricultural land valuation. The District's $9,635,000 General Obligation Taxable OPEB Refunding Bonds, Series 2017A, do **not** qualify for the ag credit pursuant to Minnesota Statutes.

Independent School District No. 877 (Buffalo-Hanover-Montrose), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 11/18/2021)

	Refunding Bonds Series 2012A		Alternative Facilities Bonds Series 2013A		School Building Bonds Series 2015A		Taxable OPEB Refunding Bonds Series 2017A		School Building Refunding Bonds Series 2018A	
Dated	03/21/2012		05/01/2013		02/04/2015		06/08/2017		05/17/2018	
Amount	$31,215,000		$3,855,000		$32,620,000		$9,635,000		$5,710,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2022	3,355,000	237,800	165,000	23,788	0	478,461	1,935,000	40,305	505,000	12,625
2023			160,000	45,100	0	956,923	1,905,000	41,910		
2024			2,115,000	42,300	0	956,923				
2025					5,035,000	956,923				
2026					5,205,000	805,873				
2027					5,365,000	649,723				
2028					5,510,000	502,185				
2029					5,665,000	345,150				
2030					5,840,000	175,200				
	3,355,000	237,800	2,440,000	111,188	32,620,000	5,827,359	3,840,000	82,215	505,000	12,625

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Independent School District No. 877 (Buffalo-Hanover-Montrose), Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 11/18/2021)

	School Building Refunding Bonds 1) Bond							
Dated	11/18/2021							
Amount	$8,145,000*							
Maturity	02/01							
Fiscal Year Ending	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2022	0	0	5,960,000	792,979	6,752,979	44,945,000	11.71%	**2022**
2023	4,125,000	391,865	6,190,000	1,435,798	7,625,798	38,755,000	23.87%	**2023**
2024	4,020,000	160,800	6,135,000	1,160,023	7,295,023	32,620,000	35.92%	**2024**
2025			5,035,000	956,923	5,991,923	27,585,000	45.81%	**2025**
2026			5,205,000	805,873	6,010,873	22,380,000	56.04%	**2026**
2027			5,365,000	649,723	6,014,723	17,015,000	66.57%	**2027**
2028			5,510,000	502,185	6,012,185	11,505,000	77.40%	**2028**
2029			5,665,000	345,150	6,010,150	5,840,000	88.53%	**2029**
2030			5,840,000	175,200	6,015,200	0	100.00%	**2030**
	8,145,000	552,665	50,905,000	6,823,851	57,728,851			

* Preliminary, subject to change.

1) This issue is refunding the 2023 through 2024 maturities of the District's $31,215,000 General Obligation Refunding Bonds, Series 2012A dated March 21, 2012.

Independent School District No. 877 (Buffalo-Hanover-Montrose), Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 11/18/2021)

	Lease Purchase Series 2017		Lease Purchase Series 2021							
Dated	05/01/2017		04/15/2021							
Amount	$839,792		$726,750							
Maturity	05/01 & 11/01		04/01 & 10/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2022	60,752	4,976	33,531	6,410	94,283	11,387	105,670	930,475	9.20%	**2022**
2023	124,243	7,205	67,995	11,887	192,238	19,092	211,330	738,237	27.96%	**2023**
2024	146,755	3,450	69,259	10,624	216,013	14,073	230,087	522,224	49.04%	**2024**
2025			70,546	9,336	70,546	9,336	79,882	451,678	55.92%	**2025**
2026			71,857	8,025	71,857	8,025	79,882	379,821	62.94%	**2026**
2027			73,193	6,690	73,193	6,690	79,882	306,629	70.08%	**2027**
2028			74,553	5,329	74,553	5,329	79,882	232,076	77.35%	**2028**
2029			75,938	3,944	75,938	3,944	79,882	156,137	84.76%	**2029**
2030			77,350	2,532	77,350	2,532	79,882	78,787	92.31%	**2030**
2031			78,787	1,095	78,787	1,095	79,882	0	100.00%	**2031**
	331,750	15,631	693,008	65,873	1,024,758	81,504	1,106,262			

BONDED DEBT LIMIT

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

2020/21 Economic Market Value	$4,411,679,996
Multiply by 15%	0.15
Statutory Debt Limit	$ 661,751,999
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)* [1]	(47,065,000)
Unused Debt Limit*	$ 614,686,999

*Preliminary, subject to change.

[1] Does not include the $9,635,000 General Obligation Taxable OPEB Refunding Bonds, Series 2017A, as they are not subject to the debt limit calculation.

OVERLAPPING DEBT[1]

Taxing District	2020/21 Adjusted Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Wright County	$ 188,435,241	18.7629%	$ 91,145,000	$17,101,445
Hennepin County	2,261,068,019	0.3065%	1,117,430,000[3]	3,424,923
City of Buffalo	16,328,095	100.0000%	26,540,000	26,540,000
City of Corcoran	11,570,962	32.8677%	7,225,000	2,374,691
City of Greenfield	5,734,867	13.4621%	1,875,000	252,414
City of Hanover	4,029,081	90.3945%	3,090,000	2,793,190
City of Montrose	2,695,905	100.0000%	6,804,000	6,804,000
City of Rogers[4]	25,971,213	5.1507%	8,100,000	417,207
City of St. Michael	21,079,600	3.2366%	10,670,000	345,345
Town of Marysville	2,255,320	70.1810%	148,958	104,540
Metropolitan Council	4,884,505,255	0.1419%	193,320,000[5]	274,321
Three Rivers Park District	1,563,969,505	0.4431%	52,870,000	234,267
District's Share of Total Overlapping Debt				$60,666,344

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.

3 Hennepin County also has General Obligation Solid Waste Revenue Bonds outstanding which are payable entirely from the County's solid waste enterprise fund; General Obligation Bonds (Century Plaza Debt) which are expected to be paid from building rental fees from County departments and non-County tenants; and General Obligation Ice Arena Revenue Bonds which are expected to be paid from building rental payments from Augsburg College. These issues have not been included in the overlapping debt or debt ratios.

4 Effective January 1, 2012, the City of Rogers annexed the Town of Hassan, and values of both are included in numbers for the City of Rogers.

5 The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation sewer revenue, wastewater revenue, and radio revenue bonds and lease obligations outstanding all of which are supported entirely by revenues and have not been included in the Overlapping Debt or Debt Ratios sections.

DEBT PAYMENT HISTORY

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value ($4,411,679,996)	Debt/ Current Population Estimate (33,830)
Total G.O. Debt Secured by Taxes and State Aids* (includes the Bonds)	$ 50,905,000	1.15%	$1,504.73
Less: State Agricultural Credit[1]	(1,411,950)		
Tax Supported General Obligation Debt*	$ 49,493,050	1.12%	$1,462.99
District's Share of Total Overlapping Debt	$ 60,666,344	1.38%	$1,793.27
Total*	$110,159,394	2.50%	$3,256.26

*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.

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[1] Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 3.00% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is $1,411,950. Does not include the District's $9,635,000 General Obligation Taxable OPEB Refunding Bonds, Series 2017A, as they do not qualify for the ag credit pursuant to Minnesota Statutes.

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	$13,837,078	$13,744,282	$13,828,043	99.93%
2017/18	14,675,169	14,551,381	14,635,391	99.73%
2018/19	15,072,425	14,927,462	15,020,230	99.65%
2019/20	19,446,932	19,277,233	19,337,550	99.44%
2020/21	19,927,405	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 January 1, 2021.

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

TAX CAPACITY RATES[1]

	2016/17	2017/18	2018/19	2019/20	2020/21
I.S.D. No. 877 (Buffalo-Hanover-Montrose)	32.887%	32.471%	30.953%	29.184%	27.200%
Hennepin County	44.087%	42.808%	41.861%	41.084%	38.210%
Wright County	39.599%	39.946%	44.273%	44.421%	43.719%
City of Buffalo	59.609%	60.079%	57.199%	55.811%	54.256%
City of Corcoran	45.994%	45.357%	45.160%	45.013%	43.522%
City of Greenfield	34.883%	35.406%	34.625%	36.689%	35.154%
City of Hanover	48.152%	44.841%	43.935%	44.889%	46.491%
City of Montrose	55.159%	57.213%	56.457%	50.952%	51.607%
City of Rogers	38.308%	36.810%	35.917%	35.859%	33.396%
City of St. Michael	37.496%	37.060%	36.939%	36.691%	35.817%
Lake Pulaski LID	11.963%	9.523%	8.334%	9.354%	8.528%
City of St. Michael EDA	0.577%	0.903%	0.831%	0.763%	0.712%
City of Hanover EDA	1.585%	1.421%	1.304%	1.231%	1.180%
City of Buffalo HRA	1.725%	1.732%	1.727%	1.731%	1.731%
Metropolitan Mosquito	0.475%	0.456%	0.427%	0.412%	0.381%
Metropolitan Council	0.883%	0.844%	0.659%	0.616%	0.631%
Three Rivers Park District	3.365%	3.161%	2.961%	2.859%	2.793%
Hennepin County Park Museum	0.711%	0.710%	0.705%	0.710%	0.707%
HCRRA	1.925%	1.962%	1.807%	1.388%	1.323%
Hennepin County HRA	0.497%	0.457%	0.535%	0.801%	0.722%
Town of Buffalo[2]	22.520%	21.442%	20.026%	19.029%	17.692%
Referendum Market Value Rates:					
I.S.D. No. 877 (Buffalo-Hanover-Montrose)	0.12310%	0.12929%	0.12807%	0.24315%	0.23260%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Wright and Hennepin 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 756, including 354 non-licensed employees and 402 licensed employees (381 of whom are teachers). The District provides education for 5,426 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
Education Minnesota - Buffalo Ed Minnesota, AFT, NEA, AFL-CIO Local 1980	June 30, 2021
School Service Employees, Local 284, Custodian	June 30, 2021
SEIU Local 284, AFL-CIO, Office	June 30, 2022
Education Minnesota, Educational Support Professionals	June 30, 2022
School Food Service Personnel	June 30, 2022
District 877 Administrators' Association	June 30, 2022

Status of Contracts

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

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent actuarial study shows a total OPEB liability of $9,386,661 as of June 30, 2021. In September of 2009, the District issued OPEB Bonds to fund an irrevocable trust. As of June 30, 2021, the net position of the trust was $15,319,206. Future OPEB costs will be paid partially from the trust and partially from operating funds.

Source: The District's most recent actuarial study.

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2017/18	412	2,505	2,792	5,709
2018/19	394	2,550	2,806	5,750
2019/20	396	2,479	2,782	5,657
2020/21	332	2,281	2,712	5,325
2021/22	366	2,302	2,758	5,426

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2022/23	350	2,270	2,676	5,296
2023/24	362	2,239	2,564	5,165
2024/25	355	2,167	2,516	5,038

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Discovery Elementary	1936	1962, 1979, 1987, 2008
Hanover Elementary	1969	1975, 1989, 2005, 2015
Montrose Elementary	1975	1989, 1996, 2005
Northwinds Elementary	2006	--
Parkside Elementary	1956	1966, 1988
Tatanka Elementary	1979	1988, 1996, 2016
Buffalo Community Middle School	1970	1980, 1988, 1997, 2005, 2016
Buffalo High School	1996	2005, 2016, 2017
Phoenix Learning Center	1968	2006
Montrose Education Center	2010	--

FUNDS ON HAND (as of September 20, 2021)

Fund	Total Cash and Investments
General	$10,612,318
Food Service	1,040,407
Community Service	(464,304)
Building/Construction	131,790
Debt Service	5,171,137
Trust & Agency	17,863,580
Total Funds on Hand	$34,354,929

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

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

SUMMARY GENERAL FUND INFORMATION

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

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				
	2018 Audited	2019 Audited	2020 Audited	2020-21 Revised Budget 1)	2021-22 Adopted Budget 2)
Revenues					
Local property taxes	$6,528,649	$7,016,659	$7,557,111	$9,941,935	$10,275,073
Other local and county revenues	1,865,294	2,197,898	1,971,135	1,984,020	1,948,273
State sources	54,339,704	56,485,821	56,801,416	56,471,442	55,133,493
Federal sources	1,599,380	1,809,492	2,135,166	4,335,236	2,313,419
Sales and other conversion of assets	33,929	19,910	16,655	1,196,970	2,201,914
Total Revenues	$64,366,956	$67,529,780	$68,481,483	$73,929,603	$71,872,172
Expenditures					
Current:					
Administration	$1,782,399	$1,843,006	$1,849,683	$1,852,185	1,927,748
District support services	1,725,969	1,692,112	1,654,071	1,695,197	1,808,788
Regular instruction	30,276,791	31,886,638	29,884,781	32,054,230	32,525,384
Vocational education instruction	1,842,650	1,890,966	1,707,497	1,715,309	1,894,741
Special education instruction	11,471,824	11,847,856	12,053,067	12,650,984	13,380,254
Instructional support services	4,446,423	4,622,051	4,891,993	6,909,680	5,431,130
Pupil support services	6,718,100	6,982,068	6,982,202	6,698,541	7,103,146
Sites and buildings	5,077,709	5,098,800	5,054,265	6,325,705	5,840,688
Fiscal and other fixed cost programs	244,106	296,491	193,347	276,125	272,690
Capital outlay	1,801,153	2,578,896	2,936,730	2,128,330	2,320,886
Debt service	285,759	202,081	202,081	183,684	142,500
Total Expenditures	$65,672,883	$68,940,965	$67,409,717	$72,489,970	$72,647,955
Excess of revenues over (under) expenditures	(1,305,927)	(1,411,185)	1,071,766	1,439,633	(775,783)
Other Financing Sources (Uses)					
Sale of capital assets	$4,701	$7,964	$616	$0	$0
Operating transfers in	0	0	0	0	0
Operating transfers out	0	0	0	0	0
Total Other Financing Sources (Uses)	4,701	7,964	616	0	0
Net changes in Fund Balances	($1,301,226)	($1,403,221)	$1,072,382	$1,439,633	($775,783)
General Fund Balance July 1	17,370,963	16,069,737	14,666,516		
Prior Period Adjustment	0	0	28,484		
Residual Equity Transfer in (out)	0	0	0		
General Fund Balance June 30	$16,069,737	$14,666,516	$15,767,382		
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$504,349	$574,149	$559,231		
Restricted	961,799	1,053,865	1,350,174		
Committed	3,420,225	3,340,760	2,615,036		
Assigned	2,904,055	3,632,970	3,507,647		
Unassigned	8,279,309	6,064,772	7,735,294		
Total	$16,069,737	$14,666,516	$15,767,382		

1) The 2020-21 revised budget was approved on June 28, 2021. Preliminary unaudited financial results reflect an increase of approximately $2.2 million in the unassigned fund balance as of June 30, 2021.

2) The 2021-22 budget was adopted on June 28, 2021. While the adopted budget reflects a deficit of approximately $800,000, District administration expects an increase in the projected revenue amounts. The adopted budget included an estimated increase of 1% in the general education formula allowance. In addition, actual enrollment is slightly higher than projected in the adopted budget. District administration anticipates that the unassigned fund balance will reamin stable (at the June 30, 2021 projected balance of approximately $9 million).

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 31,855 and a current population estimate of 33,830, and comprising of an area of 157 square miles, is located approximately 35 miles northwest of the Minneapolis-St. Paul metropolitan area. The City of Buffalo is the county seat of Wright County.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Wright County	County government and services	842
I.S.D. No. 877 (Buffalo-Hanover-Montrose)	Elementary and secondary education	756
Walmart Super Center	Discount retail and grocery store	350
Buffalo Hospital	Hospital	326
Functional Industries	Rehabilitation center	285
Park View Care Center	Nursing home	200
Cub Foods	Grocery store	195
Menards	Home improvement retail store	150
Centrasota Cooperative	Corn	150
Lake Ridge Care Center of Buffalo	Nursing home	115

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

[1] This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data.

U.S. CENSUS DATA

Population Trend: The District

2000 U.S. Census population	24,389
2010 U.S. Census population	31,855
2019 Population Estimate	33,830
Percent of Change 2000 - 2010	+ 30.61%

Income and Age Statistics

	The District	Wright County	State of Minnesota	United States
2019 per capita income	$38,448	$36,260	$37,625	$34,103
2019 median household income	$82,205	$84,974	$71,306	$62,843
2019 median family income	$98,074	$98,738	$89,842	$77,263
2019 median gross rent	$986	$969	$977	$1,062
2019 median value owner occupied units	$239,300	$238,500	$223,900	$217,500
2019 median age	37.5 yrs.	37.0 yrs.	38.0 yrs.	38.1 yrs.

	State of Minnesota	United States
District % of 2019 per capita income	102.19%	112.74%
District % of 2019 median family income	109.16%	126.94%

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

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	Average Unemployment	
Year	Wright County	Wright County	State of Minnesota
2017	71,599	3.5%	3.4%
2018	72,455	3.0%	3.0%
2019	73,062	3.3%	3.2%
2020	70,693	5.2%	6.2%
2021, August	72,292	2.9%	3.4%

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

APPENDIX A

FINANCIAL STATEMENTS

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

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

bergankDV

Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

Financial Statements

June 30, 2020

bergankdv.com // DO MORE.

Independent School District No. 877
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Independent School District No. 877
Table of Contents

Independent School District No. 877
Board of Education and Administration
June 30, 2020

Board of Education	Position	Term Expires
Dave Wilson	Chairperson	December 31, 2020
Sue Lee	Vice Chairperson	December 31, 2020
Melissa Brings	Clerk	December 31, 2020
Laurie Raymond	Treasurer	December 31, 2020
Bob Sansevere	Director	December 31, 2022
Amanda Reineck	Director	December 31, 2022
Ken Ogden	Director	December 31, 2022

Administration		
Scott Thielman	Superintendent	
Gary Kawlewski	Director of Finance and Operations	
Miranda Kramer	Controller	

Independent Auditor's Report

To the School Board
Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota, as of June 30, 2020, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 84
As discussed in Note 12 to the financial statements, the District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information and the Uniform Financial Accounting and Reporting Standards Compliance Table identified in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The accompanying supplementary information identified in the Table of Contents is the responsibility of management and was derived from and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

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, 2019, from which such partial information was derived.

We have previously audited the District's 2019 financial statements and our report, dated October 14, 2019, 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, 2019, 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 October 14, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BerganKDV Ltd.

Minneapolis, Minnesota
October 14, 2020

Independent School District No. 877
Management's Discussion and Analysis
June 30, 2020

This section of Independent School District No. 877's (the "District") annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.* Certain comparative information between the current year (2019-2020) and the prior year (2018-2019) is required in the MD&A.

Financial Highlights

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

- The District's total combined net position increased 5.6% over the course of the year and was a negative $18.9 million at June 30, 2020. This change was directly related to the increase in revenues from state aid-formula grants from the prior year and reduced expenditures due to the COVID-19 pandemic and planned program reductions for the 2019-20 school year.
- During the year, the District's expenses were $81.9 million and its revenues were $83.0 million. Revenues increased by $3.3 million from the prior year.
- The General Fund reported an unassigned fund balance this year of $7.9 million, an increase of $1.7 million from the prior year.

Overview of the Financial Statements

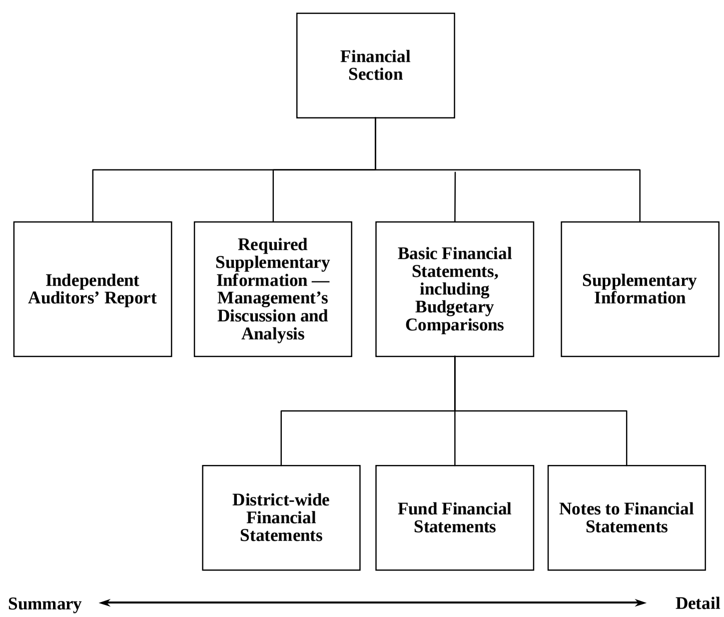
The financial section of the annual report consists of four parts: Independent Auditor's Report, required supplementary information which includes the MD&A, the basic financial statements and supplementary information. The basic financial statements include two kinds of statements that present different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

- The first two statements are the 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 financial statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

Overview of the Financial Statements (Continued)
The financial statements also include notes that explain in more detail information in the basic financial statements. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Annual Financial Report



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

Figure A-2
Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements - Governmental	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary, such as special education, building maintenance, food service and community education	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resource focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets expected to be consumed and liabilities paid during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

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 or 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.

Overview of the Financial Statements (Continued)

District-Wide Statements (Continued)
The two district-wide statements report the District's net position and how they have changed. The term "net position" is defined as the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources and is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

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

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

The District has one type of fund:

- ***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 to determine whether the District's working capital will be sufficient to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide reconciliations between the governmental funds statements and the district-wide statements, which do present a long-term focus.

Independent School District No. 877
Management's Discussion and Analysis
June 30, 2020

Financial Analysis of the District as A Whole

Net Position
The District's consolidated net position increased 5.6% and was a negative $18,942,078 on June 30, 2020 (See Table A-1). The District's total assets and deferred outflows decreased 7.39%. Total liabilities and deferred inflows decreased 7.19% due to changes in the district's net pension liability.
More information about the change in pension liability can be found in Note 7 of the financial statements.

The net investment in capital assets increased primarily due to the District paying off long-term debt faster than the rate of depreciation of assets is occurring. The unrestricted net position decreased because of changes in the pension and OPEB liabilities and related deferred inflows and outflows of the district.

Table A-1
The District's Net Position

	Governmental Activities		Percentage
	2020	2019	Change
Assets			
Current and other assets	$ 41,516,491	$ 36,700,594	13.12%
Capital and non-current assets	84,410,935	86,320,887	-2.21%
Total assets	125,927,426	123,021,481	2.36%
Deferred outflows	33,833,698	49,480,142	-31.62%
Total assets and deferred outflows of resources	$ 159,761,124	$ 172,501,623	-7.39%
Liabilities			
Current liabilities	$ 11,158,311	$ 11,202,088	-0.39%
Long-term liabilities	96,237,832	102,443,476	-6.06%
Total liabilities	107,396,143	113,645,564	-5.50%
Deferred inflows of resources	71,307,059	78,910,850	-9.64%
Total liabilities and deferred inflows of resources	$ 178,703,202	$ 192,556,414	-7.19%
Net Position			
Net investment in capital assets	$ 29,163,173	$ 27,558,684	5.82%
Restricted	3,410,242	2,415,596	41.18%
Unrestricted	(51,515,493)	(50,029,071)	-2.97%
Total net position	$ (18,942,078)	$ (20,054,791)	5.55%

Change in Net Position
The change in net position for 2019-2020 was a positive $1,084,229 based on total revenues of $83.0 million and total expenses of $81.9 million. Table A-2 on the following page shows the breakdown into the various revenue and expense categories.

Financial Analysis of the District as A Whole (Continued)

Tables A-2
Change in Net Position

	Governmental Activities 2020	Governmental Activities 2019	Percentage Change
Revenues			
Program revenues			
Charges for services	$ 4,555,837	$ 5,364,965	-15.08%
Operating grants and contributions	15,796,721	14,387,141	9.80%
Capital grants and contributions	2,453,266	2,541,446	-3.47%
General revenues			
Property taxes	15,292,193	14,734,277	3.79%
Unrestricted state aid	43,889,089	41,372,677	6.08%
Investment earnings	368,013	513,178	-28.29%
Other	689,161	835,559	-17.52%
Gain on sale of capital assets	-	-	0.00%
Total revenues	83,044,280	79,749,243	4.13%
Expenses			
Administration	2,016,288	1,196,644	68.50%
District support services	1,704,719	1,625,386	4.88%
Regular instruction	35,151,730	24,659,601	42.55%
Vocational education instruction	1,798,795	1,529,575	17.60%
Special education instruction	12,916,382	8,331,083	55.04%
Instructional support services	5,617,290	3,545,487	58.43%
Pupil support services	7,080,827	6,598,482	7.31%
Sites and buildings	7,282,948	7,576,501	-3.87%
Fiscal and other fixed cost programs	193,347	296,491	-34.79%
Food service	3,097,431	2,902,859	6.70%
Community service	3,563,928	2,987,472	19.30%
Interest and fiscal charges on long-term liabilities	1,536,366	1,773,061	-13.35%
Total expenses	81,960,051	63,022,642	30.05%
Change in net position	1,084,229	16,726,601	93.52%
Change in accounting principle	28,484	-	0.00%
Beginning net position	(20,054,791)	(36,781,392)	45.48%
Ending net position	$ (18,942,078)	$ (20,054,791)	5.55%

Financial Analysis of the District as A Whole (Continued)

Revenues
The District's total revenues were approximately $83.0 million for the year ended June 30, 2020. Property taxes and state formula aid accounted for 71.3% of total revenue for the year (See Figure A-3). Another 1.3% came from other general revenues combined with investment earnings, and the remaining 27.4% came from program revenues.

Figure A-3
Sources of District's Revenues for Fiscal 2020

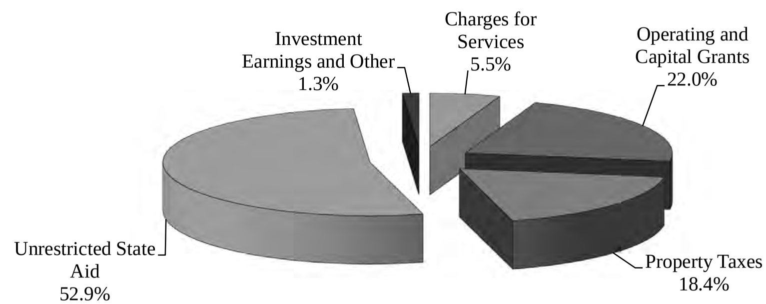
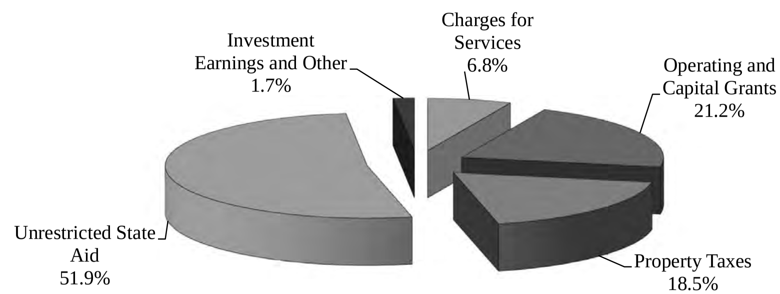


Figure A-3
Sources of District's Revenues for Fiscal 2019



Financial Analysis of the District as A Whole (Continued)

Expenses

The total cost of all programs and services increased 30.1% to $81.9 million. The increase is directly related to changes in the district's net pension liability recognized in 2019-20. The District's expenses are predominantly related to educating, caring for, and transporting students. The administrative expenses of the District accounted for 4.5% of total costs for 2019-20 and for 4.5% of total costs for 2018-19 (see Figure A-4).

Figure A-4
District Expenses for Fiscal 2020

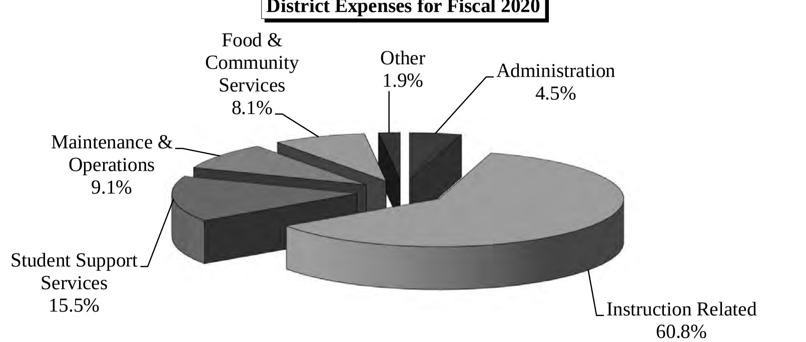
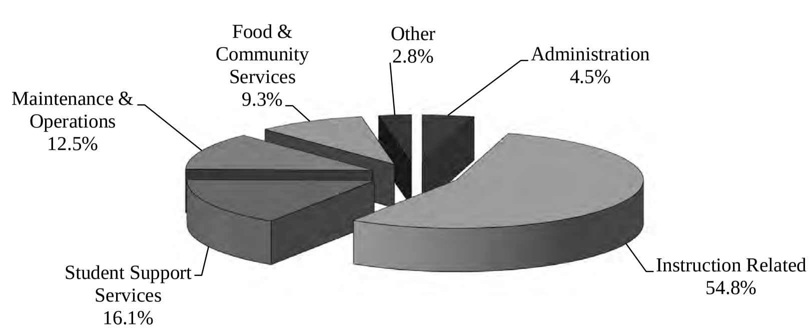


Figure A-4
District Expenses for Fiscal 2019



Financial Analysis of the District as A Whole (Continued)

Governmental Activities

Typically, the District does not incorporate funds allocated to direct instruction as part of an analysis of expenditures in all governmental funds. Funding for general operation of the District is controlled by the state and the District does not have latitude to allocate money received from entrepreneurial-type funds of food service and community education. Therefore, a more accurate analysis would be limited to the allocation of resources received for the general operation of the District and would show that 73.3% of those resources are spent on instruction and support services associated with instruction.

Table A-3 presents the cost of 12 major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

The users of the District's program revenue of $4,555,837 paid the District's cost partially as shown in the Statement of Activities in the financial statements. The federal and state governments subsidized certain programs with grants and contributions ($15,796,721 for operating purposes and $2,453,266 for capital purposes). District taxpayers and the taxpayers of the State of Minnesota, however, paid for most of the District's costs with general revenue of $60,238,456. Of that remaining amount, a major portion of governmental activities came from $15,292,193 in property taxes, $43,889.089 of state aid based on the statewide education aid formula, and $1,057,174 with investment earnings and other general revenues.

Tables A-3
Program Expenses and Net Cost of Services

	Total Cost of Services 2020	Total Cost of Services 2019	Percentage Change	Net Cost of Services 2020	Net Cost of Services 2019	Percentage Change
Administration	$ 2,016,288	$ 1,196,644	68.50%	$ 2,016,288	$ 1,196,644	68.50%
District support services	1,704,719	1,625,386	4.88%	1,691,112	1,608,693	5.12%
Regular instruction	35,151,730	24,659,601	42.55%	31,000,170	20,239,371	53.17%
Vocational education instruction	1,798,795	1,529,575	17.60%	1,751,711	1,469,078	19.24%
Special education instruction	12,916,382	8,331,083	55.04%	3,853,552	(532,156)	-824.14%
Instructional support services	5,617,290	3,545,487	58.43%	5,153,585	3,197,400	61.18%
Pupil support services	7,080,827	6,598,482	7.31%	6,494,750	6,363,591	2.06%
Sites and buildings	7,282,948	7,576,501	-3.87%	5,121,629	5,439,669	-5.85%
Fiscal and other fixed cost programs	193,347	296,491	-34.79%	192,815	294,616	-34.55%
Food service	3,097,431	2,902,859	6.70%	(322,732)	(141,279)	128.44%
Community service	3,563,928	2,987,472	19.30%	664,981	(179,598)	-470.26%
Interest and fiscal charges on long-term liabilities	1,536,366	1,773,061	-13.35%	1,536,366	1,773,061	-13.35%
Total	$ 81,960,051	$ 63,022,642	30.05%	$ 59,154,227	$ 40,729,090	45.24%

Financial Analysis of the District's Funds
The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $18,170,428. Of this amount, $3,848,393 is restricted to cover building project costs, future debt obligations, and other purposes.

Revenues for the District's governmental funds were $82,979,660 while total expenditures were $82,439,761. After factoring in Other Financing Sources and Uses and the change in accounting principle shown in Note 12, the District completed the year with a net change in fund balance of a positive $569,452. The most significant factors in leading to the increase were an increase in fund balance in the general and food service funds from planned program modifications as well as cost savings from the COVID-19 pandemic. Reduced constructions costs as the district nears the end of the construction projects of the passage of a bond issue for betterment of facilities also helped to increase the fund balance.

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

The following schedule presents a summary of General Fund revenues.

Tables A-4
General Fund Revenues

	Year Ended June 30, 2020	Year Ended June 30, 2019	Change Increase (Decrease)	Change Percent
Property taxes	$ 7,557,111	$ 7,016,659	$ 540,452	7.70%
Other local and county revenues	1,971,135	2,197,898	(226,763)	-10.32%
State sources	56,801,416	56,485,821	315,595	0.56%
Federal sources	2,135,166	1,809,492	325,674	18.00%
Sales and other conversion of assets	16,655	19,910	(3,255)	-16.35%
Total revenue	$ 68,481,483	$ 67,529,780	$ 951,703	1.41%

General Fund (Continued)
Total General Fund revenue increased from the previous year by $951,703, or 1.41%. Property tax revenue increased $540,453 from the 2018-2019 year due to a greater local share of equalized revenue sources. Revenue from state sources increased $315,595 in the State's General Education Revenue formula allowance, slightly higher student counts than projected, an increase in special education aid, and a one-time increase is Safe Schools Aid. Federal sources went up primarily due to funding from the federal CARES Act and use of carryover funds from the prior year. The revenue from Other Local and County sources decreased $226,763 from decreased interest earnings, lower student activity fundraising and donations, lower activity participation fees, and an increase in third party billing revenue.

The following schedule presents a summary of General Fund expenditures.

Tables A-5
General Fund Expenditures

	Year Ended June 30, 2020	Year Ended June 30, 2019	Change Increase (Decrease)	Change Percent
Salaries	$ 37,522,396	$ 37,638,672	$ (116,276)	-0.31%
Employee benefits	14,053,710	14,326,980	(273,270)	-1.91%
Purchased services	9,952,115	10,272,057	(319,942)	-3.11%
Supplies and materials	2,162,818	3,254,715	(1,091,897)	-33.55%
Capital expenditures	3,138,813	2,780,454	358,359	12.89%
Other expenditures	579,865	668,087	(88,222)	-13.21%
Total expenditures	$ 67,409,717	$ 68,940,965	$ (1,531,248)	-2.22%

Total General Fund expenditures decreased $1,531,248 or -2.22%, from the previous year primarily due to a planned budget reduction effort of approximately $1.5 million and significant underspending in most expenditure categories due to the COVID-19 pandemic which caused the district to move to a distance learning educational delivery model in March of 2020.

In the 2019-2020 school year, General Fund revenues and other sources were higher than expenditures by $1,072,382. As a result, the total fund balance at June 30, 2020 increased to $15,767,382 of which $7,357,579 is restricted, committed, or assigned. The unassigned fund balance increased from the prior year, ending at a balance of $8,409,803 at June 30, 2020, or 12.48% of expenditures with the non-spendable fund balance of $559,231 included. The District closely monitors its fund balance.

General Budgetary Highlights

The District typically revises its annual budget once each year. The budget amendment caused the changes shown between the original budget amount and the final budget amount which primarily fall into the following two categories:

- Change in salaries and benefits from projected amounts due to staffing for enrollment and special education needs and contract settlements.
- Changes in revenue entitlements from state aid proration and enrollment changes in weighted average daily membership (WADM).
- Changes in revenue from the Special Education program.
- Changes in revenue and expenditures due the COVID-19 pandemic

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues and other sources by about $1,360,658, the actual results for the year show a $1,072,382 surplus with revenues and other financing sources exceeding expenditures. Revenues were over the District's final budget by .62% whereas expenditures were under budget by 2.90%.

- Actual revenues and other financing sources were higher than expected by $421,258 and due primarily to increased special education aid, general education aid, slightly higher federal aid, and higher than projected interest earnings.
- Actual expenditures were under budget by $2,011,782. The district had lower than anticipated expenditures for substitutes, alternative compensation stipends, and lower extended time payments for staff. The district had lower than anticipated health insurance expenses. The district also saw its portion of TRA, FICA, and PERA come in under budget because those benefits are a percentage of salary that was underspent as shown above. The district also had lower than anticipated expenditures in most other expenditure categories due to the move to the distance learning model due to the COVID-19 pandemic.

Capital Projects and Debt Service Funds
The Building Construction fund recorded the revenues and expenditures from the bond issue passed on November 4, 2014. The project started in 2014-2015 and is scheduled to be completed in 2020-2021. Revenues represent the proceeds from donations and interest earned during the year and totaled $111,837. Expenditures for work completed as of the end of the year totaled $878,422. The total Building Construction fund balance was $144,491 on June 30, 2020.

The Debt Service Fund balance for Fund 07 decreased $42,329. The ending balance is $1,053,445 in total as of June 30, 2020. All of this balance is restricted to meet future debt obligations of the district.

Capital Projects and Debt Service Funds (Continued)
The Post Employment Debt Service Fund revenues exceeded expenditures by $60,790 and increased its fund balance to $400,041 at June 30, 2020. The balance in this fund will be used for future debt service obligations.

Other Nonmajor Funds
The Food Service Fund revenues exceeded expenditures for the year by $308,683. The food service department had increased revenue due to more meals being served than the prior year due to the COVID-19 pandemic. The district had lower participation in the regular food service program due to a shortened number of days to the move to distance learning. However, the program served significantly higher Summer Food Service program meals during the pandemic which increased revenues at a greater rate than expenditures. The program did see higher expenditure cost than the prior year due to the increase in the number of meals served.

The Community Service Fund expenditures exceeded revenues and other financing sources by $91,973 and decreased its fund balance to a negative $125,356 as of June 30, 2020. Most of the decrease in fund balance was directly related to the State of Minnesota's requirement to provide child care service for essential workers at no expense.

Fiduciary Funds
The District created a sunset clause in certain contracts for retiree insurance contributions. Individuals hired after the sunset date are no longer eligible for the grandfathered post-retirement insurance benefits. The new provisions require the district to make ongoing contributions to the new employee's HRA account held in an outside irrevocable trust. Each contract has a contribution limit for the individual employee. The value of the irrevocable trust was $2,077,527 as of June 30, 2020.

During the 2009-2010 school year, the District issued $10.845 million in OPEB Bonds and at the same time, created an irrevocable trust to fund the District's post-employment benefits. The District started to use the Trust in the 2012-2013 year to cover post-employment obligations. The amount held in trust for OPEB as of June 30, 2020 was $12,999,797 and decreased in value by $347,575.

Capital Asset and Debt Administration

Capital Assets
By the end of 2020, the District had invested approximately $157 million in a broad range of capital assets, including school buildings, athletic facilities, computer, and audio-visual equipment and administrative offices, (see Table A-6). This amount represents a net increase of $3,162,281 or 2.05%, from last year. Total depreciation expense for the year was approximately $5.0 million. More detailed information about capital assets can be found in Note 4 to financial statements.

Capital Asset and Debt Administration (Continued)

Capital Assets (Continued)

Table A-6
The District's Capital Assets

	2020	2019	Percentage Change
Land	$ 4,222,035	$ 4,222,035	0.00%
Construction in progress	1,577,307	2,352,583	-32.95%
Land improvements	12,088,537	11,358,836	6.42%
Buildings and improvements	131,033,729	128,644,213	1.86%
Equipment and transportation vehicles	8,510,974	7,692,634	10.64%
Total historical cost	157,432,582	154,270,301	2.05%
Less accumulated depreciation	(74,597,723)	(69,651,145)	-7.10%
Total	$ 82,834,859	$ 84,619,156	-2.11%

Construction – Next Five Years
The District voted on a $33 million bond issue in the fall of 2014 which was successfully passed. Construction from the project occurred starting with the 2014-2015 fiscal year and is scheduled to be completed in 2020-2021.

Long-Term Debt
At year-end, the District had $59,546,542 in general obligation (G.O.) bonds and capital leases, a decrease of 9.4% from last year as shown in Table A-7. The District also had $1,710,018 in future post-employment severance benefits payable at June 30, 2020. The School Board has committed $2,615,036 for payment of future post-employment severance and health benefits. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

Capital Asset and Debt Administration (Continued)

Long-Term Debt (Continued)

Table A-7
The District's Long-Term Liabilities

	2020	2019	Percentage Change
G.O. bonds	$ 57,045,000	$ 62,605,000	-8.88%
Net bond premium and discount	1,891,747	2,344,462	-19.31%
Net G.O. bonds	58,936,747	64,949,462	-9.26%
Obligations under capital leases	609,795	786,977	-22.51%
Net G.O. bonds and capital leases	59,546,542	65,736,439	-9.42%
Severance payable	1,344,341	1,290,002	4.21%
Compensated absences payable	365,677	338,664	7.98%
Total	$ 61,256,560	$ 67,365,105	-9.07%

Bond Ratings
The District's G.O. bonds carry an MSDE enhanced rating of Aa2 according to the most recent Moody's Investor Service Rating.

Limitations on Debt
The state limits the amount of General Obligation debt the District can issue to 15% of the market value of all taxable property within the District's corporate limits. The District's outstanding debt is significantly below this limit.

Factors Bearing on the District's Future
The district passed a $750 per pupil operating referendum in the fall of 2019 which will generate additional revenue for five years starting with the 2020-21 fiscal year. With the exception of the voter-approved operating referendum, the District is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. In addition, student enrollment for future years will also be a factor that could affect available revenue for the district since many of the funding formulas are based on student enrollment.

During the 2019 State Legislative session, the basic general education formula increased by $126 for 2019-20 and $129 per pupil unit for 2020-21. Even though the additional funding will help, the District will need to continue its conservative budgeting practices and explore additional sources of revenue.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 877, 214 1st Avenue NE, Buffalo, Minnesota 55313.

BASIC FINANCIAL STATEMENTS

Independent School District No. 877
Statement of Net Position
June 30, 2020
(with Comparative Totals as of June 30, 2019)

	Governmental Activities 2020	Governmental Activities 2019
Assets		
Cash and investments	$ 23,282,889	$ 21,290,217
Current property taxes receivable	9,659,574	7,430,545
Delinquent property taxes receivable	216,458	170,247
Accounts receivable	359,760	391,962
Interest receivable	71,816	182,595
Due from Department of Education	5,568,866	5,962,618
Due from Federal Government through Department of Education	1,348,460	455,974
Due from other Minnesota school districts	93,002	122,043
Due from other governmental units	174,262	47,986
Inventory	144,579	124,492
Prepaid items	596,825	521,915
Equity interest in joint venture	314,543	314,543
Net OPEB asset	1,261,533	1,387,188
Capital assets not being depreciated		
Land	4,222,035	4,222,035
Construction in progress	1,577,307	2,352,583
Capital assets, net of accumulated depreciation		
Land improvements	8,116,233	7,911,664
Buildings	66,556,055	68,157,669
Machinery and equipment	2,363,229	1,975,205
Total assets	125,927,426	123,021,481
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	32,834,381	48,667,066
Deferred outflows of resources related to OPEB	812,272	551,212
Deferred outflows related to charge on refunding	187,045	261,864
Total deferred inflows of resources	33,833,698	49,480,142
Total assets and deferred outflows of resources	$159,761,124	$172,501,623
Liabilities		
Accounts payable	$ 899,930	$ 1,166,609
Salaries and benefits payable	2,618,946	2,474,374
Interest payable	741,176	823,894
Due to other Minnesota school districts	151,788	140,746
Due to other governmental units	177,376	225,598
Unearned revenue	239,815	236,044
Bond payable, net		
Payable within one year	5,750,000	5,560,000
Payable after one year	53,186,747	59,389,462
Capital lease payable		
Payable within one year	183,685	177,183
Payable after one year	426,110	609,794
Compensated absences payable		
Payable within one year	365,677	338,664
Severance payable		
Payable within one year	29,918	58,976
Payable after one year	1,344,341	1,290,002
Net pension liability	41,280,634	41,154,218
Total liabilities	107,396,143	113,645,564
Deferred Inflows of Resources		
Property taxes levied for subsequent year's expenditures	19,011,832	14,627,024
Deferred inflows of resources related to pensions	51,020,838	63,229,039
Deferred inflows of resources related to OPEB	1,213,571	969,642
Deferred inflows related to charge on refunding	60,818	85,145
Total deferred inflows of resources	71,307,059	78,910,850
Net Position		
Net investment in capital assets	29,163,173	27,558,684
Restricted for		
Debt service	869,874	767,404
Capital projects	144,491	-
Other purposes	2,395,877	1,648,192
Unrestricted	(51,515,493)	(50,029,071)
Total net position	(18,942,078)	(20,054,791)
Total liabilities, deferred inflows of resources, and net position	$159,761,124	$172,501,623

Independent School District No. 877
Statement of Activities
For the Year Ended June 30, 2020
(with Comparative Totals for the Year Ended June 30, 2019)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position, Governmental Activities 2020	Governmental Activities 2019
Governmental activities						
Administration	$ 2,016,288	$ -	$ -	$ -	$ (2,016,288)	$ (1,196,644)
District support services	1,704,719	13,607	-	-	(1,691,112)	(1,608,693)
Elementary and secondary regular instruction	35,151,730	702,097	2,987,128	462,335	(31,000,170)	(20,239,371)
Vocational education instruction	1,798,795	-	47,084	-	(1,751,711)	(1,469,078)
Special education instruction	12,916,382	155,989	8,906,841	-	(3,853,552)	532,156
Instructional support services	5,617,290	227	463,478	-	(5,153,585)	(3,197,400)
Pupil support services	7,080,827	98,400	487,677	-	(6,494,750)	(6,363,591)
Sites and buildings	7,282,948	67,308	103,080	1,990,931	(5,121,629)	(5,439,669)
Fiscal and other fixed cost programs	193,347	532	-	-	(192,815)	(294,616)
Food service	3,097,431	1,293,690	2,126,473	-	322,732	141,279
Community education and services	3,563,928	2,223,987	674,960	-	(664,981)	179,598
Interest and fiscal charges on long-term debt	1,536,366	-	-	-	(1,536,366)	(1,773,061)
Total governmental activities	$ 81,960,051	$ 4,555,837	$ 15,796,721	$ 2,453,266	(59,154,227)	(40,729,090)
General revenues						
Taxes						
Property taxes, levied for general purposes					7,581,167	7,029,312
Property taxes, levied for community service					452,246	489,451
Property taxes, levied for debt service					7,258,780	7,215,514
State aid-formula grants					43,889,089	41,372,677
Other general revenues					689,161	835,559
Investment income					368,013	513,178
Total general revenues					60,238,456	57,455,691
Change in net position					1,084,229	16,726,601
Net position - beginning					(20,054,791)	(36,781,392)
Change in accounting principle (Note 12)					28,484	-
Net position - beginning, restated					(20,026,307)	(36,781,392)
Net position - ending					$ (18,942,078)	$ (20,054,791)

See notes to financial statements.

Independent School District No. 877
Balance Sheet - Governmental Funds
June 30, 2020
(with Comparative Totals as of June 30, 2019)

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds 2020	Total Governmental Funds 2019
Assets					
Cash and investments	$ 17,558,590	$ 3,676,157	$ 2,048,142	$ 23,282,889	$ 21,290,217
Current property taxes receivable	5,747,766	2,684,220	1,227,588	9,659,574	7,430,545
Delinquent property taxes receivable	100,461	84,414	31,583	216,458	170,247
Accounts receivable	344,319	-	15,441	359,760	391,962
Interest receivable	71,816	-	-	71,816	182,595
Due from Department of Education	5,422,097	25,951	120,818	5,568,866	5,962,618
Due from Federal Government through Department of Education	647,691	-	700,769	1,348,460	455,974
Due from other Minnesota school districts	66,076	-	26,926	93,002	122,043
Due from other governmental units	174,262	-	-	174,262	47,986
Inventory	61,179	-	83,400	144,579	124,492
Prepaid items	498,052	-	98,773	596,825	521,915
Total assets	$ 30,692,309	$ 6,470,742	$ 4,353,440	$ 41,516,491	$ 36,700,594
Liabilities					
Accounts payable	$ 838,785	$ -	$ 61,145	$ 899,930	$ 1,166,609
Salaries and benefits payable	2,399,595	-	219,351	2,618,946	2,474,374
Due to other Minnesota school districts	148,472	-	3,316	151,788	140,746
Due to other governmental units	177,376	-	-	177,376	225,598
Unearned revenue	59,068	-	180,747	239,815	236,044
Severance payable	29,918	-	-	29,918	58,976
Total liabilities	3,653,214	-	464,559	4,117,773	4,302,347
Deferred Inflows of Resources					
Unavailable revenue - property taxes levied for subsequent year's expenditures	11,171,252	5,332,883	2,507,697	19,011,832	14,627,024
Unavailable revenue - delinquent property taxes	100,461	84,414	31,583	216,458	170,247
Total deferred inflows of resources	11,271,713	5,417,297	2,539,280	19,228,290	14,797,271
Fund Balances					
Nonspendable	559,231	-	182,173	741,404	646,407
Restricted	1,350,174	1,053,445	1,444,774	3,848,393	4,084,637
Committed	2,615,036	-	-	2,615,036	3,340,760
Assigned	3,507,647	-	-	3,507,647	3,632,970
Unassigned	7,735,294	-	(277,346)	7,457,948	5,896,202
Total fund balances	15,767,382	1,053,445	1,349,601	18,170,428	17,600,976
Total liabilities, deferred inflows of resources, and fund balances	$ 30,692,309	$ 6,470,742	$ 4,353,440	$ 41,516,491	$ 36,700,594

See notes to financial statements.

Independent School District No. 877
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2020
(with Comparative Totals as of June 30, 2019)

	2020	2019
Total fund balances - governmental funds	$ 18,170,428	$ 17,600,976
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.		
Cost of capital assets	157,432,582	154,270,301
Less accumulated depreciation	(74,597,723)	(69,651,145)
Equity interests in underlying capital assets of joint ventures are not reported in the funds because they do not represent current financial assets.		
Equity interest in joint venture - Wright Technical Center	314,543	314,543
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bond principal payable	(57,045,000)	(62,605,000)
Net premium on bonds payable	(1,891,747)	(2,344,462)
Capital lease payable	(609,795)	(786,977)
Compensated absences payable	(365,677)	(338,664)
Severance payable	(1,344,341)	(1,290,002)
Net pension liability	(41,280,634)	(41,154,218)
Net OPEB asset created through treatment of general obligation (G.O.) taxable OPEB bonds as employer contribution to defined benefit OPEB plan is not recognized in the governmental funds.	1,261,533	1,387,188
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions, OPEB and a bond refunding that are not recognized in the governmental funds.		
Deferred outflows of resources related to pensions	32,834,381	48,667,066
Deferred inflows of resources related to pensions	(51,020,838)	(63,229,039)
Deferred outflows of resources related to OPEB	812,272	551,212
Deferred inflows of resources related to OPEB	(1,213,571)	(969,642)
Deferred outflows of resources related to bond refunding	187,045	261,864
Deferred inflows of resources related to bond refunding	(60,818)	(85,145)
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	216,458	170,247
Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.	(741,176)	(823,894)
Total net position - governmental activities	$ (18,942,078)	$ (20,054,791)

See notes to financial statements.

Independent School District No. 877
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2020
(with Comparative Totals for the Year Ended June 30, 2019)

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds 2020	Total Governmental Funds 2019
Revenues					
Local property taxes	$ 7,557,111	$ 5,223,763	$ 2,465,108	$ 15,245,982	$ 14,711,960
Other local and county revenues	1,971,135	45,327	2,493,921	4,510,383	5,150,420
Revenue from state sources	56,801,416	259,704	747,908	57,809,028	57,495,334
Revenue from federal sources	2,135,166	-	1,968,756	4,103,922	2,963,291
Sales and other conversion of assets	16,655	-	1,293,690	1,310,345	1,732,127
Total revenues	68,481,483	5,528,794	8,969,383	82,979,660	82,053,132
Expenditures					
Current					
Administration	1,849,683	-	-	1,849,683	1,843,006
District support services	1,654,071	-	-	1,654,071	1,692,112
Elementary and secondary regular instruction	29,884,781	-	-	29,884,781	31,886,638
Vocational education instruction	1,707,497	-	-	1,707,497	1,890,966
Special education instruction	12,053,067	-	-	12,053,067	11,847,856
Instructional support services	4,891,993	-	-	4,891,993	4,622,051
Pupil support services	6,982,202	-	-	6,982,202	6,982,068
Sites and buildings	5,054,265	-	414,019	5,468,284	5,517,145
Fiscal and other fixed cost programs	193,347	-	-	193,347	296,491
Food service	-	-	3,079,557	3,079,557	2,898,568
Community education and services	-	-	3,470,903	3,470,903	3,440,017
Capital outlay					
Administration	337	-	-	337	129
District support services	349	-	-	349	657
Elementary and secondary regular instruction	69,486	-	-	69,486	18,885
Vocational education instruction	-	-	-	-	3,000
Special education instruction	-	-	-	-	820
Instructional support services	374,644	-	-	374,644	255,490
Pupil support services	397	-	-	397	5,354
Sites and buildings	2,491,517	-	464,403	2,955,920	3,158,015
Food service	-	-	43,297	43,297	11,891
Community education and services	-	-	1,457	1,457	4,563
Debt service					
Principal	177,182	3,730,000	1,830,000	5,737,182	11,530,922
Interest and fiscal charges	24,899	1,841,123	155,285	2,021,307	2,287,265
Total expenditures	67,409,717	5,571,123	9,458,921	82,439,761	90,193,909
Excess of revenues over (under) expenditures	1,071,766	(42,329)	(489,538)	539,899	(8,140,777)
Other Financing Sources					
Proceeds from sale of capital assets	616	-	453	1,069	13,539
Net change in fund balances	1,072,382	(42,329)	(489,085)	540,968	(8,127,238)
Fund Balances					
Beginning of year	14,666,516	1,095,774	1,838,686	17,600,976	25,728,214
Change in accounting principle (Note 12)	28,484	-	-	28,484	-
Beginning of year, as restated	14,695,000	1,095,774	1,838,686	17,629,460	25,728,214
End of year	$ 15,767,382	$ 1,053,445	$ 1,349,601	$ 18,170,428	$ 17,600,976

See notes to financial statements.

Independent School District No. 877
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended June 30, 2020
(with Comparative Totals for the Year Ended June 30, 2019)

	2020	2019
Net change in fund balances - total governmental funds	$ 540,968	$ (8,127,238)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays	3,294,410	3,123,613
Depreciation expense	(5,026,879)	(4,856,285)
Loss on disposal	(51,828)	(22,811)
Net income from the equity interest in joint venture does not provide current financial resources and is not reported as revenue in the funds.	-	(78,832)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(27,013)	(16,560)
Severance benefits are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(54,339)	137,852
Proceeds of G.O. Taxable OPEB bonds issued during 2010 were contributed to the OPEB plan to retire the unfunded obligation. Governmental funds report such outlay as expenditures. The impact on the Statement of Activities is the creation of a new net OPEB asset which is a combination of the contribution to the irrevocable trust from the proceeds of the OPEB bond issue and the amortization of the net OPEB obligation for the current year.	(108,524)	(69,684)
Principal payments on long-term debt and leases are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.	5,737,182	11,530,922
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	82,718	87,641
Governmental funds report the effect of bond discounts and premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	452,715	586,526
Governmental funds report the effect of bond refundings when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	(50,492)	(159,963)
Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspecti	(3,750,900)	14,569,103
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	46,211	22,317
Change in net position - governmental activities	$ 1,084,229	$ 16,726,601

See notes to financial statements.

Independent School District No. 877
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Local property taxes	$ 7,457,205	$ 7,418,516	$ 7,557,111	$ 138,595
Other local and county revenues	2,268,824	1,831,024	1,971,135	140,111
Revenue from state sources	56,431,359	56,676,566	56,801,416	124,850
Revenue from federal sources	2,322,773	2,101,957	2,135,166	33,209
Sales and other conversion of assets	36,300	24,815	16,655	(8,160)
Total revenues	68,516,461	68,052,878	68,481,483	428,605
Expenditures				
Current				
Administration	1,851,346	1,877,932	1,849,683	(28,249)
District support services	1,689,262	1,723,049	1,654,071	(68,978)
Elementary and secondary regular instruction	31,756,833	31,094,088	29,884,781	(1,209,307)
Vocational education instruction	1,885,589	1,804,306	1,707,497	(96,809)
Special education instruction	12,672,409	11,985,354	12,053,067	67,713
Instructional support services	5,395,086	5,174,760	4,891,993	(282,767)
Pupil support services	7,249,902	7,227,075	6,982,202	(244,873)
Sites and buildings	5,730,071	5,427,422	5,054,265	(373,157)
Fiscal and other fixed cost programs	253,102	257,621	193,347	(64,274)
Capital outlay				
Administration	450	450	337	(113)
District support services	9,432	9,432	349	(9,083)
Elementary and secondary regular instruction	129,926	141,360	69,486	(71,874)
Vocational education instruction	1,000	1,000	-	(1,000)
Special education instruction	7,630	6,690	-	(6,690)
Instructional support services	419,539	384,896	374,644	(10,252)
Pupil support services	2,360	2,360	397	(1,963)
Sites and buildings	2,266,678	2,101,624	2,491,517	389,893
Debt service				
Principal	177,181	177,181	177,182	1
Interest and fiscal charges	24,899	24,899	24,899	-
Total expenditures	71,522,695	69,421,499	67,409,717	(2,011,782)
Excess of revenues over (under) expenditures	(3,006,234)	(1,368,621)	1,071,766	2,440,387
Other Financing Sources				
Proceeds from sale of capital assets	8,249	7,963	616	(7,347)
Net change in fund balance	$ (2,997,985)	$ (1,360,658)	1,072,382	$ 2,433,040
Fund Balance				
Beginning of year			14,666,516	
Change in accounting principle (Note 12)			28,484	
Beginning of year, as restated			14,695,000	
End of year			$ 15,767,382	

See notes to financial statements.

Independent School District No. 877
Statement of Fiduciary Net Position
June 30, 2020

	Total Trust Funds
Assets	
Current	
Investments	
Brokered money market	$ 2,409,227
Fixed income	4,502,058
Equities	8,259,837
Total investments	15,171,122
Accounts and interest receivable	40,294
Total assets	$ 15,211,416
Liabilities	
Accounts payable	$ 112,245
Unearned revenue	21,847
Total liabilities	$ 134,092
Net Position	
Held in trust for OPEB	$ 12,999,797
Held in trust for HRA	2,077,527
Total net position	$ 15,077,324

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

	Total Trust Funds
Additions	
Contributions	$ 517,847
Investment income	
Interest, dividends, change in fair value	486,873
Less investment expenses	(71,632)
Net investment income	415,241
Total additions	933,088
Deductions	
Employee benefit deductions	1,054,140
Change in net position	(121,052)
Net Position	
Beginning of year	15,198,376
End of year	$ 15,077,324

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a 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 following is a summary of the more significant policies.

A. Reporting Entity

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

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

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

The student activity accounts of the District, as of July 1, 2019, have been taken under board control and will not be reported separately.

1. Joint Ventures

A joint venture is a legal entity or other organization that results from a contracted agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. The participants retain either an ongoing financial interest or an ongoing financial responsibility. The District participates in one joint venture. A description of this organization is included in Note 10.

B. Basic Financial Statement Information

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

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

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

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

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

C. Measurement Focus and Basis of Accounting

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

1. Revenue Recognition

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures

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

The District applies resources in the following order when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available: restricted, committed, assigned, and unassigned.

Description of Funds

Major Funds

General Fund – This fund includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, health and safety, and disabled accessibility projects.

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

Nonmajor Funds

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

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services.

Post Employment Debt Service Fund – This fund is used to account for the accumulation of resources for payments of OPEB bonds, principal, and related costs.

Building Construction Capital Project Funds – This fund is used to account for the financial resources used for the construction of or improvements to facilities authorized by bond issue.

Fiduciary Fund

OPEB Irrevocable Trust Fund – This fund is used for reporting resources set aside and held in an irrevocable trust arrangement for OPEB.

HRA Trust Fund – This fund is used for reporting resources set aside and held in a trust arrangement for HRA contributions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments

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

1. District Funds Other than OPEB and HRA Trust Funds

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

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

Cash and investments at June 30, 2020, were comprised of deposits and shares in the Minnesota School District Liquid Asset Fund (MSDLAF) and shares in the Minnesota Trust (MNTrust) securities. MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value.

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

Minnesota Statutes authorizes the District to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase, and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days.

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF or MNTrust. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. MSDLAF+ Term investments have a maturity of 60 days to one year and early withdrawal may result in substantial early redemption penalties. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

2. OPEB and HRA Trust Funds

These funds represent investments administered by the District's OPEB and HRA Trust investment managers. As of June 30, 2020, they were comprised of brokered money markets, government agencies, corporate securities and equities.

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

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

E. Property Tax Receivable

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

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2019, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2020. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

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

H. Prepaid Items

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes

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

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

J. Capital Assets

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

Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 with an estimated useful life in excess of five years, including all computer equipment regardless of the value. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at its acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 20 years for equipment.

Capital assets not being depreciated include land and construction in progress. The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has three items that qualify for reporting in this category. A deferred charge on refunding, and deferred outflows of resources related to pensions and OPEB are reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources related to pensions and OPEB are recorded for various estimate differences that will be amortized and recognized over future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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 or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Compensated Absences
Vacation pay is earned at various rates by employees and accrued as compensated absences in the Statement of Net Position.

Substantially all employees are entitled to sick leave at various rates. Classified employees are not compensated for unused sick leave upon a qualified termination of employment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences (Continued)
Non-classified employees receive payment for a set number of sick days after reaching age 55 and completing 15 years of service. The amount of compensated absences for sick leave anticipated to be paid upon employees' retirements is recorded as severance payable in the Statement of Net Position.

N. Post Employment Severance and Health Benefits
Severance and health benefits consist of lump sum retirement payments and post employment health care benefits.

The District maintains various early retirement incentive payment plans for its employee groups. Teacher and administrator employee group plans contain benefit formulas based on years of service and/or minimum age requirements. No employee can receive early retirement incentive payments exceeding one year's salary.

Under the terms of certain collectively bargained employment contracts, the District is required to pay the medical and dental insurance premiums for retired teachers and administrators until they reach specific age requirements such as Medicare eligibility. The amount to be paid is equal to the full monthly premium cost for insurance coverage available under the appropriate current employment contract.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Risk Management
The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2020.

R. Fund Equity
In the fund financial statements, governmental funds report fund classifications that compromise a hierarchy based primarily on the extent to which the District is bound to honor the constraints on the specific purpose for which amounts in these funds can be spent.

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, nonfinancial assets held for resale, or the permanent principal of endowment funds.

- Restricted Fund Balance – These are amounts that are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the School Board by formal action. Constraints are only removed by formal board action.

- Assigned Fund Balance – These are amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the Director of Finance and Operations or the School Board.

- Unassigned Fund Balance – These are amounts that are the residual amounts in the General Fund not reported in any other classification. Unassigned amounts in the General Fund are technically available for expenditure for any purpose. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

- Minimum Fund Balance Policy – The School Board shall strive to maintain a fund balance of between 8% and 12% of fund balance to total operating expenditures in the General Fund. The fund balance shall be defined as the sum of the unassigned fund balance, the restricted next year's approved budget deficit fund balance, and the nonspendable fund balances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Equity (Continued)

- The Business Office shall monitor the fund balance. If the fund balance falls below 8%, the School Board shall implement a procedure to stabilize the District's financial position. This shall involve:

    1. No new programs will be added at the District level unless matched by a like revenue source;
    2. Allocations such as textbooks, supplies, etc., shall be frozen; and
    3. The District will review other measures which will not immediately affect delivery of programs but could have a cost savings. An example might be areas where expenses have historically been lower than budgeted levels.

- If the fund balance is projected to fall below 6%, the District shall take measures to either generate additional revenues or to reduce expenditures through budget cuts or a combination of both.

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

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

U. Comparative Data
Comparative total data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. This data has been restated where necessary for comparable classifications.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not required for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balance
The Community Service Fund had a negative fund balance of $125,356 at June 30, 2020.

NOTE 3 – DEPOSITS AND INVESTMENTS

District Funds Other than OPEB and HRA Trust Funds

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

Custodial Credit Risk – Deposits: This is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits or collateral securities that are in possession of an outside party. *Minnesota Statutes* 118A requires all deposits be protected by federal deposit insurance, corporate security bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. The District has a deposit policy that requires the District's deposits to be collateralized as required by *Minnesota Statutes* 118.03 for an amount exceeding FDIC or FSLIC coverage. *Minnesota Statutes* require all deposits be protected by federal depository insurance. As of June 30, 2020, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

District Funds Other than OPEB and HRA Trust Funds (Continued)

A. Deposits (Continued)

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

Pooled Deposits	
Checking	$ 1,875,752
Certificates of deposit	3,727,400
Savings	4,133
Total pooled deposits	$ 5,607,285

B. Investments

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

Investment Type	Fair Value	Investment Maturities Less than 1 Year	Credit Rating
MNTrust Investment Shares	$ 753,862	$ 753,862	N/A
MSDLAF-Term	962,653	962,653	AAAm
MSDLAF-Max	15,953,089	15,953,089	AAAm
Total Pooled Investments	$ 17,669,604	$ 17,669,604	

Interest Rate Risk: This is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District's investment policy states the portfolio shall be managed in a manner to attain a market rate of return through budgetary and economic cycles while preserving and protecting capital in the overall portfolio. Investment maturities shall be scheduled to coincide with projected cash flow needs.

Credit Risk: This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District's investment policy refers to *Minnesota Statutes* 118A.01 through 118A.06. Statutes limit investments in the top two ratings issued by nationally recognized statistical rating organizations. The District will minimize credit risk by limiting investments to those allowed by statutory constraints. The District's investments are rated in the table above. Also as indicated in the table, there are certain investments that are not subject to credit risk and therefore, not rated.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

District Funds Other than OPEB and HRA Trust Funds (Continued)

B. Investments (Continued)
Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy places no limit on the amount the District may invest in any one issuer, though it does state the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities and that no more than 50% of the total portfolio will be with any one instrument.

Custodial Credit Risk – Investments: This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy states investments shall be held by institutions designated by the School Board.

OPEB and HRA Trust Funds

C. Trust Fund Investments

As of June 30, 2020, the District's OPEB and HRA Trust Fund had the following investments:

		Investment Maturities				
Investment Type	Fair Value	Less than 1 Year	1-2 Years	2-5 Years	5-10 Years	Greater than 10 years
Brokered Money Markets	$ 2,409,226	$ 2,409,226	$ -	$ -	$ -	$ -
Fixed Income						
Government Agencies	2,211,162	-	82,667	1,034,677	500,342	593,476
Corporate Securities	2,290,896	227,452	310,965	486,808	1,021,347	244,324
Equities	8,259,838	8,259,838	-	-	-	-
Total Investments	$ 15,171,122	$ 10,896,516	$ 393,632	$ 1,521,485	$ 1,521,689	$ 837,800

Interest Rate Risk: The District's OPEB Trust Investment Policy states the investment emphasis is on the current income requirements and capital preservation, with a secondary emphasis on capital appreciation. The District has a moderate risk tolerance. The asset allocation strategy for the trust is as follows:

Asset Class	Percent	Range
Cash equivalents	2%	0-100%
Bonds	48%	+/- 15%
Equities	50%	+/- 15%

Credit Risk: The District will minimize credit risk by limiting investments to those allowed in the Trust portfolio. The Trust's investments in government agencies and corporate securities were rated Baa2 or greater by Moody's. The remaining investments are not subject to credit risk and, therefore, not rated. The District's OPEB Investment Policy states investments must have a rating of Baa3 or greater.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

OPEB and HRA Trust Funds (Continued)

C. Trust Fund Investments (Continued)
Concentration of Credit Risk: The District's OPEB Trust Investment Policy states no single security, with the exception of a security issued by the U.S. Government, its agencies and/or instrumentalities, shall at the time of purchase, constitute more than 5% of the value of the portfolio. The Policy also indicates the District has an investment horizon which is considered to be long-term, in excess of ten years. The District's OPEB investments in Fidelity Overseas Fund (8.8%), Vanguard 500 Index Fund (20.2%) and T Rowe Price Dividend growth Fund Inc (9.7%) were above 5% of total OPEB investments.

Custodial Credit Risk: The District's OPEB Trust Investment Policy does not address custodial credit risk.

The District has the following recurring fair value measurements as of June 30, 2020:

- $8,259,838 of investments are valued using a quoted market prices (Level 1 inputs)
- $4,502,058 of investments are valued using a matrix pricing model (Level 2 inputs)

D. Deposits and Investments

The following is a summary of total deposits and investments:

District governmental funds	
Deposits - pooled (Note 2.A.)	$ 5,607,285
Investments pooled (Note 2.B.)	17,669,604
Petty cash	6,000
OPEB and HRA irrevocable trust funds	
Investments (Note 2.C.)	15,171,122
Total deposits and investments	$ 38,454,011

Deposits and investments are presented in the June 30, 2020, basic financial statements as follows:

Statement of Net Position	
Cash and investments	$ 23,282,889
Statement of Fiduciary Net Position	
Trust funds	15,171,122
Total deposits and investments	$ 38,454,011

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 4,222,035	$ -	$ -	$ 4,222,035
Construction in progress	2,352,583	732,664	1,507,940	1,577,307
Total capital assets not being depreciated	6,574,618	732,664	1,507,940	5,799,342
Capital assets being depreciated				
Land improvements	11,358,836	729,701	-	12,088,537
Buildings	128,644,213	2,473,494	83,978	131,033,729
Equipment and vehicles	7,692,634	866,491	48,151	8,510,974
Total capital assets being depreciated	147,695,683	4,069,686	132,129	151,633,240
Less accumulated depreciation for				
Land improvements	3,447,172	525,132	-	3,972,304
Buildings	60,486,544	4,025,509	34,379	64,477,674
Equipment and vehicles	5,717,429	476,238	45,922	6,147,745
Total accumulated depreciation	69,651,145	5,026,879	80,301	74,597,723
Total capital assets being depreciated, net	78,044,538	(957,193)	51,828	77,035,517
Governmental activities, capital assets, net	$ 84,619,156	$ (224,529)	$ 1,559,768	$ 82,834,859

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of $5,026,879 for the year ended June 30, 2020, was charged to the following governmental functions:

District support services	$ 632
Elementary and secondary regular instruction	2,822,872
Vocational education instruction	333
Special education instruction	1,688
Instructional support services	87,246
Pupil support	525
Sites and buildings	2,073,940
Food service	37,808
Community service	1,835
Total depreciation expense	$ 5,026,879

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One year
Long-term liabilities						
G.O. bonds, including						
2012A G.O. refunding bonds	03/16/12	2.00%-4.00%	$ 31,215,000	02/01/24	$ 13,780,000	$ 1,890,000
2013A alternative facilities bonds	05/01/13	1.00%-2.00%	3,855,000	02/01/24	2,610,000	170,000
2015A school building bonds	02/04/15	2.75%-3.00%	32,620,000	02/01/30	32,620,000	-
2017A OPEB refunding bonds	06/08/17	2.00%-2.20%	9,635,000	02/01/23	5,720,000	1,880,000
2018A refunding bonds	05/17/18	5.00%	5,710,000	02/01/22	2,315,000	1,810,000
Total G.O. bonds					57,045,000	5,750,000
Unamortized bond premium					1,891,747	-
Net bonds payable					58,936,747	5,750,000
Capital leases payable					609,795	183,685
Severance payable					1,344,341	29,918
Compensated absences payable					365,677	365,677
Total all long-term liabilities					$ 61,256,560	$ 6,329,280

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

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds

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

Year Ending June 30,	G.O. Bonds Principal	G.O. Bonds Interest	G.O. Bonds Total
2021	$ 5,750,000	$ 1,792,208	$ 7,542,208
2022	5,960,000	1,585,958	7,545,958
2023	6,245,000	1,385,333	7,630,333
2024	6,470,000	1,173,422	7,643,422
2025	5,035,000	956,922	5,991,922
2026-2030	27,585,000	2,478,130	30,063,130
Total	$ 57,045,000	$ 9,371,973	$ 66,416,973

C. Capital Lease Obligations

In October 2006, the District entered into a lease purchase agreement for the construction of an addition to the Phoenix Learning Center. The total financed was $750,000 with an interest rate of 4.79% and is to be repaid through the General Fund. The lease agreement requires the District to make annual payments through October 15, 2021.

In April 2010, the District entered into a lease purchase agreement for the remodel of the Montrose Early Childhood Building. The total financed was $1,324,474 with an interest rate of 5.55% and is to be paid through the General Fund. In April 2017, the District refinanced the lease purchase agreement. The total financed was $839,792 with an interest rate of 2.99% and is to be paid through the General Fund. The lease agreement requires the District to make annual payments through May 1, 2024.

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

Year Ending June 30,	
2021	$ 202,081
2022	166,752
2023	131,424
2024	150,193
Total minimum lease payments	650,450
Less amount representing interest	(40,655)
Present value of minimum lease payments	$ 609,795

NOTE 5 – LONG-TERM DEBT (CONTINUED)

C. Capital Lease Obligations (Continued)

The carrying value and related accumulated depreciation at June 30, 2020, for the assets purchased was as follows:

Carrying value	$ 2,514,728
Less accumulated depreciation	(1,001,040)
Assets, net of depreciation	$ 1,513,688

D. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	$ 62,605,000	$ -	$ 5,560,000	$ 57,045,000
Net premium	2,344,462	-	452,715	1,891,747
Capital leases payable	786,977	-	177,182	609,795
Severance payable	1,290,002	137,222	82,883	1,344,341
Compensated absences payable	338,664	538,771	511,758	365,677
Total long-term liabilities	$ 67,365,105	$ 675,993	$ 6,784,538	$ 61,256,560

NOTE 6 – FUND BALANCES

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

Fund Equity
Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

NOTE 6 – FUND BALANCES (CONTINUED)

A. Restricted/Reserved Fund Balance

	General Fund	Debt Service	Other Nonmajor Funds	Total
Nonspendable for				
Inventory	$ 61,179	$ -	$ 83,400	$ 144,579
Prepaid items	498,052	-	98,773	596,825
Total nonspendable	559,231	-	182,173	741,404
Restricted/reserved for				
Student Activities	26,151	-		26,151
Operating Capital	1,015,094	-	-	1,015,094
Medical Assistance	308,929	-	-	308,929
Adult Basic Education	-	-	12,345	12,345
Early Childhood and Family Education	-	-	114,542	114,542
School readiness	-	-	19,935	19,935
Food Service	-	-	834,384	834,384
Debt Service	-	1,053,445	400,041	1,453,486
Building Construction	-	-	63,527	63,527
Total restricted/reserved	1,350,174	1,053,445	1,444,774	3,848,393
Committed for				
Separation Benefits	2,615,036	-	-	2,615,036
Assigned for				
Carryover	904,295	-	-	904,295
Dental Insurance	261,023	-	-	261,023
Capital	1,833,715	-	-	1,833,715
Qcomp	105,022	-	-	105,022
Student Activities	403,592	-	-	403,592
Total assigned	3,507,647	-	-	3,507,647
Unassigned for				
Long-Term Facilities and Maintenance*	(115,278)	-	-	(115,278)
Community Education*	-	-	(226,840)	(226,840)
Community Service*	-	-	(50,506)	(50,506)
Unassigned	7,850,572	-	-	7,850,572
Total unassigned	7,735,294	-	(277,346)	7,457,948
Total fund balance	$ 15,767,382	$ 1,053,445	$ 1,349,601	$ 18,170,428

*Negative restricted/reserved fund balances have been reclassified to unassigned for the financial statements in accordance with GASB Statement No. 54.

NOTE 6 – FUND BALANCES (CONTINUED)

Fund Equity (Continued)

A. Restricted/Reserved Fund Balance (Continued)

Nonspendable for Inventory – A portion of the fund balance has been spent on inventory and is not available for other uses.

Nonspendable for Prepaid Items – A portion of the fund balance has been spent on prepaid items and is not available for other uses.

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

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

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

Restricted/Reserved for Adult Basic Education – This account will represent the balance of carryover monies for all activity involving adult basic education.

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

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

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

Restricted for Debt Service – This balance represents the resources available for the payment of bond principal, interest, and related costs.

Restricted/Reserved for Building Construction – This balance represents the resources available for the construction of or improvements to facilities authorized by bond issue.

Committed for Separation Benefits – This balance represents the resources set aside for the payment of retirement benefits including compensated absences, pensions, OPEB, and termination benefits.

Assigned for Carryover – This balance represents unspent budget appropriations carried over for the subsequent year.

NOTE 6 – FUND BALANCES (CONTINUED)

Fund Equity (Continued)

A. Restricted/Reserved Fund Balance (Continued)
Assigned for Dental Insurance – This balance represents the resources set aside for payment of dental insurance costs.

Assigned for Capital – This balance represents the resources set aside for capital costs.

Assigned for QComp – This balance represents resources set aside for QComp.

Assigned for Student Activities – This balance represents the accumulation of the student activity accounts that are under School Board control.

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

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

Unassigned for Community Service – This balance represents the negative fund balance of the Community Service Fund

B. Net Position
Net position restricted for other purposes on the Statement of Net Position are comprised of the total positive restricted fund balances of the General and total fund balance of the Food Service and Community Service Funds.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans, total pension expense for the year ended June 30, 2020, was $7,115,594. The components of pension expense are noted in the following plan summaries.

The General Fund, Food Service Fund and Community Service Fund typically liquidate the liability related to pensions.

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

Teachers' Retirement Association

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

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

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

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

Tier 1 Benefits

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

With these provisions:

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

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits

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

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

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

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

C. Contribution Rate

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

	June 30, 2018		June 30, 2019		June 20, 2020	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.0%	11.5%	11.0%	11.71%	11.0%	11.92%
Coordinated	7.5%	7.5%	7.5%	7.71%	7.5%	7.9%

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

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

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

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

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.

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

Teachers' Retirement Association (Continued)

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation date	July 1, 2019
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

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

Teachers' Retirement Association (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.5 %	5.10 %
International equity	17.5	5.30
Private markets	25.0	5.90
Fixed income	20.0	0.75
Unallocated cash	2.0	0.00
Total	100 %	

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

Changes in actuarial assumptions since the 2018 valuation:

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

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

- 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 was 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.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

On June 30, 2020, the District reported a liability of $33,750,441 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.5295% at the end of the measurement period and 0.5273% for the beginning of the year.

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

District's proportionate share of net pension liability	$ 33,750,441
State's proportionate share of the net pension liability associated with the District	2,987,024

For the year ended June 30, 2020, the District recognized pension expense of $6,386,951. It recognized $227,049 as an increase to this pension expense for the support provided by direct aid.

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,677	$ 822,109
Net difference between projected and actual earnings on plan investments	-	2,826,683
Changes of assumptions	28,074,464	44,684,356
Changes in proportion	1,407,359	745,241
Contributions to TRA subsequent to the measurement date	2,368,996	-
Total	$ 31,855,496	$ 49,078,389

$2,368,996 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, 2021.

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

Year Ended June 30,	Pension Expense Amount
2021	$ 2,074,718
2022	(4,444)
2023	(12,507,904)
2024	(9,114,718)
2025	(39,541)
Total	$ (19,591,889)

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

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity

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

District proportionate share of NPL		
1% decrease (6.5%)	Current (7.5%)	1% increase (8.5%)
$ 53,806,456	$ 33,750,441	$ 17,214,553

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

H. Pension Plan Fiduciary Net Position

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

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

B. Benefits Provided (Continued)

General Employees Plan Benefits

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

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

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2020, were $750,765. The District's contributions were equal to the required contributions as set by state statute.

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

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2020, the District reported a liability of $7,530,193 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $233,990. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the District's proportionate share was 0.1362% at the end of the measurement period and 0.1448% for the beginning of the period.

School's proportionate share of net pension liability	$ 7,530,193
State of Minnesota's proportionate share of the net pension liability associated with the School	233,990
Total	$ 7,764,183

For the year ended June 30, 2020, the District recognized pension expense of $728,643 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $17,524 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At June 30, 2020, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 217,971	$ -
Changes in actuarial assumptions	-	627,560
Difference between projected and actual investments earnings	-	826,200
Change in proportion	10,149	488,689
Contributions paid to PERA subsequent to the measurement date	750,765	-
Total	$ 978,885	$ 1,942,449

The $750,765 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2021	$ (608,504)
2022	(837,981)
2023	(279,979)
2024	12,135
Total	$ (1,714,329)

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

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

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

Inflation	2.50 % Per year
Active member payroll growth	3.25 % Per year
Investment rate of return	7.50 %

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

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

The following changes in actuarial assumptions occurred in 2019:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from $31 million to $21 million per year. The State's special funding contribution was changed prospectively, requiring $16 million due per year through 2031.

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

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

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (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	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.5 %	5.10 %
Private markets	25.0	5.90
Fixed income	20.0	0.75
International equity	17.5	5.90
Cash equivalents	2.0	0.00
Total	100 %	

F. Discount Rates

The discount rate used to measure the total pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proprionate share of the PERA net pension liability	$ 12,379,232	$ 7,530,193	$ 3,526,347

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

Public Employees' Retirement Association (Continued)

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

NOTE 8 – RETIREMENT PLANS

A. Post Retirement Health Care Savings Plan
The District's Post Retirement Health Care Savings Plan (the "Plan") allows employees to use individual accounts to save for medical expenses. The accounts are funded entirely with employer contributions. Employee participation is a voluntary process negotiated through the collective bargaining process. Employees cannot voluntarily contribute to this Plan. Amounts and how it will be funded must be mandated through collective bargaining or through a personnel policy. Any employee covered under the Plan may draw down the balance of the account for reimbursement of eligible medical expenses including health care premiums. Contributions to the Plan by the District totaled $44,331 for the year.

B. Defined Contribution Plan
The District provides eligible employees future retirement benefits through the District's Defined Contribution Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. The District makes matching contribution for some administrative employees of $75,000. Contributions are invested to tax deferred annuities selected and owned by Plan participants. Employee contributions for the fiscal year totaled $247,077.

NOTE 9 – 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 employee groups of the District are eligible if and when the collective bargaining agreement or contract with their groups allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

Before the beginning of the plan year, which runs December 31 to December 31, each participant designates a total amount of pretax 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 plan, whether or not such contributions have been made.

Payments of insurance premiums (health and dental) 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 General Fund.

NOTE 9 – FLEXIBLE BENEFIT PLAN (CONTINUED)

Amounts withheld for medical reimbursement and dependent care are held for the benefit of the flexible benefit plan. All assets of the plan are administered by an employee of the District. Payments are made by the District to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the participant. The medical reimbursement and dependent care activity is included in the financial statements in the General 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 general creditors of the District in an amount equal to eligible health care and dependent care expenses incurred by the participants. The District believes it is unlikely it will use the assets to satisfy the claims of general creditors in the future.

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description
The District provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical coverage. In addition, the plan provides severance benefits based on years of service that are placed directly in a medical savings account upon retirement. Medical coverage is administered by BlueCross BlueShield. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

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

C. Members

As of June 30, 2020, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	50
Active employees	621
Total	671

D. Contributions
Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Blue Cross Blue Shield. For the year 2020, the District contributed $286,132 to the plan.

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Investment rate of return	6.00%, net of investment expense
Salary increases	3.50%, including inflation
Inflation	2.50%
Healthcare cost trend increases	6.9% initially, gradually decreasing to an ultimate rate of 4.0%
Mortality Assumption	RP-2014 mortality tables, with projected mortality improvements based on scale MP-2015 and other adjustments

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2019 – June 30, 2020.

The long-term expected rate of return on OPEB 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 rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic equity	36 %	4.95 %	7.45 %
International equity	14	5.24	7.74
Fixed income	48	1.99	4.49
Real estate and alternatives	1	4.19	6.69
Cash and equivalents	2	0.58	3.08
Total	100 %		

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

The details of the investments and the investment policy are described in Note 2 of the District's financial statements. For the year ended June 30, 2020, the annual money-weighed rate of return on investments, net of investment expense, was 2.90%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 5.51%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

G. Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019	$ 11,960,184	$ 13,347,372	$ (1,387,188)
Changes for the year			
Service cost	539,822	-	539,822
Interest	668,010	-	668,010
Change in assumptions	(415,739)	-	(415,739)
Employer contributions	-	286,132	(286,132)
Net investment income	-	380,306	(380,306)
Benefit payments	(1,014,013)	(1,014,013)	-
Net changes	(221,920)	(347,575)	125,655
Balances at June 30, 2020	$ 11,738,264	$ 12,999,797	$ (1,261,533)

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Liability Sensitivity

The following presents the District's net OPEB liability calculated using the discount rate of 5.57% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% decrease (4.51%)	Current (5.51%)	1% increase (6.51%)
Net OPEB liability (asset)	$ (498,112)	$ (1,261,533)	$ (1,994,730)

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

	1% decrease (5.9% decreasing to 3.0%)	Current (6.9% decreasing to 4.0%)	1% increase (7.9% decreasing to 5.0%)
Net OPEB liability (asset)	$ (2,189,606)	$ (1,261,533)	$ (181,167)

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

For the year ended June 30, 2020, the District recognized OPEB expense of $394,656. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ 371,344	$ -
Differences between expected and actual economic experience	344,073	-
Changes of assumptions	96,855	1,213,571
Total	$ 812,272	$ 1,213,571

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

Year Ending June 30,	Total
2021	$ (26,265)
2022	7,424
2023	(21,040)
2024	(19,554)
2025	(81,641)
Thereafter	(260,223)
Total	$ (401,299)

J. Payable to the OPEB Plan

At June 30, 2020, the District reported a payable of $0 to the OPEB plan. The amount is reported as a receivable on the OPEB Trust Fund Statement of Fiduciary Net Position.

NOTE 11 – COMMITMENTS

A. Joint Powers Agreement

The District entered in to a joint powers agreement in February 1998 with Wright Technical Center No. 966 (WTC), a cooperative center for vocational education, between and among eight other independent school districts to finance the acquisition and betterment of the addition to the existing WTC facilities.

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

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

B. Rental Agreement

The District entered into a rental agreement with the City of Buffalo, Minnesota (the "City") in 2001 for use of the Civic Center by the District.

NOTE 11 – COMMITMENTS (CONTINUED)

B. Rental Agreement (Continued)

The original agreement was for a period of 15 years commencing September 1, 2000. The District approved an amended agreement extending the agreement for an additional three years and has been operating on the same agreement since. The agreement calls for a minimum rental of 335 hours of ice time per year at the rate of $194 per hour and an annual payment of $40,000 for use of classrooms, team and locker rooms, and additional ice time during the day when school is in session.

Any increase in the hourly rate of rental will be negotiated between the City and the District annually. Minimum annual payments to the City under this agreement are $104,990. The District is entitled to a percentage of gate receipts from tickets sold for attendance at District functions as part of the terms of this agreement.

C. Construction Commitments

As of June 30, 2020, the District had outstanding construction commitments as follows:

Project	Project Authorization	Expended through June 30, 2020	Commitment
BCMS Media Center	$ 747,500	$ 313,158	$ 434,342
BHS Parking Lot	435,533	135,914	299,619
Total	$ 1,183,033	$ 449,072	$ 733,961

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2020, the District implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, the District moved student activity funds in the amount of $28,484 to the general fund and governmental activities

NOTE 13 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

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

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 877
Schedule of Changes in Net OPEB Liability
and Related Ratios

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB Liability				
Service cost	$ 571,820	$ 580,052	$ 647,543	$ 539,822
Interest	708,616	741,570	705,963	668,010
Differenced between expected and actual experience	-	-	474,926	-
Changes of assumptions	(164,949)	154,281	(972,096)	(415,739)
Changes of benefit terms	-	-	(1,703)	-
Benefit payments	(883,563)	(1,223,984)	(1,177,820)	(1,014,013)
Net change in total OPEB liability	231,924	251,919	(323,187)	(221,920)
Beginning of year	11,799,528	12,031,452	12,283,371	11,960,184
End of year	$ 12,031,452	$ 12,283,371	$ 11,960,184	$ 11,738,264
Plan Fiduciary Net Pension (FNP)				
Employer contributions	$ 142,146	$ 324,890	$ 375,317	$ 286,132
Projected investment income	1,013,962	714,809	851,971	380,306
Benefit payments	(883,563)	(1,223,984)	(1,177,820)	(1,014,013)
Other changes	(54,610)	-	-	-
Net change in plan fiduciary net position	217,935	(184,285)	49,468	(347,575)
Beginning of year	13,264,254	13,482,189	13,297,904	13,347,372
End of year	$ 13,482,189	$ 13,297,904	$ 13,347,372	$ 12,999,797
Net OPEB liability	$ (1,450,737)	$ (1,014,533)	$ (1,387,188)	$ (1,261,533)
Plan FNP as a percentage of the total OPEB liability	112.06%	108.26%	111.60%	110.75%
Covered-employee payroll	$ 36,004,117	$ 36,409,652	$ 36,946,495	$ 35,294,307
Net OPEB liability as a percentage of covered-employee	-4.03%	-2.79%	-3.75%	-3.57%

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

Independent School District No. 877
Schedule of Investment Returns

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Annual money-weighted rate of return, net of investment expense	7.79%	5.42%	6.56%	2.90%

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

Independent School District No. 877
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1626%	$ 7,638,133	$ -	$ 7,638,133	$ 8,537,407	89.5%	78.75%
2015	0.1537%	7,965,532	-	7,965,532	8,884,053	89.7%	78.20%
2016	0.1484%	12,049,344	157,434	12,206,778	9,210,493	130.8%	68.90%
2017	0.1489%	9,505,678	119,554	9,625,232	9,594,720	99.1%	75.90%
2018	0.1448%	8,032,910	263,406	8,296,316	9,732,547	82.5%	79.50%
2019	0.1362%	7,530,193	233,990	7,764,183	9,636,173	78.1%	80.23%

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

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

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.5473%	$ 25,219,190	$ 1,774,131	$ 26,993,321	$ 24,984,186	100.9%	81.50%
2015	0.5152%	31,870,215	3,909,225	35,779,440	26,147,587	121.9%	76.77%
2016	0.5235%	124,867,241	12,532,418	137,399,659	27,230,707	458.6%	44.88%
2017	0.5329%	106,376,507	10,282,834	116,659,341	28,687,733	370.8%	51.57%
2018	0.5273%	33,121,308	3,111,973	36,233,281	29,134,480	113.7%	78.07%
2019	0.5295%	33,750,441	2,987,024	36,737,465	30,063,515	112.3%	78.21%

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

Independent School District No. 877
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 618,962	$ 618,962	$ -	$ 8,537,407	7.25%
2015	666,304	666,304	-	8,884,053	7.50%
2016	690,787	690,787	-	9,210,493	7.50%
2017	719,604	719,604	-	9,594,720	7.50%
2018	729,941	729,941	-	9,732,547	7.50%
2019	722,713	722,713	-	9,636,173	7.50%
2020	750,765	750,765	-	10,010,200	7.50%

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

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 1,748,893	$ 1,748,893	$ -	$ 24,984,186	7.00%
2015	1,961,069	1,961,069	-	26,147,587	7.50%
2016	2,042,303	2,042,303	-	27,230,707	7.50%
2017	2,151,580	2,151,580	-	28,687,733	7.50%
2018	2,185,086	2,185,086	-	29,134,480	7.50%
2019	2,317,897	2,317,897	-	30,063,515	7.71%
2020	2,368,996	2,368,996	-	29,911,566	7.92%

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

TRA RETIREMENT FUND

2019 Changes
Changes in Actuarial Assumptions
- None

2018 Changes
Changes in Actuarial Assumptions
- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 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 was 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.

2017 Changes
Changes in Actuarial Assumptions
- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.

TRA RETIREMENT FUND (CONTINUED)

2017 Changes (Continued)
Changes in Actuarial Assumptions (Continued)
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes
Changes in Actuarial Assumptions
- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes
Changes of Benefit Terms
- The DTRFA was merged into TRA on June 30, 2015.

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

GENERAL EMPLOYEES FUND

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

Changes in Plan Provisions
- The employer supplemental contribution was changed prospectively, decreasing from $31 million to $21 million per year. The State's special funding contribution was changes prospectively, requiring $16 million due per year through 2031.

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

Changes in Plan Provisions:
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes
Changes in Actuarial Assumptions
- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

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

GENERAL EMPLOYEES FUND (CONTINUED)

2016 Changes
Changes in Actuarial Assumptions
- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes
Changes in Plan Provisions
- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

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

SUPPLEMENTARY INFORMATION

Independent School District No. 877
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Detail - General Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 7,457,205	$ 7,418,516	$ 7,557,111	$ 138,595
Other local and county revenues	2,268,824	1,831,024	1,971,135	140,111
Revenue from state sources	56,431,359	56,676,566	56,801,416	124,850
Revenue from federal sources	2,322,773	2,101,957	2,135,166	33,209
Sales and other conversion of assets	36,300	24,815	16,655	(8,160)
Total revenues	68,516,461	68,052,878	68,481,483	428,605
Expenditures				
Administration				
Salaries	1,285,440	1,291,960	1,297,856	5,896
Employee benefits	486,899	496,598	501,462	4,864
Purchased services	43,047	43,047	14,340	(28,707)
Supplies and materials	13,043	32,043	30,602	(1,441)
Capital expenditures	450	450	337	(113)
Other expenditures	22,917	14,284	5,423	(8,861)
Total administration	1,851,796	1,878,382	1,850,020	(28,362)
District support services				
Salaries	904,769	911,979	905,774	(6,205)
Employee benefits	423,028	421,890	428,745	6,855
Purchased services	315,763	333,063	279,833	(53,230)
Supplies and materials	19,400	19,400	19,290	(110)
Capital expenditures	9,432	9,432	349	(9,083)
Other expenditures	26,302	36,717	20,429	(16,288)
Total district support services	1,698,694	1,732,481	1,654,420	(78,061)
Elementary and secondary regular instruction				
Salaries	20,174,402	20,111,986	19,755,585	(356,401)
Employee benefits	8,700,835	7,974,603	7,675,255	(299,348)
Purchased services	1,223,143	1,312,935	1,067,521	(245,414)
Supplies and materials	1,407,533	1,444,727	1,172,384	(272,343)
Capital expenditures	129,926	141,360	69,486	(71,874)
Other expenditures	250,920	249,837	214,036	(35,801)
Total elementary and secondary regular instruction	31,886,759	31,235,448	29,954,267	(1,281,181)

Independent School District No. 877
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual Detail - General Fund
Year Ended June 30, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures				
Vocational education instruction				
Salaries	$ 940,139	$ 896,616	$ 788,089	$ (108,527)
Employee benefits	378,857	344,615	326,582	(18,033)
Purchased services	529,336	527,342	568,049	40,707
Supplies and materials	28,922	28,922	24,120	(4,802)
Capital expenditures	1,000	1,000	-	(1,000)
Other expenditures	8,335	6,811	657	(6,154)
Total vocational education instruction	1,886,589	1,805,306	1,707,497	(97,809)
Special education instruction				
Salaries	8,496,895	8,257,775	8,378,769	120,994
Employee benefits	3,211,482	3,074,598	3,072,328	(2,270)
Purchased services	584,235	304,936	279,240	(25,696)
Supplies and materials	232,807	181,788	145,348	(36,440)
Capital expenditures	7,630	6,690	-	(6,690)
Other expenditures	146,990	166,257	177,382	11,125
Total special education instruction	12,680,039	11,992,044	12,053,067	61,023
Instructional support services				
Salaries	3,305,346	3,234,441	3,224,556	(9,885)
Employee benefits	1,077,934	1,058,799	983,830	(74,969)
Purchased services	275,510	258,541	171,715	(86,826)
Supplies and materials	599,275	465,845	410,405	(55,440)
Capital expenditures	419,539	384,896	374,644	(10,252)
Other expenditures	137,021	157,134	101,487	(55,647)
Total instructional support services	5,814,625	5,559,656	5,266,637	(293,019)
Pupil support services				
Salaries	1,147,790	1,163,113	1,194,143	31,030
Employee benefits	493,104	475,938	448,735	(27,203)
Purchased services	5,625,687	5,604,152	5,452,404	(151,748)
Supplies and materials	(22,525)	(22,872)	(113,520)	(90,648)
Capital expenditures	2,360	2,360	397	(1,963)
Other expenditures	5,846	6,744	440	(6,304)
Total pupil support services	7,252,262	7,229,435	6,982,599	(246,836)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures				
Sites and buildings				
Salaries	$ 2,160,685	$ 2,027,770	$ 1,977,638	$ (50,132)
Employee benefits	687,315	643,984	616,794	(27,190)
Purchased services	2,281,548	2,178,721	1,925,677	(253,044)
Supplies and materials	554,037	526,020	474,141	(51,879)
Capital expenditures	2,266,678	2,101,624	2,491,517	389,893
Other expenditures	46,486	50,927	60,015	9,088
Total sites and buildings	7,996,749	7,529,046	7,545,782	16,736
Fiscal and other fixed cost programs				
Purchased services	253,102	257,621	193,347	(64,274)
Debt service				
Principal	177,181	177,181	177,182	1
Interest and fiscal charges	24,899	24,899	24,899	-
Total debt service	202,080	202,080	202,081	1
Total expenditures	71,522,695	69,421,499	67,409,717	(2,011,782)
Excess of revenues over (under) expenditures	(3,006,234)	(1,368,621)	1,071,766	2,440,387
Other Financing Sources				
Proceeds from sale of capital assets	8,249	7,963	616	(7,347)
Net change in fund balance	$ (2,997,985)	$ (1,360,658)	1,072,382	$ 2,433,040
Fund Balance				
Beginning of year			14,666,516	
Change in accounting principle (Note 11)			28,484	
Beginning of year, as restated			14,695,000	
End of year			$ 15,767,382	

Independent School District No. 877
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2020
(with Comparative Totals as of June 30, 2019)

	Special Revenue			Debt Service	Capital Project Fund	Total Nonmajor Funds	
	Food Service	Community Service	Total	Employment Benefits Debt Service Fund	Building Construction	2020	2019
Assets							
Cash and investments	$ 332,994	$ 213,793	$ 546,787	$ 1,435,355	$ 66,000	$ 2,048,142	$ 1,940,949
Current property taxes receivable	-	233,482	233,482	994,106	-	1,227,588	220,436
Delinquent property taxes receivable	-	7,088	7,088	24,495	-	31,583	5,968
Accounts receivable	14,685	756	15,441	-	-	15,441	78,823
Due from Department of Education	73,661	45,833	119,494	1,324	-	120,818	69,143
Due from other Minnesota school districts	-	26,926	26,926	-	-	26,926	24,796
Due from Federal Government through Department of Education	643,732	57,037	700,769	-	-	700,769	45,952
Due from other governmental units	-	-	-	-	-	-	750
Inventory	83,400	-	83,400	-	-	83,400	52,285
Prepaid items	12,641	5,168	17,809	-	80,964	98,773	19,973
Total assets	$1,161,113	$ 590,083	$ 1,751,196	$ 2,455,280	$ 146,964	$ 4,353,440	$ 2,459,075
Liabilities							
Accounts payable	$ 41,170	$ 17,502	$ 58,672	$ -	$ 2,473	$ 61,145	$ 155,671
Salaries and benefits payable	60,247	159,104	219,351	-	-	219,351	182,566
Due to other Minnesota districts	-	3,316	3,316	-	-	3,316	-
Due to other governmental units	-	-	-	-	-	-	182
Unearned revenue	129,271	51,476	180,747	-	-	180,747	159,780
Total liabilities	230,688	231,398	462,086	-	2,473	464,559	498,199
Deferred Inflows of Resources							
Unavailable revenue - property taxes levied for subsequent year's expenditures	-	476,953	476,953	2,030,744	-	2,507,697	455,473
Unavailable revenue - delinquent property taxes	-	7,088	7,088	24,495	-	31,583	5,968
Total deferred inflows of resources	-	484,041	484,041	2,055,239	-	2,539,280	461,441
Fund Balances							
Nonspendable	96,041	5,168	101,209	-	80,964	182,173	72,258
Restricted	834,384	146,822	981,206	400,041	63,527	1,444,774	1,595,747
Unassigned	-	(277,346)	(277,346)	-	-	(277,346)	(168,570)
Total fund balances	930,425	(125,356)	805,069	400,041	144,491	1,349,601	1,499,435
Total liabilities, deferred inflows of resources, and fund balances	$1,161,113	$ 590,083	$ 1,751,196	$ 2,455,280	$ 146,964	$ 4,353,440	$ 2,459,075

Independent School District No. 877
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2020
(with Comparative Totals for the Year Ended June 30, 2019)

	Special Revenue			Debt Service	Capital Project	Total Nonmajor Funds	
	Food Service	Community Service	Total	Employment Benefits Debt	Building Construction	2020	2019
Revenues							
Local property taxes	$ -	$ 451,126	$ 451,126	$ 2,013,982	$ -	$ 2,465,108	$ 488,808
Other local and county revenues	20,349	2,342,964	2,363,313	18,771	111,837	2,493,921	2,858,038
Revenue from state sources	205,326	529,260	734,586	13,322	-	747,908	719,650
Revenue from federal sources	1,911,719	57,037	1,968,756	-	-	1,968,756	1,153,799
Sales and other conversion of assets	1,293,690	-	1,293,690	-	-	1,293,690	1,712,217
Total revenues	3,431,084	3,380,387	6,811,471	2,046,075	111,837	8,969,383	6,932,512
Expenditures							
Current							
Sites and buildings	-	-	-	-	414,019	414,019	418,345
Food service	3,079,557	-	3,079,557	-	-	3,079,557	2,898,568
Community education and services	-	3,470,903	3,470,903	-	-	3,470,903	3,440,017
Capital outlay							
Sites and buildings	-	-	-	-	464,403	464,403	863,454
Food service	43,297	-	43,297	-	-	43,297	11,891
Community education and services	-	1,457	1,457	-	-	1,457	4,563
Debt service							
Principal	-	-	-	1,830,000	-	1,830,000	-
Interest and fiscal charges	-	-	-	155,285	-	155,285	-
Total expenditures	3,122,854	3,472,360	6,595,214	1,985,285	878,422	9,458,921	7,636,838
Excess of revenues over (under) expenditures	308,230	(91,973)	216,257	60,790	(766,585)	(489,538)	(704,326)
Other Financing Sources							
Proceeds from Sale of Capital Assets	453	-	453	-	-	453	5,575
Net change in fund balances	308,683	(91,973)	216,710	60,790	(766,585)	(489,085)	(698,751)
Fund Balances							
Beginning of year	621,742	(33,383)	588,359	339,251	911,076	1,838,686	2,198,186
End of year	$ 930,425	$ (125,356)	$ 805,069	$ 400,041	$ 144,491	$ 1,349,601	$ 1,499,435

Independent School District No. 877
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Food Service Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Other local and county revenues	$ 8,471	$ 9,111	$ 20,349	$ 11,238
Revenue from state sources	176,682	139,330	205,326	65,996
Revenue from federal sources	1,117,797	1,580,521	1,911,719	331,198
Sales and other conversion of assets	1,779,385	1,322,764	1,293,690	(29,074)
Total revenues	3,082,335	3,051,726	3,431,084	379,358
Expenditures				
Food service				
Salaries	1,084,720	1,127,186	1,089,994	(37,192)
Employee benefits	571,736	568,493	514,136	(54,357)
Purchased services	159,300	167,100	157,719	(9,381)
Supplies and materials	1,237,963	1,216,826	1,309,796	92,970
Capital expenditures	22,500	44,523	43,297	(1,226)
Other expenditures	8,961	8,000	7,912	(88)
Total expenditures	3,085,180	3,132,128	3,122,854	(9,274)
Excess of revenues over (under) expenditures	(2,845)	(80,402)	308,230	388,632
Other Financing Sources				
Proceeds from Sale of Capital Asset	3,000	1,000	453	(547)
Net change in fund balance	$ 155	$ (79,402)	308,683	$ 388,085
Fund Balance				
Beginning of year			621,742	
End of year			$ 930,425	

Independent School District No. 877
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Service Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 459,798	$ 459,798	$ 451,126	$ (8,672)
Other local and county revenues	2,669,385	2,370,377	2,342,964	(27,413)
Revenue from state sources	520,116	539,442	529,260	(10,182)
Revenue from federal sources	-	-	57,037	57,037
Total revenues	3,649,299	3,369,617	3,380,387	10,770
Expenditures				
Community education and services				
Salaries	2,332,964	2,248,730	2,266,031	17,301
Employee benefits	775,016	807,204	791,460	(15,744)
Purchased services	301,373	281,773	264,021	(17,752)
Supplies and materials	173,400	154,257	145,892	(8,365)
Capital expenditures	6,500	2,500	1,457	(1,043)
Other expenditures	3,900	3,900	3,499	(401)
Total expenditures	3,593,153	3,498,364	3,472,360	(26,004)
Net change in fund balance	$ 56,146	$ (128,747)	(91,973)	$ 36,774
Fund Balance				
Beginning of year			(33,383)	
End of year			$ (125,356)	

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Independent School District No. 877
Combining Statement of Fiduciary Net Position
June 30, 2020

	OPEB Irrevocable Trust Fund	HRA Trust Fund	Total Trust Funds
Assets			
Investments			
Brokered money market	$ 331,700	$ 2,077,527	$ 2,409,227
Fixed income	4,502,058	-	4,502,058
Equities	8,259,837	-	8,259,837
Total investments	13,093,595	2,077,527	15,171,122
Accounts and interest receivable	40,294	-	40,294
Total assets	$ 13,133,889	$ 2,077,527	$ 15,211,416
Liabilities			
Accounts payable	$ 112,245	$ -	$ 112,245
Unearned revenue	21,847	-	21,847
Total liabilities	$ 134,092	$ -	$ 134,092
Net Position			
Held in trust for OPEB	$ 12,999,797	$ -	$ 12,999,797
Held in trust for HRA	-	2,077,527	2,077,527
Total net position	$ 12,999,797	$ 2,077,527	$ 15,077,324

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

	OPEB Irrevocable Trust Fund	HRA Trust Fund	Total Trust Funds
Additions			
Contributions	$ 326,259	$ 191,588	$ 517,847
Investment income			
Interest, dividends, change in fair value	451,938	34,935	486,873
Less investment expenses	(71,632)	-	(71,632)
Net investment income	380,306	34,935	415,241
Total additions	706,565	226,523	933,088
Deductions			
Employee benefit deductions	1,054,140	-	1,054,140
Change in net position	(347,575)	226,523	(121,052)
Net Position			
Beginning of year	13,347,372	1,851,004	15,198,376
End of year	$ 12,999,797	$ 2,077,527	$ 15,077,324

OTHER DISTRICT INFORMATION

Independent School District No. 877
Deferred Tax Levies
(Unaudited)

Calendar Year Levied	Collected	School Building Refunding Bonds of 2018A	School Building Bonds of 2015	School Refunding Bonds of 2012: School Building Bonds of 2003	School Refunding Bond 2017: Taxable OPEB Bonds of 2009	School Refunding Bond 2017: Alternative Facilities Bonds of 2013	Total
2019	2020	$ 2,022,038	$ 1,004,769	$ 2,563,260	$ 2,098,121	$ 231,131	$ 7,919,319
2020	2021	556,763	1,004,769	4,022,130	2,116,391	223,204	7,923,257
2021	2022	-	1,004,769	4,747,470	2,044,256	215,355	8,011,850
2022	2023	-	1,004,769	4,755,660	-	2,265,165	8,025,594
2023	2024	-	6,291,519	-	-	-	6,291,519
2024	2025	-	6,311,416	-	-	-	6,311,416
2025	2026	-	6,315,459	-	-	-	6,315,459
2026	2027	-	6,312,794	-	-	-	6,312,794
2027	2028	-	6,310,658	-	-	-	6,310,658
2028	2029	-	6,315,960	-	-	-	6,315,960
		$ 2,578,801	$ 41,876,882	$ 16,088,520	$ 6,258,768	$ 2,934,855	$ 69,737,826

Independent School District No. 877
Property Tax Levies, Rates, and Valuations
Last Ten Fiscal Years
(Unaudited)

Year Collectible	Net Tax Capacity Valuations	Tax Capacity Rates	General Fund	Community Service Fund	Debt Service Fund	OPEB Debt Service Fund	Total All Funds
2011	$ 30,210,896	0.31952	$ 5,580,632	$ 590,417	$ 6,664,340	$ 518,688	$ 13,354,077
2012	27,627,448	0.35165	5,407,118	560,963	6,650,801	518,688	13,137,570
2013	25,795,102	0.36930	5,353,503	549,781	6,362,376	520,630	12,786,290
2014	26,369,245	0.33882	5,040,652	479,555	6,259,996	492,256	12,272,459
2015	28,598,205	0.35375	5,102,489	444,304	7,363,703	496,186	13,406,682
2016	30,076,092	0.34489	6,299,838	464,451	5,807,758	1,290,641	13,862,688
2017	31,467,344	0.32887	6,260,288	488,197	5,914,677	1,272,597	13,935,759
2018	33,452,365	0.32471	6,963,233	493,467	5,334,875	2,069,902	14,861,477
2019	35,575,211	0.30953	7,360,503	455,473	5,398,465	2,035,660	15,250,101
2020	38,274,130	0.29184	11,795,773	476,953	5,332,883	2,030,744	19,636,353

Source: School Tax Report

bergankdv

**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***

Independent Auditor's Report

To the School Board
Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota, as of and for the year ending June 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 14, 2020.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Bergan KDV Ltd.

Minneapolis, Minnesota
October 14, 2020

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Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota as of and for the year ended June 30, 2020, and the related notes to financial statements, and have issued our report thereon dated October 14, 2020.

The *Minnesota Legal Compliance Audit Guide for School Districts* promulgated by the State Auditor pursuant to *Minnesota Statutes* Sec. 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits, and investments, conflicts of interest, public indebtedness, claims and disbursements, uniform financial accounting and reporting standards for school districts and miscellaneous provisions. Our audit considered all of the listed categories.

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 *Minnesota Legal Compliance Audit Guide for School Districts*. 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.

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

BerganKDV Ltd.

Minneapolis, Minnesota
October 14, 2020

Independent School District No. 877
Uniform Financial Accounting and Reporting Standards
Compliance Table
For the Year Ended June 30, 2020

		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				
Total Revenue		$68,481,483	$ 68,481,482	$ 1
Total Expenditures		67,409,717	67,409,716	1
Nonspendable:				
4.60	Nonspendable fund balance	559,231	559,231	-
Restricted/reserved:				
4.01	Student Activities	26,151	26,151	-
4.02	Scholarships	-	-	-
4.03	Staff Development	-	-	-
4.07	Capital Projects Levy	-	-	-
4.08	Cooperative Program	-	-	-
4.13	Building Projects Funded by COP/LP	-	-	-
4.14	Operating Debt	-	-	-
4.16	Levy Reduction	-	-	-
4.17	Taconite Building Maintenance	-	-	-
4.24	Operating Capital	1,015,094	1,015,094	-
4.26	$25 Taconite	-	-	-
4.27	Disabled Accessibility	-	-	-
4.28	Learning and Development	-	-	-
4.34	Area Learning Center	-	-	-
4.35	Contracted Alternative Programs	-	-	-
4.36	State Approved Alternative Program	-	-	-
4.38	Gifted and Talented	-	-	-
4.40	Teacher Development and Evaluations	-	-	-
4.41	Basic Skills Programs	-	-	-
4.45	Career Technical Programs	-	-	-
4.48	Achievement and Integration Revenue	-	-	-
4.49	Safe School Crime	-	-	-
4.51	QZAB Payments	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
4.53	Unfunded Severance and Retirement Levy	-	-	-
4.59	Basic Skills Extended Time	-	-	-
4.67	Long-Term Facilities Maintenance	(115,278)	(115,278)	-
4.72	Medical Assistance	308,929	308,929	-
4.75	Title VII - Impact Aid	-	-	-
4.76	Payments in Lieu of Taxes	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Committed:				
4.18	Committed for separation	2,615,036	2,615,036	-
4.61	Committed	-	-	-
Assigned:				
4.62	Assigned fund balance	3,507,647	3,507,642	5
Unassigned:				
4.22	Unassigned fund balance (net position)	7,850,572	7,850,575	(3)
02 FOOD SERVCICE FUND				
Total revenue		$ 3,431,084	$ 3,431,085	$ (1)
Total expenditures		3,122,854	3,122,855	(1)
Nonspendable:				
4.60	Nonspendable fund balance	96,041	96,042	(1)
Restricted/reserved:				
4.52	OPEB liabilities not held in trust	-	-	-
Restricted:				
4.64	Restricted fund balance	834,384	834,383	1
Unassigned:				
4.63	Unassigned fund balance	-	-	-
04 COMMUNITY SERVICE FUND				
Total revenue		$ 3,380,387	$ 3,380,385	$ 2
Total expenditures		3,472,360	3,472,358	2
Nonspendable:				
4.60	Nonspendable fund balance	5,168	5,168	-
Restricted/reserved:				
4.26	$25 Taconite	-	-	-
4.31	Community Education	(226,840)	(226,840)	-
4.32	ECFE	114,542	114,542	-
4.40	Teacher Development and Evaluation	-	-	-
4.44	School Readiness	19,935	19,935	-
4.47	Adult Basic Education	12,345	12,345	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	(50,506)	(50,506)	-

		Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND				
Total revenue		$ 111,837	$ 111,837	$ -
Total expenditures		878,422	878,422	-
Nonspendable:				
4.60	Nonspendable fund balance	80,964	80,964	-
Restricted/Reserved:				
4.07	Capital Projects Levy	-	-	-
4.09	Alternative Facility Program	-	-	-
4.13	Building Projects Funded by COP	-	-	-
Restricted:				
4.64	Restricted fund balance	63,527	63,526	1
Unassigned:				
4.63	Unassigned fund balance	-	-	-
07 DEBT SERVICE FUND				
Total revenue		$ 5,528,794	$ 5,528,794	$ -
Total expenditures		5,571,123	5,571,123	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.25	Bond refunding	-	-	-
4.33	Maximum effort load aid	-	-	-
4.51	QZAB Payments	-	-	-
Restricted:				
4.64	Restricted fund balance	1,053,445	1,053,445	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
08 TRUST FUND				
Total revenue		$ 226,523	$ 226,523	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	2,077,527	2,077,527	-
20 INTERNAL SERVICE FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
25 OPEB REVOCABLE TRUST				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
45 OPEB IRREVOCABLE TRUST				
Total revenue		$ 706,565	$ 706,564	$ 1
Total expenditures		1,054,140	1,054,139	1
Unassigned:				
4.22	Net position	12,999,797	12,999,797	-
47 OPEB DEBT SERVICE				
Total revenue		$ 2,046,075	$ 2,046,075	$ -
Total expenditures		1,985,285	1,985,285	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted:				
4.64	Restricted fund balance	400,041	400,041	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

Kennedy & Graven
CHARTERED

Offices in
Minneapolis
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St. Cloud

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150 South Fifth Street, Suite 700
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$_____________
INDEPENDENT SCHOOL DISTRICT NO. 877
(BUFFALO-HANOVER-MONTROSE)
HENNEPIN AND WRIGHT COUNTIES, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS
SERIES 2021A

We have acted as bond counsel to Independent School District No. 877 (Buffalo-Hanover-Montrose), Hennepin and Wright Counties, Minnesota (the "Issuer") in connection with the issuance by the Issuer of its General Obligation School Building Refunding Bonds, Series 2021A (the "Bonds"), originally dated November___, 2021, and issued in the original aggregate principal amount of $__________________. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings, and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

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

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

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

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

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

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

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

Dated __________, 2021, at Minneapolis, Minnesota.

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

$\$$__________

INDEPENDENT SCHOOL DISTRICT NO. 877
(BUFFALO-HANOVER-MONTROSE)
HENNEPIN AND WRIGHT COUNTIES, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS
SERIES 2021A

CONTINUING DISCLOSURE CERTIFICATE

__________, 2021

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 877 (Buffalo-Hanover-Montrose), Hennepin and Wright Counties, Minnesota (the "District"), in connection with the issuance of its General Obligation School Building Refunding Bonds, Series 2021A (the "Bonds"), in the original aggregate principal amount of $__________. The Bonds are being issued pursuant to resolutions adopted by the School Board of the District (the "Resolutions"). The Bonds are being delivered to ______________, [as syndicate manager] (the "Purchaser"), on the date hereof. Pursuant to the Resolutions, the District has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The District hereby covenants and agrees as follows:

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

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

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

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

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

"Disclosure Certificate" means this Continuing Disclosure Certificate.

"District" means Independent School District No. 877 (Buffalo-Hanover-Montrose), Hennepin and Wright Counties, Minnesota, which is the obligated person with respect to the Bonds.

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

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

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

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

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

"GASB" means the Governmental Accounting Standards Board.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 5. Reporting of Material Events.

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

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 877 (BUFFALO-HANOVER-MONTROSE), HENNEPIN AND WRIGHT COUNTIES, MINNESOTA

____
Board Chair

____
Clerk

APPENDIX E

TERMS OF PROPOSAL

$8,145,000* GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS, SERIES 2021A INDEPENDENT SCHOOL DISTRICT NO. 877 (BUFFALO-HANOVER-MONTROSE), MINNESOTA

Proposals for the purchase of $8,145,000* General Obligation School Building Refunding Bonds, Series 2021A (the "Bonds") of Independent School District No. 877 (Buffalo-Hanover-Montrose), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on October 25, 2021, at which time they will be opened, read and tabulated. The proposals will be presented to the School Board for consideration for award by resolution at a meeting to be held at 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 authorized pursuant to Minnesota Statutes, Chapter 475, as amended (specifically Section 475.67), by the District, for the purpose of effecting a current refunding of certain outstanding general obligations of the District 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.

DATES AND MATURITIES

The Bonds will be dated November 18, 2021, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

Year	Amount*	Year	Amount*
2023	$4,125,000	2024	$4,020,000

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2022, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

The Bonds are being offered without the option of prior optional redemption.

DELIVERY

On or about November 18, 2021, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

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

SUBMISSION OF PROPOSALS

Proposals must not be for less than $8,063,550 plus accrued interest on the principal sum of $8,145,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

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

2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:30 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 $162,900 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PRELIMINARY OFFICIAL STATEMENT

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

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

By Order of the School Board

Independent School District No. 877
(Buffalo-Hanover-Montrose), Minnesota

PROPOSAL FORM

The School Board **October 25, 2021**
Independent School District No. 877 (Buffalo-Hanover-Montrose), Minnesota

RE: $8,145,000* General Obligation School Building Refunding Bonds, Series 2021A (the "Bonds")
DATED: November 18, 2021

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you $__________________ (not less than $8,063,550) 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 2024

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

All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of $162,900 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about November 18, 2021.

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

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

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

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

If the competitive sale requirements are <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 November 18, 2021 of the above proposal is $_______________and the true interest cost (TIC) is _________%.

The foregoing offer is hereby accepted by and on behalf of the School Board of Independent School District No. 877 (Buffalo-Hanover-Montrose), Minnesota, on October 25, 2021.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________