**New Issue** **Credit Enhanced Rating: Moody's Investors Services, Inc. "Aa1"**
**Underlying Rating: Moody's Investors Service "A2"**

**ADDENDUM DATED JULY 29, 2022**
**TO PRELIMINARY OFFICIAL STATEMENT DATED JULY 21, 2022**

# INDEPENDENT SCHOOL DISTRICT NO. 831 (FOREST LAKE AREA SCHOOLS), MINNESOTA

(Washington, Chisago and Anoka Counties)

# $5,040,000* GENERAL OBLIGATION CAPITAL NOTES AND FACILITIES MAINTENANCE BONDS, SERIES 2022A

**PROPOSAL OPENING:** August 4, 2022, 10:00 AM C.T.

The Cover and Rating Section has been revised.

Following is the revised Preliminary Official Statement dated July 21, 2022.

# PRELIMINARY OFFICIAL STATEMENT DATED JULY 21, 2022



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

*The District will 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 a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. See "TAX CONSIDERATIONS" herein.*

**New Issue**

**Credit Enhanced Rating: Moody's Investors Service, Inc. "Aa1"**
**Underlying Rating: Moody's Investors Service, Inc. "A2"**

## INDEPENDENT SCHOOL DISTRICT NO. 831
## (FOREST LAKE AREA SCHOOLS), MINNESOTA
(Washington, Anoka and Chisago Counties)

**(Minnesota School District Credit Enhancement Program)**

## $5,040,000* GENERAL OBLIGATION CAPITAL NOTES AND FACILITIES MAINTENANCE BONDS, SERIES 2022A

**PROPOSAL OPENING**: August 4, 2022, 10:00 A.M., C.T. **CONSIDERATION**: August 4, 2022, 7:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The $5,040,000* General Obligation Capital Notes and Facilities Maintenance Bonds, Series 2022A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475 and Sections 123B.595 and 123B.61, by Independent School District No. 831 (Forest Lake Area Schools), Minnesota (the "District") for the purposes of financing deferred maintenance projects included in the District's ten-year facility maintenance plan and the purchase of school buses. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

**DATE OF BONDS:** August 25, 2022

**MATURITY:** February 1 as follows:

| Year | Amount* | Year | Amount* | Year | Amount* |
|---|---|---|---|---|---|
| 2024 | $80,000 | 2029 | $115,000 | 2034 | $895,000 |
| 2025 | 95,000 | 2030 | 115,000 | 2035 | 960,000 |
| 2026 | 100,000 | 2031 | 120,000 | 2036 | 1,580,000 |
| 2027 | 105,000 | 2032 | 365,000 | | |
| 2028 | 110,000 | 2033 | 400,000 | | |

**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, 2023 and semiannually thereafter.

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

**MINIMUM PROPOSAL:** $5,040,000.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of $100,800 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** Bond Trust Services Corporation

**BOND COUNSEL:** Dorsey & Whitney LLP

**MUNICIPAL ADVISOR:** Ehlers and Associates, Inc.

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

## REPRESENTATIONS

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

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

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

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

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

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

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

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

## CLOSING CERTIFICATES

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

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## FOREST LAKE AREA SCHOOLS
## SCHOOL BOARD

| | | Term Expires |
|---|---|---|
| Jeff Peterson | Chairperson | January 2025 |
| Alex Keto | Vice Chair | January 2023 |
| Gail Theisen | Clerk | January 2025 |
| Julie Corcoran | Treasurer | January 2025 |
| Jill Landstrom | Member | January 2023 |
| Kate Luthner | Member | January 2023 |
| Robert Rapheal | Member | January 2025 |

## ADMINISTRATION

Steve Massey, Superintendent of Schools

Christine Rehnberg-Eide, Director of Business Services

## PROFESSIONAL SERVICES

Dorsey & Whitney LLP, Bond Counsel, Minneapolis, Minnesota

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

# INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 831 (Forest Lake Area Schools), Minnesota (the "District") and the issuance of its $5,040,000* General Obligation Capital Notes and Facilities Maintenance Bonds, Series 2022A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the School Board on August 4, 2022.

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

# THE BONDS

## GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of $5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of August 25, 2022. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2023, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2024 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

*Preliminary, subject to change.

## OPTIONAL REDEMPTION

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

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

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

## AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Sections 123B.595 and 123B.61, by the District, for the purposes of financing deferred maintenance projects included in the District's ten-year facility maintenance plan (the "Facilities Maintenance Portion") and the purchase of school buses (the "Capital Notes Portion").

## ESTIMATED SOURCES AND USES*

| Sources | Facilities Maintenance Portion | Capital Notes Portion | Total Bond Issue |
|---|---|---|---|
| Par Amount of Bonds | $4,200,000 | $840,000 | $5,040,000 |
| Reoffering Premium | 37,174 | 30,503 | 67,678 |
| **Total Sources** | **$4,237,174** | **$870,503** | **$5,107,678** |
| **Uses** | | | |
| Total Underwriter's Discount (1.200%) | $50,400 | $10,080 | $60,480 |
| Costs of Issuance | 56,061 | 15,939 | 72,000 |
| Deposit to Project Construction Fund | 4,130,714 | 844,484 | 4,975,198 |
| **Total Uses** | **$4,237,174** | **$870,503** | **$5,107,678** |

*Preliminary, subject to change.

**Breakdown of Principal Payments:**

| Payment Date | Facilities Maintenance Portion | Capital Notes Portion | Total Bond Issue |
|---|---|---|---|
| 2/01/2024 | - | $80,000 | $80,000 |
| 2/01/2025 | - | 95,000 | 95,000 |
| 2/01/2026 | - | 100,000 | 100,000 |
| 2/01/2027 | - | 105,000 | 105,000 |
| 2/01/2028 | - | 110,000 | 110,000 |
| 2/01/2029 | - | 115,000 | 115,000 |
| 2/01/2030 | - | 115,000 | 115,000 |
| 2/01/2031 | - | 120,000 | 120,000 |
| 2/01/2032 | $365,000 | - | 365,000 |
| 2/01/2033 | 400,000 | - | 400,000 |
| 2/01/2034 | 895,000 | - | 895,000 |
| 2/01/2035 | 960,000 | - | 960,000 |
| 2/01/2036 | 1,580,000 | - | 1,580,000 |
| **Total** | **$4,200,000** | **$840,000** | **$5,040,000** |

*Preliminary, subject to change.

## SECURITY[1]

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 an ad valorem tax 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, Inc. ("Moody's"). Moody's has a policy which assigns a minimum rating of "Aa1" to issuers participating in the MNCEP. The "Aa1" rating is based on the State of Minnesota’s current "Aaa" rating from Moody's. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM" for further details.

[1] For Capital Notes issued pursuant to Minnesota Statutes Section 123B.61, the District is required to make an annual debt Service levy equal to 105% of the debt service requirements on the Bonds. There will be an offsetting reduction each year in the District's general fund tax levy.

The District received an "A2" underlying rating from Moody's on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

## STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on June 2, 2022 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

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

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

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

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

"As of June 30, 2021, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2050, is approximately $16,995,000,000. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of June 30, 2021 is currently estimated at $2,500,000,000, with the maximum amount of principal and interest payable in any one month being $975,700,000. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.

The State has not had to make any debt service payments on behalf of school districts or intermediate school districts under the program and does not expect to make any payments in the future. If such payments are made the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the school districts and intermediate school districts."

## CONTINUING DISCLOSURE

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

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

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

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

## LEGAL OPINION

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

## TAX CONSIDERATIONS

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

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

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

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

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

### *Tax Exempt Interest*

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

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

***Original Issue Discount***

Bonds may be issued with original issue discount ("OID"). A Bond will be treated as issued with OID (a "Discount Bond") if its "stated redemption price at maturity" (i.e., the sum of all amounts payable on the Bond other than payments of qualified stated interest) exceeds its issue price. OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder's federal and Minnesota tax bases. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

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

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

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

***Market Discount***

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

### *Bond Premium*

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

### *Related Tax Considerations*

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

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

The Bonds are "qualified tax exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Bonds is not subject to the disallowance under Section 265(b) of the Code, the deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds may be subject to reduction under Section 291 of the Code.

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

### *Sale or Other Disposition*

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

*__Information Reporting and Backup Withholding__*

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

## MUNICIPAL ADVISOR

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

## MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

## INDEPENDENT AUDITORS

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

## RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# VALUATIONS

## OVERVIEW

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

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

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

| Type of Property | 2019/20 | 2020/21 | 2021/22 |
|---|---|---|---|
| Residential homestead[1] | First $500,000 - 1.00%<br>Over $500,000 - 1.25% | First $500,000 - 1.00%<br>Over $500,000 - 1.25% | First $500,000 - 1.00%<br>Over $500,000 - 1.25% |
| Agricultural homestead[1] | First $500,000 HGA - 1.00%<br>Over $500,000 HGA - 1.25%<br>First $1,880,000 - 0.50% [2]<br>Over $1,880,000 - 1.00% [2] | First $500,000 HGA - 1.00%<br>Over $500,000 HGA - 1.25%<br>First $1,900,000 - 0.50% [2]<br>Over $1,900,000 - 1.00% [2] | First $500,000 HGA - 1.00%<br>Over $500,000 HGA - 1.25%<br>First $1,890,000 - 0.50% [2]<br>Over $1,890,000 - 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]<br>Over $500,000 - 1.25% [3] | First $500,000 - 1.00% [3]<br>Over $500,000 - 1.25% [3] | First $500,000 - 1.00% [3]<br>Over $500,000 - 1.25% [3] |
| Residential non-homestead: | 1 unit - 1st $500,000 - 1.00%<br>Over $500,000 - 1.25%<br>2-3 units - 1.25%<br>4 or more - 1.25%<br>Small City [4] - 1.25%<br>Affordable Rental:<br>First $150,000 - .75%<br>Over $150,000 - .25% | 1 unit - 1st $500,000 - 1.00%<br>Over $500,000 - 1.25%<br>2-3 units - 1.25%<br>4 or more - 1.25%<br>Small City [4] - 1.25%<br>Affordable Rental:<br>First $162,000 - .75%<br>Over $162,000 - .25% | 1 unit - 1st $500,000 - 1.00%<br>Over $500,000 - 1.25%<br>2-3 units - 1.25%<br>4 or more - 1.25%<br>Small City [4] - 1.25%<br>Affordable Rental:<br>First $174,000 - .75%<br>Over $174,000 - .25% |
| Industrial/Commercial/Utility[5] | First $150,000 - 1.50%<br>Over $150,000 - 2.00% | First $150,000 - 1.50%<br>Over $150,000 - 2.00% | First $100,000 - 1.50%<br>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

2021/22 Economic Market Value $7,808,803,387[1]

**2021/22 Assessor's Estimated Market Value**

| | Washington County | Anoka County | Chisago County | Total |
|---|---|---|---|---|
| Real Estate | $3,702,626,000 | $2,238,746,000 | $848,982,200 | $6,790,354,200 |
| Personal Property | 24,960,200 | 18,889,600 | 5,942,400 | 49,792,200 |
| Total Valuation | $3,727,586,200 | $2,257,635,600 | $854,924,600 | $6,840,146,400 |

**2021/22 Net Tax Capacity**

| | Washington County | Anoka County | Chisago County | Total |
|---|---|---|---|---|
| Real Estate | $39,025,659 | $23,035,367 | $9,257,613 | $71,318,639 |
| Personal Property | 479,384 | 374,545 | 117,413 | 971,342 |
| Net Tax Capacity | $39,505,043 | $23,409,912 | $9,375,026 | $72,289,981 |
| Less: Captured Tax Increment Tax Capacity[2] | (485,155) | (461,713) | (26,430) | (973,298) |
| Fiscal Disparities Contribution[3] | (2,410,017) | (1,493,698) | 0 | (3,903,715) |
| Power Line Adjustment[4] | (461) | 0 | 0 | (461) |
| Taxable Net Tax Capacity | $36,609,410 | $21,454,501 | $9,348,596 | $67,412,507 |
| Plus: Fiscal Disparities Distribution[3] | 4,335,380 | 2,718,093 | 0 | 7,053,473 |
| Adjusted Taxable Net Tax Capacity | $40,944,790 | $24,172,594 | $9,348,596 | $74,465,980 |

1 According to the Minnesota Department of Revenue, Assessor's Estimated Market Value (the "AEMV") for the District is about 87.70% 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 $7,808,803,387.

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

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

4 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.

## 2021/22 NET TAX CAPACITY BY CLASSIFICATION

| | 2021/22 Net Tax Capacity | Percent of Total Net Tax Capacity |
|---|---|---|
| Residential homestead | $47,149,336 | 65.22% |
| Agricultural | 2,529,117 | 3.50% |
| Commercial/industrial | 11,302,397 | 15.63% |
| Public utility | 271,288 | 0.38% |
| Railroad operating property | 148,302 | 0.21% |
| Non-homestead residential | 9,073,050 | 12.55% |
| Commercial & residential seasonal/rec. | 845,149 | 1.17% |
| Personal property | 971,342 | 1.34% |
| Total | $72,289,981 | 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 Increase/Decrease in Estimated Market Value |
|---|---|---|---|---|---|
| 2017/18 | $5,367,232,400 | $5,047,763,740 | $55,806,178 | $57,830,971 | 6.71% |
| 2018/19 | 5,793,048,100 | 5,491,550,107 | 60,539,290 | 62,677,487 | 7.93% |
| 2019/20 | 6,222,800,500 | 5,929,041,932 | 65,245,034 | 67,138,941 | 7.42% |
| 2020/21 | 6,508,023,100 | 6,209,606,497 | 68,548,263 | 70,538,760 | 4.58% |
| 2021/22 | 6,840,146,400 | 6,555,966,414 | 72,289,981 | 74,465,980 | 5.10% |

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

| Taxpayer | Type of Property | 2021/22 Net Tax Capacity | Percent of District's Total Net Tax Capacity |
|---|---|---|---|
| Xcel Energy | Utility | $711,021 | 0.98% |
| Hallberg, Inc. | Commercial/Industrial | 534,173 | 0.74% |
| Target Corporation | Commercial | 346,712 | 0.48% |
| North Metro Harness Initiative, LLC | Commercial | 322,766 | 0.45% |
| WM Forest Lake Minnesota, LLC | Commercial | 289,964 | 0.40% |
| Barbara Gaugham Family Limited Partnership | Apartments | 272,158 | 0.38% |
| Lighthouse Lofts, LLC | Apartments | 270,948 | 0.37% |
| Store Master Funding VI, LLC | Commercial | 247,091 | 0.34% |
| Aces Hotel, LLC | Commercial | 244,927 | 0.34% |
| Fairview Health Services | Commercial | 226,277 | 0.31% |
| Total | | $3,466,037 | 4.79% |

District's Total 2021/22 Net Tax Capacity $72,289,981

**Source:** Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Washington, Anoka and Chisago Counties.

# DEBT

## DIRECT DEBT[1]

**General Obligation Debt** (see schedule following)

| | |
|---|---|
| Total G.O. debt secured by tax abatement revenues and state aids[2] | $1,400,000 |
| Total G.O. debt secured by taxes and state aids[2] (includes the Bonds)* | 155,900,000 |
| Total General Obligation Debt* | $157,300,000 |

**Lease Purchase Obligations** (see schedule following)

| | |
|---|---|
| Total lease purchase obligations paid by annual appropriations[3] | $6,210,000 |

**Other Obligations**

The District is a member of Northeast Metropolitan Intermediate School District No. 916 (Northeast Metro 916), a district authorized by the Minnesota State Legislature to provide participating school districts with vocational, technical, and special education services. Northeast Metro 916 has issued Certificates of Participation dated 05/21/2013, 10/28/2015, and 12/03/2015 with original par amounts of $15,655,000, $21,415,000, and $45,385,000, respectively, to finance the construction of facilities. Payments on the certificates are allocated to the member districts based on a methodology agreed to by the member districts. Each member district is eligible to include their share of the payments in their annual property tax levy. The District's share of the total fiscal year 2021-22 payments on all three Certificates of Participation is $339,656 and that amount is included as part of their tax levy for taxes payable in 2022.

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

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

Some school districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minn. Stat. Section 273.1387). The reimbursement percentages are 60% for taxes payable in 2022, and 70% for 2023 and thereafter. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, and to rural vacant land and managed forest land. The amount of agricultural credit received in the debt service fund for taxes payable 2022 is approximately 1.30% of total annual debt service levies, based on the District’s 2020/21 qualifying agricultural land valuation. Although the District expects to receive a small amount of Agricultural Credit in its debt service fund, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aid. The District's $5,365,000 General Obligation Taxable OPEB Refunding Bonds, Series 2016C, and $6,820,000 Certificates of Participation, Series 2021A, do **not** qualify for the agricultural credit pursuant to Minnesota Statutes.

**Independent School District No. 831 (Forest Lake Area Schools), Minnesota**
**Schedule of Bonded Indebtedness**
**General Obligation Debt Secured by Tax Abatement Revenues**
**(As of 08/25/2022)**

| | Tax Abatement Bonds 1) Series 2018A | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Dated** | 08/16/2018 | | | | | | | |
| **Amount** | $1,835,000 | | | | | | | |
| **Maturity** | 02/01 | | | | | | | |
| **Fiscal Year Ending** | **Principal** | **Interest** | **Total Principal** | **Total Interest** | **Total P & I** | **Principal Outstanding** | **% Paid** | **Fiscal Year Ending** |
| **2023** | 175,000 | 30,550 | 175,000 | 30,550 | 205,550 | 1,225,000 | 12.50% | **2023** |
| **2024** | 180,000 | 52,350 | 180,000 | 52,350 | 232,350 | 1,045,000 | 25.36% | **2024** |
| **2025** | 190,000 | 43,350 | 190,000 | 43,350 | 233,350 | 855,000 | 38.93% | **2025** |
| **2026** | 200,000 | 33,850 | 200,000 | 33,850 | 233,850 | 655,000 | 53.21% | **2026** |
| **2027** | 210,000 | 23,850 | 210,000 | 23,850 | 233,850 | 445,000 | 68.21% | **2027** |
| **2028** | 220,000 | 13,350 | 220,000 | 13,350 | 233,350 | 225,000 | 83.93% | **2028** |
| **2029** | 225,000 | 6,750 | 225,000 | 6,750 | 231,750 | 0 | 100.00% | **2029** |
| | 1,400,000 | 204,050 | 1,400,000 | 204,050 | 1,604,050 | | | |

1) This represents the $1,835,000 Tax Abatement Portion of the $8,250,000 General Obligation Facilities Maintenance and Tax Abatement Bonds, Series 2018A.

**Independent School District No. 831 (Forest Lake Area Schools), Minnesota**
**Schedule of Bonded Indebtedness**
**General Obligation Debt Secured by Taxes**
**(As of 08/25/2022)**

| | School Building Bonds Series 2016A | | School Building Bonds Series 2016B | | Taxable OPEB Refunding Bonds 1) Series 2016C | | Facilities Maintenance Bonds 2) Series 2018A | | Facilities Maintenance and Capital Facilities Bonds Series 2020A | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Dated** | 05/05/2016 | | 12/15/2016 | | 12/15/2016 | | 08/16/2018 | | 04/30/2020 | |
| **Amount** | $75,000,000 | | $67,070,000 | | $5,365,000 | | $6,415,000 | | $9,610,000 | |
| **Maturity** | 02/01 | | 02/01 | | 02/01 | | 02/01 | | 02/01 | |
| **Fiscal Year Ending** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** |
| **2023** | 1,665,000 | 1,112,306 | 1,715,000 | 1,109,344 | 435,000 | 57,244 | 605,000 | 106,900 | 450,000 | 128,747 |
| **2024** | 1,725,000 | 2,174,661 | 1,765,000 | 2,167,238 | 440,000 | 103,830 | 635,000 | 183,550 | 510,000 | 239,494 |
| **2025** | 1,815,000 | 2,088,411 | 1,850,000 | 2,078,988 | 450,000 | 92,390 | 665,000 | 151,800 | 550,000 | 219,094 |
| **2026** | 1,900,000 | 1,997,661 | 1,910,000 | 2,023,488 | 465,000 | 80,015 | 700,000 | 118,550 | 570,000 | 197,094 |
| **2027** | 1,930,000 | 1,959,661 | 2,005,000 | 1,927,988 | 485,000 | 66,763 | 735,000 | 83,550 | 595,000 | 174,294 |
| **2028** | 1,980,000 | 1,901,761 | 2,065,000 | 1,867,838 | 510,000 | 52,213 | 770,000 | 46,800 | 615,000 | 150,494 |
| **2029** | 2,030,000 | 1,842,361 | 2,125,000 | 1,805,888 | 535,000 | 36,148 | 790,000 | 23,700 | 640,000 | 125,894 |
| **2030** | 2,085,000 | 1,781,461 | 2,185,000 | 1,742,138 | 560,000 | 18,760 | | | 1,225,000 | 113,094 |
| **2031** | 2,735,000 | 1,718,911 | 2,235,000 | 1,673,856 | | | | | 1,050,000 | 88,594 |
| **2032** | 2,815,000 | 1,636,861 | 2,310,000 | 1,601,219 | | | | | 765,000 | 66,544 |
| **2033** | 2,900,000 | 1,552,411 | 2,380,000 | 1,526,144 | | | | | 765,000 | 51,244 |
| **2034** | 2,985,000 | 1,465,411 | 2,465,000 | 1,445,819 | | | | | 775,000 | 34,988 |
| **2035** | 3,075,000 | 1,375,861 | 2,550,000 | 1,362,625 | | | | | 780,000 | 17,550 |
| **2036** | 3,170,000 | 1,283,611 | 2,635,000 | 1,273,375 | | | | | | |
| **2037** | 3,265,000 | 1,188,511 | 2,725,000 | 1,181,150 | | | | | | |
| **2038** | 3,360,000 | 1,090,561 | 2,825,000 | 1,085,775 | | | | | | |
| **2039** | 3,465,000 | 985,561 | 2,925,000 | 983,369 | | | | | | |
| **2040** | 3,575,000 | 877,280 | 3,030,000 | 877,338 | | | | | | |
| **2041** | 3,685,000 | 765,561 | 3,145,000 | 767,500 | | | | | | |
| **2042** | 3,800,000 | 650,405 | 3,255,000 | 653,494 | | | | | | |
| **2043** | 3,920,000 | 530,705 | 3,375,000 | 535,500 | | | | | | |
| **2044** | 4,045,000 | 407,225 | 3,500,000 | 408,938 | | | | | | |
| **2045** | 4,175,000 | 275,763 | 3,635,000 | 277,688 | | | | | | |
| **2046** | 4,310,000 | 140,075 | 3,770,000 | 141,375 | | | | | | |
| | 70,410,000 | 30,803,000 | 62,380,000 | 30,518,069 | 3,880,000 | 507,361 | 4,900,000 | 714,850 | 9,290,000 | 1,607,122 |

1) This issue is not subject to the debt limit.

2) This represents the $6,415,000 Facilities Maintenance Portion of the $8,250,000 General Obligation Facilities Maintenance and Tax Abatement Bonds, Series 2018A.

*--Continued on next page*

**Independent School District No. 831 (Forest Lake Area Schools), Minnesota**
**Schedule of Bonded Indebtedness continued**
**General Obligation Debt Secured by Taxes**
**(As of 08/25/2022)**

| | Capital Notes and Facilities Maintenance Bonds Series 2022A | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Dated** | 08/25/2022 | | | | | | | |
| **Amount** | $5,040,000* | | | | | | | |
| **Maturity** | 02/01 | | | | | | | |
| **Fiscal Year Ending** | **Principal** | **Estimated Interest** | **Total Principal** | **Total Interest** | **Total P & I** | **Principal Outstanding** | **% Paid** | **Fiscal Year Ending** |
| **2023** | 0 | 0 | 4,870,000 | 2,514,540 | 7,384,540 | 151,030,000 | 3.12% | **2023** |
| **2024** | 80,000 | 279,858 | 5,155,000 | 5,148,631 | 10,303,631 | 145,875,000 | 6.43% | **2024** |
| **2025** | 95,000 | 192,050 | 5,425,000 | 4,822,733 | 10,247,733 | 140,450,000 | 9.91% | **2025** |
| **2026** | 100,000 | 188,250 | 5,645,000 | 4,605,058 | 10,250,058 | 134,805,000 | 13.53% | **2026** |
| **2027** | 105,000 | 184,250 | 5,855,000 | 4,396,505 | 10,251,505 | 128,950,000 | 17.29% | **2027** |
| **2028** | 110,000 | 180,050 | 6,050,000 | 4,199,155 | 10,249,155 | 122,900,000 | 21.17% | **2028** |
| **2029** | 115,000 | 175,650 | 6,235,000 | 4,009,640 | 10,244,640 | 116,665,000 | 25.17% | **2029** |
| **2030** | 115,000 | 171,050 | 6,170,000 | 3,826,503 | 9,996,503 | 110,495,000 | 29.12% | **2030** |
| **2031** | 120,000 | 166,450 | 6,140,000 | 3,647,811 | 9,787,811 | 104,355,000 | 33.06% | **2031** |
| **2032** | 365,000 | 161,650 | 6,255,000 | 3,466,274 | 9,721,274 | 98,100,000 | 37.08% | **2032** |
| **2033** | 400,000 | 147,050 | 6,445,000 | 3,276,849 | 9,721,849 | 91,655,000 | 41.21% | **2033** |
| **2034** | 895,000 | 131,050 | 7,120,000 | 3,077,268 | 10,197,268 | 84,535,000 | 45.78% | **2034** |
| **2035** | 960,000 | 95,250 | 7,365,000 | 2,851,286 | 10,216,286 | 77,170,000 | 50.50% | **2035** |
| **2036** | 1,580,000 | 59,250 | 7,385,000 | 2,616,236 | 10,001,236 | 69,785,000 | 55.24% | **2036** |
| **2037** | | | 5,990,000 | 2,369,661 | 8,359,661 | 63,795,000 | 59.08% | **2037** |
| **2038** | | | 6,185,000 | 2,176,336 | 8,361,336 | 57,610,000 | 63.05% | **2038** |
| **2039** | | | 6,390,000 | 1,968,930 | 8,358,930 | 51,220,000 | 67.15% | **2039** |
| **2040** | | | 6,605,000 | 1,754,618 | 8,359,618 | 44,615,000 | 71.38% | **2040** |
| **2041** | | | 6,830,000 | 1,533,061 | 8,363,061 | 37,785,000 | 75.76% | **2041** |
| **2042** | | | 7,055,000 | 1,303,899 | 8,358,899 | 30,730,000 | 80.29% | **2042** |
| **2043** | | | 7,295,000 | 1,066,205 | 8,361,205 | 23,435,000 | 84.97% | **2043** |
| **2044** | | | 7,545,000 | 816,163 | 8,361,163 | 15,890,000 | 89.81% | **2044** |
| **2045** | | | 7,810,000 | 553,450 | 8,363,450 | 8,080,000 | 94.82% | **2045** |
| **2046** | | | 8,080,000 | 281,450 | 8,361,450 | 0 | 100.00% | **2046** |
| | 5,040,000 | 2,131,858 | 155,900,000 | 66,282,260 | 222,182,260 | | | |

* Preliminary, subject to change.

**Independent School District No. 831 (Forest Lake Area Schools), Minnesota**
**Schedule of Bonded Indebtedness**
**Non-General Obligation Debt Secured by Annual Appropriation**
**(As of 08/25/2022)**

| | Certificates of Participation Series 2021A | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Dated** | 06/17/2021 | | | | | | | |
| **Amount** | $6,820,000 | | | | | | | |
| **Maturity** | 04/01 | | | | | | | |
| **Fiscal Year Ending** | **Principal** | **Interest** | **Total Principal** | **Total Interest** | **Total P & I** | **Principal Outstanding** | **% Paid** | **Fiscal Year Ending** |
| **2023** | 600,000 | 176,150 | 600,000 | 176,150 | 776,150 | 5,610,000 | 9.66% | **2023** |
| **2024** | 630,000 | 152,150 | 630,000 | 152,150 | 782,150 | 4,980,000 | 19.81% | **2024** |
| **2025** | 655,000 | 126,950 | 655,000 | 126,950 | 781,950 | 4,325,000 | 30.35% | **2025** |
| **2026** | 675,000 | 107,300 | 675,000 | 107,300 | 782,300 | 3,650,000 | 41.22% | **2026** |
| **2027** | 690,000 | 87,050 | 690,000 | 87,050 | 777,050 | 2,960,000 | 52.33% | **2027** |
| **2028** | 715,000 | 66,350 | 715,000 | 66,350 | 781,350 | 2,245,000 | 63.85% | **2028** |
| **2029** | 730,000 | 44,900 | 730,000 | 44,900 | 774,900 | 1,515,000 | 75.60% | **2029** |
| **2030** | 750,000 | 30,300 | 750,000 | 30,300 | 780,300 | 765,000 | 87.68% | **2030** |
| **2031** | 765,000 | 15,300 | 765,000 | 15,300 | 780,300 | 0 | 100.00% | **2031** |
| | 6,210,000 | 806,450 | 6,210,000 | 806,450 | 7,016,450 | | | |

## BONDED DEBT LIMIT

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

| | |
|---|---|
| 2021/22 Economic Market Value | $7,808,803,387 |
| Multiply by 15% | 0.15 |
| Statutory Debt Limit | $1,171,320,508 |
| Less: Long-Term Debt Outstanding Being Paid Solely from Taxes[1] (includes the Bonds)* | (152,020,000) |
| Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations | (6,210,000) |
| Unused Debt Limit* | $1,013,090,508 |

*Preliminary, subject to change.

[1] Does not include the $5,365,000 General Obligation Taxable OPEB Refunding Bonds, Series 2016C, as they are not subject to the debt limit calculation.

## OVERLAPPING DEBT[1]

| Taxing District | 2021/22 Adjusted Taxable Net Tax Capacity | % In District | Total G.O. Debt[2] | District's Proportionate Share |
|---|---|---|---|---|
| Counties of: | | | | |
| Anoka | $481,945,798 | 5.0156% | $41,405,000 | $2,076,709 |
| Chisago | 70,361,360 | 13.2865% | 37,140,000 | 4,934,606 |
| Washington | 381,159,791 | 10.7422% | 95,335,000 | 10,241,076 |
| Cities of: | | | | |
| Chisago | 7,806,616 | 1.2854% | 4,125,000 | 53,023 |
| Columbus | 7,643,659 | 100.0000% | 5,325,000 | 5,325,000 |
| East Bethel | 16,074,268 | 14.0855% | 15,565,000 | 2,192,408 |
| Forest Lake | 29,986,047 | 100.0000% | 22,735,000 | 22,735,000 |
| Ham Lake | 26,008,633 | 6.7603% | 730,000 | 49,350 |
| Hugo | 24,720,795 | 11.3943% | 16,235,000 | 1,849,865 |
| Lino Lakes | 29,439,929 | 17.6166% | 9,750,360 | 1,717,682 |
| Scandia | 8,336,001 | 85.5014% | 3,295,000 | 2,817,271 |
| Stacy | 1,403,482 | 3.6871% | 3,870,000 | 142,691 |
| Wyoming | 10,677,473 | 86.1299% | 7,530,000 | 6,485,584 |
| Special District of: | | | | |
| Metropolitan Council | 5,197,211,231 | 1.4328% | 218,520,000[3] | 3,130,955 |
| District's Share of Total Overlapping Debt | | | | $63,751,221 |

## DEBT PAYMENT HISTORY

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

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

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

3 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 RATIOS

| | G.O. Debt | Debt/Economic Market Value $7,808,803,387 | Debt/ Per Capita 49,563[1] |
|---|---|---|---|
| Direct G.O. Debt Secured By: | | | |
| Tax Abatement Revenues and State Aids | $1,400,000 | | |
| Taxes and State Aids* | 155,900,000 | | |
| Tax Supported General Obligation Debt* | $157,300,000 | 2.01% | $3,173.74 |
| District's Share of Total Overlapping Debt | $63,751,221 | 0.82% | $1,286.27 |
| Total* | $221,051,221 | 2.83% | $4,460.00 |

*Preliminary, subject to change.

## FUTURE FINANCING

The District has no current plans for additional financing in the next 12 months.

## LEVY LIMITS

Minnesota school district tax levies for most purposes are subject to statutory limitations. No limit, however, is placed on the debt service levy, and districts are required to levy 105% of actual principal and interest requirements to allow for delinquencies.

School districts receive a basic revenue amount per pupil unit from aid and levy proceeds in a variety of categorical state aids. They are also allowed to certify additional levies within limits for certain specified purposes. The State Department of Education and the applicable County Auditors review the levies of each school district to determine compliance with state levy limits.

1 Estimated 2021 population.

# TAX RATES, LEVIES AND COLLECTIONS

## TAX LEVIES AND COLLECTIONS

| Tax Year | Net Tax Levy[1] | Total Collected Following Year | Collected to Date[2] | % Collected |
|---|---|---|---|---|
| 2017/18 | $21,663,991 | $21,453,594 | $21,654,975 | 99.96% |
| 2018/19 | 27,050,481 | 26,795,417 | 27,007,317 | 99.84% |
| 2019/20 | 27,994,882 | 27,744,097 | 27,944,812 | 99.82% |
| 2020/21 | 28,805,085 | 28,624,833 | 28,624,833 | 99.37% |
| 2021/22 | 29,049,837 | In process of collection | | |

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

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

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

2 Collections are through December 31, 2021 for Washington, Anoka and Chisago Counties.

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

## TAX CAPACITY RATES[1]

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|---|---|---|---|---|
| I.S.D. No. 831 (Forest Lake Area Schools) | 26.230% | 24.856% | 25.097% | 25.090% | 24.425% |
| Anoka County | 35.334% | 34.473% | 33.078% | 31.086% | 29.254% |
| Chisago County | 66.551% | 65.860% | 65.665% | 63.787% | 63.240% |
| Washington County | 29.983% | 29.682% | 28.944% | 27.435% | 27.532% |
| City of Chisago | 44.857% | 43.152% | 41.618% | 41.266% | 41.299% |
| City of Columbus | 51.706% | 50.653% | 46.925% | 48.280% | 48.553% |
| City of East Bethel | 44.510% | 43.204% | 41.467% | 38.348% | 37.391% |
| City of Forest Lake | 41.871% | 39.580% | 40.333% | 40.641% | 40.991% |
| City of Ham Lake | 25.007% | 23.439% | 22.426% | 21.953% | 21.487% |
| City of Hugo (Urban) | 36.330% | 36.274% | 39.279% | 39.294% | 39.403% |
| City of Hugo (Rural) | 32.978% | 32.741% | 35.381% | 35.577% | 35.863% |
| City of Lino Lakes | 42.826% | 41.817% | 39.870% | 40.109% | 40.154% |
| City of Scandia | 35.058% | 32.396% | 31.466% | 30.815% | 30.945% |
| City of Stacy | 38.760% | 36.025% | 33.206% | 30.894% | 25.286% |
| City of Wyoming | 48.622% | 45.719% | 43.579% | 43.457% | 44.961% |
| Town of Linwood[2] | 29.179% | 25.680% | 25.571% | 24.757% | 23.067% |
| Anoka County HRA | 1.508% | 1.504% | 1.513% | 1.573% | 1.505% |
| Anoka County RR Authority | 0.738% | 0.685% | 0.494% | 0.481% | 0.351% |
| Browns Creek Watershed | 5.021% | 5.263% | 4.850% | 4.835% | 4.437% |
| Carnelian-Marine Watershed | 3.292% | 3.454% | 3.993% | 3.841% | 4.133% |
| Chisago County HRA/EDA | 0.907% | 0.832% | 0.765% | 0.712% | 0.668% |
| Columbus EDA | 1.594% | 1.475% | 1.297% | 1.272% | 1.119% |
| Comfort Lake-Forest Lake Watershed (portion in Chisago County) | 6.192% | 6.171% | 6.151% | 6.346% | 6.720% |
| Comfort Lake-Forest Lake Watershed (portion in Washington County) | 5.707% | 5.658% | 5.835% | 5.781% | 5.999% |
| East Bethel EDA | 0.814% | 0.907% | 0.821% | 0.808% | 0.854% |
| East Bethel HRA | 0.438% | 0.446% | 0.463% | 0.465% | 0.482% |
| East Central Regional Dev. Comm. | 0.217% | 0.207% | 0.199% | 0.188% | 0.179% |

*Continued on next page -*

[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.

**TAX CAPACITY RATES[1]** - *continued*

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|---|---|---|---|---|
| Metropolitan Council (Portion in Anoka County) | 0.841% | 0.627% | 0.596% | 0.645% | 0.651% |
| Metropolitan Council (portion in Washington County) | 0.816% | 0.651% | 0.584% | 0.628% | 0.630% |
| Metropolitan Mosquito (portion in Anoka County) | 0.453% | 0.415% | 0.398% | 0.387% | 0.372% |
| Metropolitan Mosquito (portion in Washington County) | 0.440% | 0.424% | 0.390% | 0.379% | 0.361% |
| Metropolitan Transit | 2.588% | 2.710% | 2.603% | 2.387% | 2.231% |
| Regional Rail Authority | 0.224% | 0.175% | 0.165% | 0.157% | 0.149% |
| Rice Creek Watershed | 1.838% | 1.924% | 1.926% | 1.918% | 1.805% |
| Washington County CDA | 1.469% | 1.423% | 1.356% | 1.289% | 1.287% |
| *Referendum Market Value Rates:* | | | | | |
| I.S.D. No. 831 (Forest Lake Area Schools) | 0.11395% | 0.20186% | 0.17344% | 0.16723% | 0.15336% |
| Washington County | 0.00353% | 0.00330% | 0.00342% | 0.00325% | 0.00308% |
| City of East Bethel | 0.01247% | 0.01179% | 0.01103% | 0.00965% | N/A |

**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by Washington, Anoka and Chisago 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.

# THE ISSUER

## EMPLOYEES

The District is governed by an elected school board and employs a staff of 1,055, including 555 non-licensed employees and 500 licensed employees (486 of whom are teachers). The District provides education for 5,783 students in grades kindergarten through twelve.

## PENSIONS; UNIONS

### Teachers' Retirement Association (TRA)

All teachers employed by the District are covered by defined benefit pension plans administered by the State of Minnesota Teachers Retirement Association (TRA). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. These plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

### Public Employees' Retirement Association (PERA)

All full-time and certain part-time employees of the District (other than those covered by TRA) are covered by a defined benefit plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

### Recognized and Certified Bargaining Units

| Bargaining Unit | Expiration Date of Current Contract |
|---|---|
| Teachers | June 30, 2023 |
| Clerical | June 30, 2022 |
| Custodial | June 30, 2022 |
| Food Service | June 30, 2022 |
| Directors | June 30, 2021 |
| Principals | June 30, 2023 |
| Supervisors | June 30, 2021 |
| Paraprofessionals | June 30, 2022 |
| Bus Drivers/Aides | June 30, 2022 |
| Mechanics | June 30, 2022 |
| SAC | June 30, 2022 |
| Tech Specs | June 30, 2022 |

**Status of Contracts**

Contracts which expired for Directors, Supervisors, Bus Drivers/Aides, Custodial, mechanics, and SAC are currently in negotiations. Negotiations on contracts for Clerical, Food Service, Paraprofessionals, and Tech Specs will begin in the near future.

## POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent Audited Financial Statements(Audit) shows a total OPEB liability of $9,667,921 as of June 30, 2021. In 2016, the District issued $5,365,000 in OPEB Bonds to fund an irrevocable trust. As of June 30, 2021, the net position of the trust was $1,491,971. Future OPEB costs will be paid partially from the trust and partially from operating funds.

**Source:** The District's most recent Audit.

## STUDENT BODY

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

| Year | Kindergarten | Grades 1-6 | Grades 7-12 | Total |
|---|---|---|---|---|
| 2018/19 | 403 | 2,589 | 3,038 | 6,030 |
| 2019/20 | 397 | 2,474 | 3,014 | 5,885 |
| 2020/21 | 379 | 2,449 | 2,975 | 5,803 |
| 2021/22 | 414 | 2,523 | 2,942 | 5,879 |
| 2022/23 | 401 | 2,457 | 2,925 | 5,783 |

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

| Year | Kindergarten | Grades 1-6 | Grades 7-12 | Total |
|---|---|---|---|---|
| 2023/24 | 385 | 2,379 | 2,918 | 5,682 |
| 2024/25 | 370 | 2,347 | 2,910 | 5,627 |
| 2025/26 | 360 | 2,304 | 2,899 | 5,563 |

## SCHOOL BUILDINGS

| School Building | Year Constructed | Years of Additions/ Remodelings |
|---|---|---|
| Columbus Elementary | 1975 | 1999, 2018 |
| Forest Lake Elementary | 1957 | 1968, 1988, 2019 |
| Forest View Elementary | 1967 | 1988, 1999, 2018 |
| Lino Lakes Elementary | 1957 | 1961, 1975, 1999, 2019 |
| Linwood Elementary | 1961 | 1970, 1988, 1999, 2020 |
| Scandia Elementary | 1962 | 1964, 1971, 1988, 1999, 2019 |
| Wyoming Elementary | 1989 | 1999, 2020 |
| Forest Lake Area Middle School | 2000 | 2019 |
| Forest Lake Education Center | 1965 | 1980, 1988, 1999, 2020 |
| Forest Lake Senior High | 1972 | 1989, 1999, 2019, 2021 |
| Central Learning Center | 1948 | 1958, 1981, 2000, 2021 |
| Forest Lake Sports Center | 2008 | 2013 |
| Maintenance and Warehouse | 1979 | -- |
| Administration Building | 1984 | 2003 |

## FUNDS ON HAND (as of April 30, 2022)

| Fund | Total Cash and Investments |
|---|---|
| General | $9,361,087 |
| Food Service | 891,241 |
| Community Service | 1,627,173 |
| Debt Service | 3,529,637 |
| Building/Construction | (295,364) |
| Internal Service | 1,869,905 |
| **Total Funds on Hand** | $16,983,678 |

## LITIGATION

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

## MUNICIPAL BANKRUPTCY

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

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

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

## SUMMARY GENERAL FUND INFORMATION

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

| COMBINED STATEMENT | FISCAL YEAR ENDING JUNE 30 | | | | |
|---|---|---|---|---|---|
| | 2019 Audited | 2020 Audited | 2021 Audited | 2021-22 Revised Budget | 2022-23 Original Budget |
| Revenues | | | | | |
| Local property taxes | $11,976,441 | $16,942,049 | $17,321,043 | $16,950,000 | $17,700,000 |
| Investment earnings | 199,175 | 188,443 | 68,777 | 85,000 | 85,000 |
| Other | 2,911,436 | 2,372,320 | 2,142,430 | 2,815,000 | 2,315,000 |
| Revenues from state sources | 58,120,768 | 57,199,212 | 57,516,905 | 58,850,000 | 58,700,000 |
| Revenues from federal sources | 1,943,362 | 2,119,589 | 4,146,102 | 3,300,000 | 2,450,000 |
| **Total Revenues** | $75,151,182 | $78,821,613 | $81,195,257 | $82,000,000 | $81,250,000 |
| Expenditures | | | | | |
| Current: | | | | | |
| Administration | $3,237,724 | $3,372,758 | $3,615,285 | $3,860,296 | $4,057,070 |
| District support services | 2,967,753 | 2,906,337 | 2,903,287 | 3,071,184 | 2,856,081 |
| Elementary & secondary regular instruction | 26,064,394 | 27,191,856 | 29,556,070 | 30,231,270 | 30,395,142 |
| Vocational education instruction | 1,059,116 | 1,555,531 | 1,638,936 | 1,614,849 | 1,615,628 |
| Special education instruction | 12,741,535 | 13,637,180 | 13,484,153 | 13,303,221 | 13,930,199 |
| Instructional support services | 5,286,816 | 7,467,572 | 6,999,335 | 6,426,033 | 6,437,686 |
| Pupil support services | 11,736,493 | 11,471,940 | 10,792,226 | 10,606,341 | 10,414,837 |
| Sites and buildings | 10,863,761 | 10,325,268 | 11,011,143 | 12,497,806 | 10,619,357 |
| Fiscal and other fixed cost programs | 520,000 | 650,000 | 645,420 | 650,000 | 650,000 |
| Debt service | 308,465 | 234,360 | 235,760 | 239,000 | 274,000 |
| **Total Expenditures** | $74,786,057 | $78,812,802 | $80,881,615 | $82,500,000 | $81,250,000 |
| **Excess of revenues over (under) expenditures** | $365,125 | $8,811 | $313,642 | ($500,000) | $0 |
| **Other Financing Sources (Uses)** | | | | | |
| Sale of assets | $0 | $14,000 | $14,000 | $0 | $0 |
| Operating transfers out | 0 | 0 | (80,863) | 0 | 0 |
| **Total Other Financing Sources (Uses)** | $0 | $14,000 | ($66,863) | $0 | $0 |
| **Net changes in Fund Balances** | $365,125 | $22,811 | $246,779 | ($500,000) | $0 |
| General Fund Balance July 1 | $2,137,470 | $2,502,595 | $2,647,244 | $2,894,023 | $2,394,023 |
| Change in accounting principle | 0 | 121,838 | 0 | 0 | 0 |
| General Fund Balance June 30 | $2,502,595 | $2,647,244 | $2,894,023 | $2,394,023 | $2,394,023 |
| **DETAILS OF JUNE 30 FUND BALANCE** | | | | | |
| Nonspendable | $151,143 | $37,519 | $146,426 | | |
| Restricted | 397,938 | 161,247 | 118,449 | | |
| Assigned | 583,713 | 475,778 | 451,669 | | |
| Unassigned | 1,369,801 | 1,972,700 | 2,177,479 | | |
| **Total** | $2,502,595 | $2,647,244 | $2,894,023 | | |

1) The 2021-22 Budget was revised on April 2, 2022.

2) The 2022-23 Budget was adopted on June 2, 2022.

# GENERAL INFORMATION

## LOCATION

The District, with a 2010 U.S. Census population of 44,247 and a current population estimate of 49,563, and comprising an area of 213 square miles, is located approximately 25 miles north of the Minneapolis-St. Paul Metropolitan Area.

## LARGER EMPLOYERS[1]

Larger employers in the District include the following:

| Firm | Type of Business/Product | Estimated No. of Employees |
|---|---|---|
| I.S.D. No. 831 (Forest Lake Area Schools) | Elementary and secondary education | 1,055 |
| Fairview Lakes Regional Health Care | Hospital and clinics | 750 |
| Wal-Mart | Retail Store | 500 |
| Running Aces Casino-Racetrack | Casino, hotel and restaurant | 500 |
| Teamvantage | Plastic mold manufacturing | 300 |
| Polaris | All terrain vehicle manufacturers | 275 |
| Rosenbauer | Fire truck equipment, supplies & manufacturers | 225 |
| Birchwood Health Care Center | Nursing home | 220 |
| Menards, Inc. | Home improvement store | 190 |
| Target Corporation | Retail store | 160 |
| Cub Foods | Grocery | 150 |

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

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

## U.S. CENSUS DATA

**Population Trend:** The District

| | |
|---|---|
| 2010 U.S. Census population | 44,247 |
| 2020 U.S. Census population | 49,360 |
| 2021 State Demographer Estimate | 49,563 |
| Percent of Change 2010 - 2020 | 11.56% |

**Income and Age Statistics**

| | The District | Washington County | State of Minnesota | United States |
|---|---|---|---|---|
| 2020 per capita income | $40,577 | $46,842 | $38,881 | $35,384 |
| 2020 median household income | $88,091 | $97,584 | $73,382 | $64,994 |
| 2020 median family income | $103,642 | $115,728 | $92,692 | $80,069 |
| 2020 median gross rent | $1,102 | $1,329 | $1,010 | $1,096 |
| 2020 median value owner occupied units | $289,600 | $301,000 | $235,700 | $229,800 |
| 2020 median age | 40.5 yrs. | 39.5 yrs. | 38.1 yrs. | 38.2 yrs. |

| | State of Minnesota | United States |
|---|---|---|
| District % of 2020 per capita income | 104.36% | 114.68% |
| District % of 2020 median family income | 111.81% | 129.44% |

**Source:** *2010 and 2020 Census of Population and Housing, and 2020 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 | Washington County | Washington County | State of Minnesota |
| 2018 | 138,416 | 2.5% | 3.1% |
| 2019 | 139,544 | 2.9% | 3.4% |
| 2020 | 134,276 | 5.3% | 6.3% |
| 2021 | 136,188 | 3.1% | 3.4% |
| 2022, May | 144,669 | 1.4% | 1.6% |

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

# APPENDIX A

## FINANCIAL STATEMENTS

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

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

INDEPENDENT SCHOOL DISTRICT NO. 831
FOREST LAKE, MINNESOTA

Financial Statements
and Supplemental Information

Year Ended
June 30, 2021

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INDEPENDENT SCHOOL DISTRICT NO. 831

**Table of Contents**

**Table of Contents (continued)**



INDEPENDENT SCHOOL DISTRICT NO. 831

**Table of Contents (continued)**

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INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 831

School Board and Administration
Year Ended June 30, 2021

## SCHOOL BOARD

| | Board Position During 2020–2021 |
|---|---|
| Jeff Peterson | Chairperson (President) |
| Jill Olson | Vice Chairperson (Vice President) |
| Kate Luthner | Clerk |
| Julie Corcoran | Treasurer |
| Alex Keto | Director |
| Robert Rapheal | Director |
| Gail Theisen | Director |

## ADMINISTRATION

| | |
|---|---|
| Dr. Steven Massey | Superintendent |
| Lawrence Martini | Business Manager |

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FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS



# INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 831
Forest Lake, Minnesota

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 831 (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

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

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

(continued)



Malloy, Montague, Karnowski, Radosevich & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Phone: 952-545-0424 • Fax: 952-545-0569 • www.mmkr.com

## OPINIONS

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

## OTHER MATTERS

### Required Supplementary Information

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

### Other Information

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

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

The introductory and other district information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

(continued)



### Prior Year Comparative Information

We have previously audited the District's 2020 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 18, 2020. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

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

Minneapolis, Minnesota
November 22, 2021

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Management's Discussion and Analysis
Year Ended June 30, 2021

This section of Independent School District No. 831's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the other components of the District's annual financial statements.

## FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2021 by $43,445,924 (deficit net position). The District's total net position decreased by $4,139,510 during the fiscal year ended June 30, 2021.

- Government-wide expenses totaled $102,764,649, and were $4,139,510 more than revenues of $98,625,139.

- The General Fund's total fund balance (under the governmental fund presentation) increased by $246,779 from the prior year, compared to an increase of $348,000 planned in the budget.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Independent Auditor's Report;
- Management's discussion and analysis;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Supplemental information consisting of combining and individual fund statements and schedules.

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

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

### FUND FINANCIAL STATEMENTS

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

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

The District maintains the following kinds of funds:

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

**Proprietary Funds** – The District maintains one type of proprietary fund. The internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for the self-insurance activities of district employees' medical and dental claims. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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



## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

**Table 1**
**Summary Statement of Net Position**
**as of June 30, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| Assets | | |
| Current and other assets | $ 53,467,655 | $ 52,815,672 |
| Capital assets, net of depreciation | 200,199,352 | 198,701,627 |
| Total assets | $ 253,667,007 | $ 251,517,299 |
| Deferred outflows of resources | | |
| Bond refunding deferments | $ 364,670 | $ 403,229 |
| OPEB plan deferments | 468,338 | 536,687 |
| Pension plan deferments | 25,836,566 | 38,451,138 |
| Total deferred outflows of resources | $ 26,669,574 | $ 39,391,054 |
| Liabilities | | |
| Current and other liabilities | $ 17,839,352 | $ 15,199,160 |
| Long-term liabilities, including due within one year | 232,102,546 | 221,912,426 |
| Total liabilities | $ 249,941,898 | $ 237,111,586 |
| Deferred inflows of resources | | |
| OPEB plan deferments | $ 1,371,735 | $ 625,096 |
| Pension plan deferments | 44,343,838 | 65,248,005 |
| Property taxes levied for subsequent year | 28,125,034 | 27,230,080 |
| Total deferred inflows of resources | $ 73,840,607 | $ 93,103,181 |
| Net position | | |
| Net investment in capital assets | $ 39,310,681 | $ 39,995,043 |
| Restricted | 1,065,259 | 1,064,706 |
| Unrestricted | (83,821,864) | (80,366,163) |
| Total net position | $ (43,445,924) | $ (39,306,414) |

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

The District's decrease in net investment in capital assets is due mostly to the relationship between the rate at which the District's capital assets are being added, depreciated, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. The District's increase in net position restricted for capital asset acquisition and community service contributed to the increase in the restricted portion of net position. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position. Unrestricted net position was also impacted by the decline in the internal service fund of $2,188,335.

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

**Table 2**
**Summary Statement of Activities**
**for the Years Ended June 30, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| Revenues | | |
| Program revenues | | |
| Charges for services | $ 3,570,969 | $ 5,313,535 |
| Operating grants and contributions | 14,315,351 | 13,010,160 |
| General revenues | | |
| Property taxes | 28,190,860 | 27,031,623 |
| General grants and aids | 51,422,933 | 48,773,418 |
| Other | 1,125,026 | 1,570,554 |
| Total revenues | 98,625,139 | 95,699,290 |
| Expenses | | |
| Administration | 3,732,567 | 3,527,550 |
| District support services | 2,920,183 | 2,825,243 |
| Elementary and secondary regular instruction | 32,235,382 | 29,013,805 |
| Vocational education instruction | 1,741,085 | 1,647,733 |
| Special education instruction | 14,439,227 | 14,352,862 |
| Instructional support services | 7,479,775 | 7,738,382 |
| Pupil support services | 11,334,205 | 11,321,031 |
| Sites and buildings | 8,130,514 | 7,648,115 |
| Fiscal and other fixed cost programs | 645,420 | 650,000 |
| Food service | 3,057,501 | 3,526,004 |
| Community service | 4,397,440 | 4,855,822 |
| Depreciation not allocated to other functions | 7,061,377 | 6,209,276 |
| Interest and fiscal charges | 5,589,973 | 5,489,519 |
| Total expenses | 102,764,649 | 98,805,342 |
| Change in net position | (4,139,510) | (3,106,052) |
| Net position – beginning | (39,306,414) | (36,200,362) |
| Net position – ending | $ (43,445,924) | $ (39,306,414) |

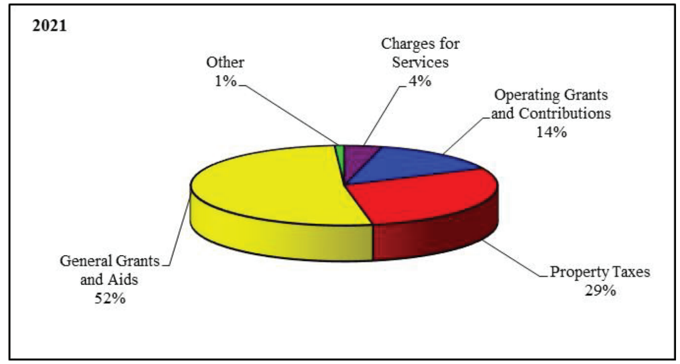
This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

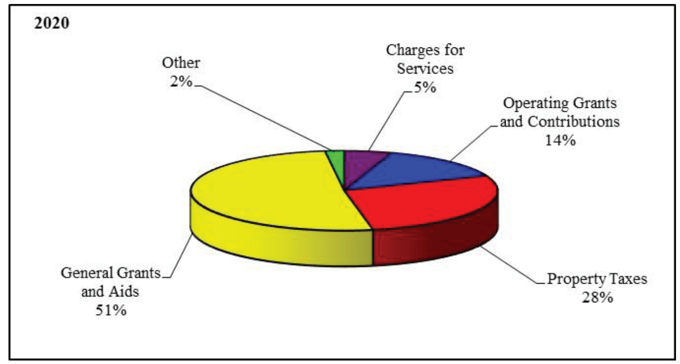
The COVID-19 pandemic impacted financial activity in several areas in the current year. Revenues shifted with more federal revenues recognized through new pandemic related grants, offset in part by less charges for services and other local sources. Expenses changed to adapt to new distance and hybrid learning models impacting several program areas, including elementary and secondary regular instruction, due to additional teachers hired.



Figure A shows further analysis of these revenue sources:

**Figure A – Sources of Revenues for Fiscal Years 2021 and 2020**



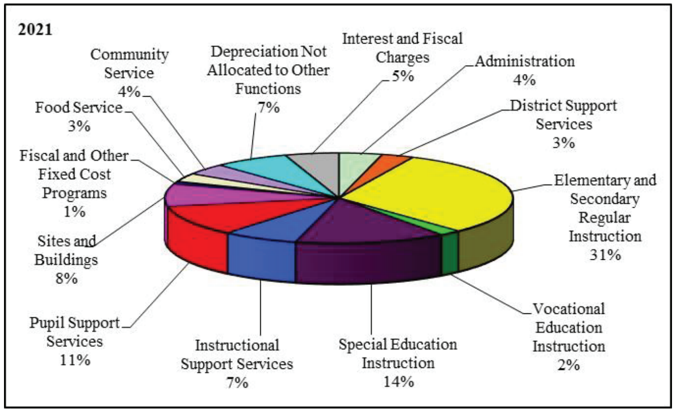

The largest share of the District's revenue is received from the state, including general grants and aids, and most of the operating grants.

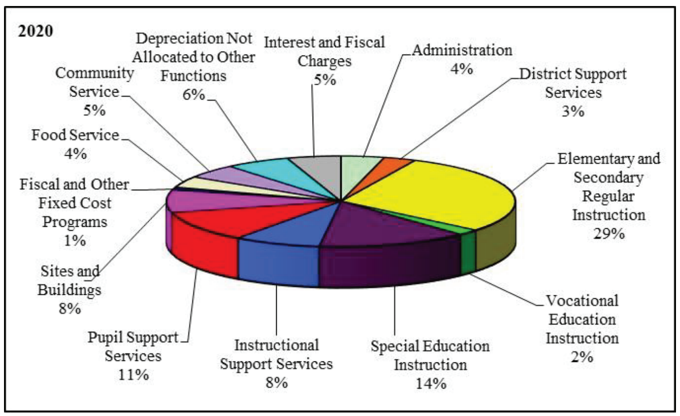
Property taxes are generally the next largest source of funding. The level of revenue property tax sources provide is not only dependent on district taxpayers by way of operating and building referenda, but also by decisions made by the Legislature in the mix of state aid and local effort in a variety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

The COVID-19 pandemic impacted current year revenue sources compared to the prior year as mentioned on the previous page.

Figure B shows further analysis of the expense functions:

**Figure B – Expenses for Fiscal Years 2021 and 2020**




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



## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

**Table 3**
**Governmental Fund Balances**
**as of June 30, 2021 and 2020**

| | 2021 | 2020 | Change |
|---|---|---|---|
| Major funds | | | |
| General Fund | $ 2,894,023 | $ 2,647,244 | $ 246,779 |
| Capital Projects – Building Construction | 2,674,048 | 3,909,682 | (1,235,634) |
| Debt Service | 1,560,998 | 1,286,532 | 274,466 |
| Nonmajor funds | | | |
| Food Service Special Revenue | 3,214 | 217,243 | (214,029) |
| Community Service Special Revenue | 932,554 | 671,128 | 261,426 |
| Total governmental funds | $ 8,064,837 | $ 8,731,829 | $ (666,992) |

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

At June 30, 2021, the District's governmental funds reported combined fund balances of $8,064,837, a decrease of $666,992 in comparison with the prior year. Approximately 25.9 percent of this amount ($2,084,878) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is: 1) not in spendable form ($244,739), 2) restricted for particular purposes ($5,283,551), or 3) assigned for particular purposes ($451,669).

## Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

**Table 4**
**General Fund**
**Budget**

| | Original Budget | Final Budget | Change | Percent Change |
|---|---|---|---|---|
| Revenue | $ 77,850,000 | $ 80,150,000 | $ 2,300,000 | 3.0 % |
| Expenditures | $ 77,847,000 | $ 79,802,000 | $ 1,955,000 | 2.5 % |

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

Table 5 summarizes the operating results of the General Fund:

**Table 5**
**General Fund**
**Operating Results**

| | | Over (Under) Final Budget | | Over (Under) Prior Year | |
|---|---|---|---|---|---|
| | 2021 Actual | Amount | Percent | Amount | Percent |
| Revenues and other financing sources | $ 81,209,257 | $ 1,059,257 | 1.3 % | $ 2,373,644 | 3.0 % |
| Expenditures and other financing uses | 80,962,478 | $ 1,160,478 | 1.5 % | $ 2,149,676 | 2.7 % |
| Net change in fund balances | $ 246,779 | | | | |

The fund balance of the General Fund increased $246,779, compared to an increase of $348,000 approved in the final budget.

The largest revenue and other financing sources variance to budget occurred in federal sources and property taxes. Federal sources were over budget $546,102 due to more than anticipated COVID-19 pandemic-related grants. Conservative budgeting for property taxes contributed to this source exceeding budget by $371,043. The revenue change from the prior year was mainly in federal sources, which increased $2,026,513, due to more federal sources for coronavirus relief and education stabilization funds recognized in the current year.



The expenditure budget variance was spread across several programs and object categories. Expenditures in purchased services were over budget, mainly due to bipolar ionization work at the high school, additional consultants for achievement and integration, transportation, and insurance costs. This variance was offset by capital expenditures, which were under budget due to the timing of projects. Expenditures increased $2,068,813 from the prior year, mainly in purchased services due to bipolar ionization work at the high school, additional consultants for achievement and integration, and increased long-term facilities maintenance projects.

## Comments on Significant Activities in Other Funds

### Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities financed with voter-approved building bonds, certificates of participation, and as authorized by the District's long-term facilities maintenance program as approved by the Minnesota Department of Education. At June 30, 2021, the District had a fund balance of $1,974,559 restricted for projects funded by certificates of participation, $291,440 restricted for long-term facilities maintenance, and $408,049 restricted for capital projects.

### Debt Service Fund

Debt Service Fund revenues and other financing sources exceeded expenditures and other financing uses by $274,466 in the current year, compared to a $125,000 fund balance decrease anticipated in the budget. The funding of the Debt Service Fund is largely controlled with each individual debt obligation's financing plan. The remaining fund balance of $1,560,998 at June 30, 2021 is available for meeting future debt service obligations.

### Food Service Special Revenue Fund

The Food Service Special Revenue Fund ended the year with expenditures exceeding revenues, decreasing equity by $214,029, compared to a planned fund balance decrease of $467,554. Both revenues and expenditures were under budget and decreased from the prior year, with significant program and participation changes resulting from the ongoing COVID-19 pandemic.

### Community Service Special Revenue Fund

The Community Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by $261,426, compared to a planned fund balance increase of $10,000. The variance to budget was primarily in revenues from federal sources, due to more education stabilization funds recognized than anticipated and due to salaries being under budget.

### Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District currently maintains two internal service funds used to account for the District's self-insured health and dental insurance functions.

Operating revenues for the internal service funds for fiscal 2021 totaled $10,732,363. Operating expenses totaled $12,942,402 for self-insured health and dental benefit claims. The internal service funds also reported $21,704 in investment earnings in the current year.

The net position for internal service funds as of June 30, 2021 totaled $1,417,008, which represents a decrease of $2,188,335 in net position from the prior year. This decrease was due to a significant increase in health benefit claims in the current year.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

### Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ended June 30, 2021 and 2020:

**Table 6**
**Capital Assets**

| | 2021 | 2020 | Change |
|---|---|---|---|
| Land | $ 1,885,726 | $ 1,885,726 | $ – |
| Construction in progress | 8,357,279 | 317,945 | 8,039,334 |
| Buildings | 78,399,633 | 78,399,633 | – |
| Building and land improvements | 179,049,883 | 178,526,102 | 523,781 |
| Furniture and equipment | 24,380,073 | 24,292,056 | 88,017 |
| Intangibles | 1,895,000 | 1,895,000 | – |
| Less accumulated depreciation | (93,768,242) | (86,614,835) | (7,153,407) |
| Total | $ 200,199,352 | $ 198,701,627 | $ 1,497,725 |
| Depreciation expense | $ 7,761,097 | $ 6,900,896 | $ 860,201 |

By the end of fiscal year 2021, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity of projects at district sites during fiscal year 2021, including the activity of the Capital Projects – Building Construction Fund.

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

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



### Long-Term Liabilities

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

**Table 7**
**Outstanding Long-Term Liabilities**

| | 2021 | 2020 | Change |
|---|---|---|---|
| General obligation bonds payable | $ 156,965,000 | $ 161,160,000 | $ (4,195,000) |
| Certificates of participation payable | 6,820,000 | 2,305,000 | 4,515,000 |
| Unamortized premium/discount | 4,058,914 | 3,837,059 | 221,855 |
| Net pension liability | 54,150,649 | 44,304,266 | 9,846,383 |
| Net OPEB liability | 8,175,950 | 8,193,036 | (17,086) |
| Severance benefits payable | 966,639 | 1,162,499 | (195,860) |
| Compensated absences payable | 965,394 | 950,566 | 14,828 |
| Total | $ 232,102,546 | $ 221,912,426 | $ 10,190,120 |

The change in general obligation bonds payable is due to the scheduled principal payments in the current year. The increase in certificates of participation payable is due to the sale of certificates of participation offset by the planned principal payments made in fiscal 2021.

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

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

**Table 8**
**Limitations on Debt**

| | |
|---|---|
| District's market value | $ 6,086,754,570 |
| Limit rate | 15.0% |
| Legal debt limit | $ 913,013,186 |

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

## FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added $161, or 2.45 percent, per pupil to the basic general education funding formula for fiscal year 2022, and an additional $135, or 2.00 percent, per pupil to the formula for fiscal year 2023.

The COVID-19 pandemic caused numerous financial and operational challenges for school districts in fiscal 2021, and is expected to continue to have a significant impact in fiscal 2022 and possibly beyond.

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

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about these statements or need additional financial information, contact the Business Services Department at (651) 982-8125. The address is: Independent School District No. 831, 6100 North 210th Street, Forest Lake, Minnesota 55025.





BASIC FINANCIAL STATEMENTS

Statement of Net Position
as of June 30, 2021
(With Partial Comparative Information as of June 30, 2020)

| | Governmental Activities 2021 | Governmental Activities 2020 |
|---|---|---|
| Assets | | |
| Cash and temporary investments | $ 23,717,868 | $ 28,167,911 |
| Receivables | | |
| Current taxes | 16,214,427 | 17,037,068 |
| Delinquent taxes | 436,579 | 403,833 |
| Accounts and interest | 126,460 | 260,888 |
| Due from other governmental units | 7,605,784 | 6,567,835 |
| Due from fiduciary fund | 215,000 | 210,518 |
| Inventory | 85,518 | 129,240 |
| Prepaid items | 162,221 | 38,379 |
| Restricted assets – temporarily restricted | | |
| Cash and investments for future construction and debt service | 4,903,798 | – |
| Capital assets | | |
| Not depreciated | 10,243,005 | 2,203,671 |
| Depreciated, net of accumulated depreciation | 189,956,347 | 196,497,956 |
| Total capital assets, net of accumulated depreciation | 200,199,352 | 198,701,627 |
| Total assets | 253,667,007 | 251,517,299 |
| Deferred outflows of resources | | |
| Bond refunding deferments | 364,670 | 403,229 |
| OPEB plan deferments | 468,338 | 536,687 |
| Pension plan deferments | 25,836,566 | 38,451,138 |
| Total deferred outflows of resources | 26,669,574 | 39,391,054 |
| Total assets and deferred outflows of resources | $ 280,336,581 | $ 290,908,353 |
| Liabilities | | |
| Salaries payable | $ 490,180 | $ 544,264 |
| Accounts and contracts payable | 11,613,012 | 8,980,474 |
| Accrued interest payable | 2,212,955 | 2,267,845 |
| Due to other governmental units | 280,263 | 399,620 |
| Unearned revenue | 2,426,676 | 2,204,987 |
| Claims incurred, but not reported | 816,266 | 801,970 |
| Long-term liabilities | | |
| Due within one year | 6,492,092 | 5,567,028 |
| Due in more than one year | 225,610,454 | 216,345,398 |
| Total long-term liabilities | 232,102,546 | 221,912,426 |
| Total liabilities | 249,941,898 | 237,111,586 |
| Deferred inflows of resources | | |
| OPEB plan deferments | 1,371,735 | 625,096 |
| Pension plan deferments | 44,343,838 | 65,248,005 |
| Property taxes levied for subsequent year | 28,125,034 | 27,230,080 |
| Total deferred inflows of resources | 73,840,607 | 93,103,181 |
| Net position | | |
| Net investment in capital assets | 39,310,681 | 39,995,043 |
| Restricted for | | |
| Capital asset acquisition | 42,743 | – |
| Food service | 3,214 | 217,243 |
| Community service | 943,596 | 686,216 |
| Other purposes (state funding restrictions) | 75,706 | 161,247 |
| Unrestricted | (83,821,864) | (80,366,163) |
| Total net position | (43,445,924) | (39,306,414) |
| Total liabilities, deferred inflows of resources, and net position | $ 280,336,581 | $ 290,908,353 |

See notes to basic financial statements



INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Activities
Year Ended June 30, 2021
(With Partial Comparative Information for the Year Ended June 30, 2020)

| Functions/Programs | 2021 Expenses | 2021 Program Revenues: Charges for Services | 2021 Program Revenues: Operating Grants and Contributions | 2021 Net (Expense) Revenue and Changes in Net Position: Governmental Activities | 2020 Net (Expense) Revenue and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|---|
| Governmental activities | | | | | |
| Administration | $ 3,732,567 | $ – | $ – | $ (3,732,567) | $ (3,527,550) |
| District support services | 2,920,183 | – | – | (2,920,183) | (2,825,243) |
| Elementary and secondary regular instruction | 32,235,382 | 970,936 | 993,890 | (30,270,556) | (27,045,630) |
| Vocational education instruction | 1,741,085 | 4,083 | 55,627 | (1,681,375) | (1,601,719) |
| Special education instruction | 14,439,227 | 132,673 | 9,749,425 | (4,557,129) | (4,611,623) |
| Instructional support services | 7,479,775 | – | 19,842 | (7,459,933) | (7,719,559) |
| Pupil support services | 11,334,205 | – | 203,705 | (11,130,500) | (11,154,094) |
| Sites and buildings | 8,130,514 | 33,752 | – | (8,096,762) | (7,602,594) |
| Fiscal and other fixed cost programs | 645,420 | – | – | (645,420) | (650,000) |
| Food service | 3,057,501 | 134,182 | 2,451,814 | (471,505) | (293,564) |
| Community service | 4,397,440 | 2,295,343 | 841,048 | (1,261,049) | (1,751,276) |
| Depreciation not allocated to other functions | 7,061,377 | – | – | (7,061,377) | (6,209,276) |
| Interest and fiscal charges | 5,589,973 | – | – | (5,589,973) | (5,489,519) |
| Total governmental activities | $102,764,649 | $ 3,570,969 | $ 14,315,351 | (84,878,329) | (80,481,647) |
| General revenues | | | | | |
| Taxes | | | | | |
| Property taxes for general purposes | | | | 17,269,501 | 16,971,277 |
| Property taxes for community service | | | | 1,242,419 | 1,202,570 |
| Property taxes for debt service | | | | 9,678,940 | 8,857,776 |
| General grants and aids | | | | 51,422,933 | 48,773,418 |
| Other general revenues | | | | 1,001,739 | 1,145,527 |
| Investment earnings | | | | 123,287 | 425,027 |
| Total general revenues | | | | 80,738,819 | 77,375,595 |
| Change in net position | | | | (4,139,510) | (3,106,052) |
| Net position – beginning | | | | (39,306,414) | (36,200,362) |
| Net position – ending | | | | $ (43,445,924) | $ (39,306,414) |

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 831

Balance Sheet
Governmental Funds
as of June 30, 2021
(With Partial Comparative Information as of June 30, 2020)

| | General Fund | Capital Projects – Building Construction Fund | Debt Service Fund | Nonmajor Funds | Total Governmental Funds 2021 | Total Governmental Funds 2020 |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Cash and temporary investments | $ 12,027,487 | $ – | $ 5,989,897 | $ 1,123,309 | $ 19,140,693 | $ 21,620,235 |
| Cash and investments held by trustee | – | 4,903,798 | – | – | 4,903,798 | – |
| Receivables | | | | | | |
| Current taxes | 9,917,123 | – | 5,817,740 | 479,564 | 16,214,427 | 17,037,068 |
| Delinquent taxes | 266,383 | – | 150,052 | 20,144 | 436,579 | 403,833 |
| Accounts and interest | 84,081 | 5,338 | – | 8,079 | 97,498 | 236,144 |
| Due from other governmental units | 6,806,104 | – | 19,873 | 779,807 | 7,605,784 | 6,567,835 |
| Due from other funds | 565,906 | – | – | – | 565,906 | 210,518 |
| Inventory | – | – | – | 85,518 | 85,518 | 129,240 |
| Prepaid items | 146,426 | – | – | 12,795 | 159,221 | 38,379 |
| Total assets | $ 29,813,510 | $ 4,909,136 | $ 11,977,562 | $ 2,509,216 | $ 49,209,424 | $ 46,243,252 |
| Liabilities | | | | | | |
| Salaries payable | $ 358,750 | $ – | $ – | $ 131,430 | $ 490,180 | $ 544,264 |
| Accounts and contracts payable | 9,128,312 | 2,159,547 | – | 62,293 | 11,350,152 | 8,813,174 |
| Due to other governmental units | 280,242 | – | – | 21 | 280,263 | 399,620 |
| Due to other funds | – | 75,541 | – | 275,365 | 350,906 | – |
| Unearned revenue | 80,575 | – | – | 233,098 | 313,673 | 207,180 |
| Total liabilities | 9,847,879 | 2,235,088 | – | 702,207 | 12,785,174 | 9,964,238 |
| Deferred inflows of resources | | | | | | |
| Property taxes levied for subsequent year | 16,927,911 | – | 10,336,924 | 860,199 | 28,125,034 | 27,230,080 |
| Unavailable revenue – delinquent taxes | 143,697 | – | 79,640 | 11,042 | 234,379 | 317,105 |
| Total deferred inflows of resources | 17,071,608 | – | 10,416,564 | 871,241 | 28,359,413 | 27,547,185 |
| Fund balances | | | | | | |
| Nonspendable | 146,426 | – | – | 98,313 | 244,739 | 167,619 |
| Restricted | 118,449 | 2,674,048 | 1,560,998 | 930,056 | 5,283,551 | 6,115,732 |
| Assigned | 451,669 | – | – | – | 451,669 | 475,778 |
| Unassigned | 2,177,479 | – | – | (92,601) | 2,084,878 | 1,972,700 |
| Total fund balances | 2,894,023 | 2,674,048 | 1,560,998 | 935,768 | 8,064,837 | 8,731,829 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 29,813,510 | $ 4,909,136 | $ 11,977,562 | $ 2,509,216 | $ 49,209,424 | $ 46,243,252 |

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 831

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2021
(With Partial Comparative Information as of June 30, 2020)

| | 2021 | 2020 |
|---|---|---|
| Total fund balances – governmental funds | $ 8,064,837 | $ 8,731,829 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources. | | |
| Cost of capital assets | 293,967,594 | 285,316,462 |
| Accumulated depreciation | (93,768,242) | (86,614,835) |
| Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. | | |
| General obligation bonds payable | (156,965,000) | (161,160,000) |
| Certificates of participation payable | (6,820,000) | (2,305,000) |
| Unamortized premium/discount | (4,058,914) | (3,837,059) |
| Net pension liability | (54,150,649) | (44,304,266) |
| Net OPEB liability | (8,175,950) | (8,193,036) |
| Severance benefits payable | (966,639) | (1,162,499) |
| Compensated absences payable | (965,394) | (950,566) |
| Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable. | (2,212,955) | (2,267,845) |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. | 1,417,008 | 3,605,343 |
| The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements. | | |
| Deferred outflows of resources – bond refunding deferments | 364,670 | 403,229 |
| Deferred outflows of resources – OPEB plan deferments | 468,338 | 536,687 |
| Deferred outflows of resources – pension plan deferments | 25,836,566 | 38,451,138 |
| Deferred inflows of resources – OPEB plan deferments | (1,371,735) | (625,096) |
| Deferred inflows of resources – pension plan deferments | (44,343,838) | (65,248,005) |
| Deferred inflows of resources – unavailable revenue – delinquent taxes | 234,379 | 317,105 |
| Total net position – governmental activities | $ (43,445,924) | $ (39,306,414) |

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2021
(With Partial Comparative Information for the Year Ended June 30, 2020)

| | General Fund | Capital Projects – Building Construction Fund | Debt Service Fund | Nonmajor Funds | Total Governmental Funds 2021 | Total Governmental Funds 2020 |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| Local sources | | | | | | |
| Property taxes | $ 17,321,043 | $ – | $ 9,706,078 | $ 1,246,465 | $ 28,273,586 | $ 27,000,532 |
| Investment earnings | 68,777 | 25,034 | 5,689 | 2,083 | 101,583 | 333,964 |
| Other | 2,142,430 | 753 | – | 2,429,525 | 4,572,708 | 6,459,062 |
| State sources | 57,516,905 | – | 198,726 | 894,897 | 58,610,528 | 58,357,157 |
| Federal sources | 4,146,102 | – | – | 2,880,232 | 7,026,334 | 3,412,462 |
| Total revenue | 81,195,257 | 25,787 | 9,910,493 | 7,453,202 | 98,584,739 | 95,563,177 |
| Expenditures | | | | | | |
| Current | | | | | | |
| Administration | 3,615,285 | – | – | – | 3,615,285 | 3,372,758 |
| District support services | 2,903,287 | – | – | – | 2,903,287 | 2,906,337 |
| Elementary and secondary regular instruction | 29,556,070 | – | – | – | 29,556,070 | 27,191,856 |
| Vocational education instruction | 1,638,936 | – | – | – | 1,638,936 | 1,555,531 |
| Special education instruction | 13,484,153 | – | – | – | 13,484,153 | 13,637,180 |
| Instructional support services | 6,999,335 | – | – | – | 6,999,335 | 7,467,572 |
| Pupil support services | 10,792,226 | – | – | – | 10,792,226 | 11,471,940 |
| Sites and buildings | 11,011,143 | – | – | – | 11,011,143 | 10,325,268 |
| Fiscal and other fixed cost programs | 645,420 | – | – | – | 645,420 | 650,000 |
| Food service | – | – | – | 3,081,156 | 3,081,156 | 3,510,116 |
| Community service | – | – | – | 4,318,977 | 4,318,977 | 4,748,616 |
| Capital outlay | – | 6,149,622 | – | 5,672 | 6,155,294 | 10,834,383 |
| Debt service | | | | | | |
| Principal | 125,000 | – | 4,195,000 | – | 4,320,000 | 3,975,000 |
| Interest and fiscal charges | 110,760 | 155,400 | 5,553,936 | – | 5,820,096 | 5,875,491 |
| Total expenditures | 80,881,615 | 6,305,022 | 9,748,936 | 7,405,805 | 104,341,378 | 107,522,048 |
| Excess (deficiency) of revenue over expenditures | 313,642 | (6,279,235) | 161,557 | 47,397 | (5,756,639) | (11,958,871) |
| Other financing sources (uses) | | | | | | |
| Debt issued | – | 4,690,000 | 2,130,000 | – | 6,820,000 | 9,610,000 |
| Premium on debt issued | – | 299,423 | 136,224 | – | 435,647 | 388,922 |
| Payment of refunded debt | – | – | (2,180,000) | – | (2,180,000) | – |
| Sale of assets | 14,000 | – | – | – | 14,000 | 25,575 |
| Transfers in | – | 54,178 | 26,685 | – | 80,863 | – |
| Transfers out | (80,863) | – | – | – | (80,863) | – |
| Total other financing sources (uses) | (66,863) | 5,043,601 | 112,909 | – | 5,089,647 | 10,024,497 |
| Net change in fund balances | 246,779 | (1,235,634) | 274,466 | 47,397 | (666,992) | (1,934,374) |
| Fund balances | | | | | | |
| Beginning of year | 2,647,244 | 3,909,682 | 1,286,532 | 888,371 | 8,731,829 | 10,666,203 |
| End of year | $ 2,894,023 | $ 2,674,048 | $ 1,560,998 | $ 935,768 | $ 8,064,837 | $ 8,731,829 |

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 831

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2021
(With Partial Comparative Information for the Year Ended June 30, 2020)

| | 2021 | 2020 |
|---|---|---|
| Total net change in fund balances – governmental funds | $ (666,992) | $ (1,934,374) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase. | | |
| Capital outlays | 9,273,572 | 14,707,475 |
| Depreciation expense | (7,761,097) | (6,900,896) |
| A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances. | (14,750) | (335,797) |
| The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities. | | |
| Certificates of participation payable | (6,820,000) | – |
| General obligation bonds payable | – | (9,610,000) |
| Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances. | | |
| General obligation bonds payable | 4,195,000 | 3,855,000 |
| Certificates of participation payable | 2,305,000 | 120,000 |
| Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due. | 54,890 | 232,713 |
| Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses. | (221,855) | (197,104) |
| Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances. | | |
| Net pension liability | (9,846,383) | 2,073,762 |
| Net OPEB liability | 17,086 | (1,180,949) |
| Severance benefits payable | 195,860 | 343,747 |
| Compensated absences payable | (14,828) | 5,902 |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities. | (2,188,335) | 140,945 |
| The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements. | | |
| Deferred outflows of resources – bond refunding deferments | (38,559) | (38,559) |
| Deferred outflows of resources – OPEB plan deferments | (68,349) | 283,282 |
| Deferred outflows of resources – pension plan deferments | (12,614,572) | (18,910,072) |
| Deferred inflows of resources – OPEB plan deferments | (746,639) | 93,908 |
| Deferred inflows of resources – pension plan deferments | 20,904,167 | 14,113,874 |
| Deferred inflows of resources – unavailable revenue – delinquent taxes | (82,726) | 31,091 |
| Change in net position – governmental activities | $ (4,139,510) | $ (3,106,052) |

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2021

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual | Over (Under) Final Budget |
|---|---|---|---|---|
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | $ 16,800,000 | $ 16,950,000 | $ 17,321,043 | $ 371,043 |
| Investment earnings | 85,000 | 85,000 | 68,777 | (16,223) |
| Other | 2,213,900 | 2,113,900 | 2,142,430 | 28,530 |
| State sources | 57,051,100 | 57,401,100 | 57,516,905 | 115,805 |
| Federal sources | 1,700,000 | 3,600,000 | 4,146,102 | 546,102 |
| Total revenue | 77,850,000 | 80,150,000 | 81,195,257 | 1,045,257 |
| Expenditures | | | | |
| Current | | | | |
| Administration | 3,535,001 | 3,535,001 | 3,615,285 | 80,284 |
| District support services | 2,829,532 | 2,919,132 | 2,903,287 | (15,845) |
| Elementary and secondary regular instruction | 28,771,085 | 29,473,485 | 29,556,070 | 82,585 |
| Vocational education instruction | 1,414,599 | 1,426,599 | 1,638,936 | 212,337 |
| Special education instruction | 13,149,612 | 13,239,212 | 13,484,153 | 244,941 |
| Instructional support services | 6,430,215 | 6,435,215 | 6,999,335 | 564,120 |
| Pupil support services | 10,274,847 | 10,282,914 | 10,792,226 | 509,312 |
| Sites and buildings | 10,448,042 | 11,601,442 | 11,011,143 | (590,299) |
| Fiscal and other fixed cost programs | 755,067 | 650,000 | 645,420 | (4,580) |
| Debt service | | | | |
| Principal | 125,000 | 125,000 | 125,000 | – |
| Interest and fiscal charges | 114,000 | 114,000 | 110,760 | (3,240) |
| Total expenditures | 77,847,000 | 79,802,000 | 80,881,615 | 1,079,615 |
| Excess (deficiency) of revenue over expenditures | 3,000 | 348,000 | 313,642 | (34,358) |
| Other financing sources (uses) | | | | |
| Sale of assets | – | – | 14,000 | 14,000 |
| Transfers out | – | – | (80,863) | (80,863) |
| Total other financing sources (uses) | – | – | (66,863) | (66,863) |
| Net change in fund balances | $ 3,000 | $ 348,000 | 246,779 | $ (101,221) |
| Fund balances | | | | |
| Beginning of year | | | 2,647,244 | |
| End of year | | | $ 2,894,023 | |

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Net Position
Internal Service Funds
as of June 30, 2021
(With Partial Comparative Information as of June 30, 2020)

| | 2021 | 2020 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and temporary investments | $ 4,577,175 | $ 6,547,676 |
| Receivables | | |
| Accounts and interest | 28,962 | 24,744 |
| Prepaid items | 3,000 | – |
| Total current assets | 4,609,137 | 6,572,420 |
| Liabilities | | |
| Current liabilities | | |
| Accounts and contracts payable | 262,860 | 167,300 |
| Unearned revenue | 2,113,003 | 1,997,807 |
| Claims incurred, but not reported | 816,266 | 801,970 |
| Total current liabilities | 3,192,129 | 2,967,077 |
| Net position | | |
| Unrestricted | $ 1,417,008 | $ 3,605,343 |



INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2021
(With Partial Comparative Information for the Year Ended June 30, 2020)

| | 2021 | 2020 |
|---|---|---|
| Operating revenue | | |
| Charges for services | | |
| Contributions from governmental funds | $ 10,732,363 | $ 10,133,409 |
| Operating expenses | | |
| Health benefit claims | 12,314,075 | 9,586,574 |
| Dental benefit claims | 628,327 | 496,953 |
| Total operating expenses | 12,942,402 | 10,083,527 |
| Operating income (loss) | (2,210,039) | 49,882 |
| Nonoperating revenue | | |
| Investment earnings | 21,704 | 91,063 |
| Change in net position | (2,188,335) | 140,945 |
| Net position | | |
| Beginning of year | 3,605,343 | 3,464,398 |
| End of year | $ 1,417,008 | $ 3,605,343 |

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INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2021
(With Partial Comparative Information for the Year Ended June 30, 2020)

| | 2021 | 2020 |
|---|---|---|
| Cash flows from operating activities | | |
| Contributions from governmental funds | $ 10,843,341 | $ 10,428,555 |
| Payment for health claims | (12,205,919) | (9,450,506) |
| Payment for dental claims | (629,627) | (487,884) |
| Net cash flows from operating activities | (1,992,205) | 490,165 |
| Cash flows from investing activities | | |
| Investment income received | 21,704 | 91,063 |
| Net change in cash and cash equivalents | (1,970,501) | 581,228 |
| Cash and cash equivalents | | |
| Beginning of year | 6,547,676 | 5,966,448 |
| End of year | $ 4,577,175 | $ 6,547,676 |
| Reconciliation of operating income (loss) to net cash flows from operating activities | | |
| Operating income (loss) | $ (2,210,039) | $ 49,882 |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities | | |
| Changes in assets and liabilities | | |
| Accounts and interest receivable | (4,218) | 10,941 |
| Prepaid items | (3,000) | – |
| Accounts and contracts payable | 95,560 | (35,337) |
| Unearned revenue | 115,196 | 284,205 |
| Claims incurred, but not reported | 14,296 | 180,474 |
| Net cash flows from operating activities | $ (1,992,205) | $ 490,165 |

See notes to basic financial statements

## Statement of Fiduciary Net Position
as of June 30, 2021

| | | Post-Employment Benefits Trust Fund |
|---|---|---|
| Assets | | |
| Cash and temporary investments | $ | 749,000 |
| Investments | | |
| State and local bonds | | 335,972 |
| MNTrust Investment Shares Portfolio | | 618,935 |
| Accounts and interest receivable | | 3,064 |
| Total assets | | 1,706,971 |
| Liabilities | | |
| Due to other funds | | 215,000 |
| Net position | | |
| Held in trust for employee benefits | $ | 1,491,971 |

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

| | | Post-Employment Benefits Trust Fund |
|---|---|---|
| Additions | | |
| Investment earnings | $ | 20,957 |
| Deductions | | |
| Benefits paid to plan members and administrative fees | | 215,250 |
| Change in net position | | (194,293) |
| Net position | | |
| Beginning of year | | 1,686,264 |
| End of year | $ | 1,491,971 |

See notes to basic financial statements





## Notes to Basic Financial Statements
as of June 30, 2021

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

Independent School District No. 831 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**B. Reporting Entity**

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

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

**C. Government-Wide Financial Statement Presentation**

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

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

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

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

### D. Fund Financial Statement Presentation

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

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

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

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

The proprietary (internal service) funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the internal service funds are consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service funds are charges to customers (other district funds) for service. Operating expenses for the internal service funds include the cost of providing the services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.





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

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

#### Description of Funds

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

#### Major Governmental Funds

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

**Capital Projects – Building Construction Fund** – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities and as authorized by the District's MDE-approved long-term facilities maintenance program.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) debt service account. The OPEB debt service account is used for the taxable OPEB bond issues.

#### Nonmajor Governmental Funds

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

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

#### Proprietary Funds

**Internal Service Funds** – Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service funds are used to account for dental and health insurance benefits offered by the District to its employees as a self-insured plan.

#### Fiduciary Fund

**Post-Employment Benefits Trust Fund** – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of eligible employees.

## E. Budgetary Information

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end. Expenditures in the General and Capital Projects – Building Construction Funds exceeded budgeted appropriations by $1,079,615 and $2,805,022, respectively, during the year ended June 30, 2021. Revenues in excess of budget, along with available fund balance, financed these variances.

## F. Cash and Temporary Investments

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

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Capital Projects – Building Construction Fund, an escrow account is established for cash and investments held for future construction and debt service related to the issuance of certificates of participation. In the Post-Employment Benefits Trust Fund, assets were contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Earnings from these investments are allocated directly to these funds.

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalent. The Proprietary Fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

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

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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







## G. Receivables

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

## H. Inventories

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

## I. Prepaid Items

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

## J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $841,680 of the property tax levy collectible in 2021 as revenue to the District in fiscal year 2020–2021. The remaining portion of the taxes collectible in 2021 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

## K. Capital Assets

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

Capital assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for buildings and building and land improvements, 5 to 15 years for furniture and equipment, and 10 to 20 years for intangible assets. Land and construction in progress are not depreciated.

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

**L. Long-Term Obligations**

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

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

**M. Compensated Absences**

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

**N. Severance Benefits**

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. The severance benefit is calculated by converting a portion of unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary. Members of certain employee groups may also elect to receive district matching contributions paid into a tax-deferred matching contribution plan. The amount of any severance or retirement benefit due to an individual is reduced by the total matching contributions made by the District to such a plan over the course of that individual's employment.

Severance benefits payable are recorded as a liability in the government-wide financial statements as they are earned and it becomes probable they will vest at some point in the future. Severance benefits payable are accrued in the governmental fund financial statements as the liability matures, due to employee termination.







**O. State-Wide Pension Plans**

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

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

**P. Other Post-Employment Benefits (OPEB) Plan**

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan 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, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and certain investments that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

**Q. Deferred Outflows/Inflows of Resources**

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

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

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

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

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

**R. Net Position**

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

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

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

**S. Fund Balance Classifications**

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.







- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In the governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

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

**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 and disclosures in the financial statements during the reporting period. Actual results could differ from those estimates.

**U. Risk Management and Self-Insurance**

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in the current year.

2. **Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

   The District makes premium payments, that include both employer and employee contributions to the internal service funds on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

   District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on complex factors, such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the balance of dental claim liabilities for the past two years were as follows:

| | Balance – Beginning of Year | Charges and Changes in Estimates | Claim Payments | Balance – End of Year |
|---|---|---|---|---|
| 2020 | $ 10,665 | $ 496,953 | $ 497,618 | $ 10,000 |
| 2021 | $ 10,000 | $ 628,327 | $ 624,812 | $ 13,515 |

Changes in the balance of health claim liabilities for the past two years were as follows:

| | Balance – Beginning of Year | Charges and Changes in Estimates | Claim Payments | Balance – End of Year |
|---|---|---|---|---|
| 2020 | $ 610,831 | $ 9,586,574 | $ 9,405,435 | $ 791,970 |
| 2021 | $ 791,970 | $ 12,314,075 | $ 12,303,294 | $ 802,751 |

### V. Restricted Assets

Restricted assets are cash and cash equivalents and the related interest receivable whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the government-wide financial statements. In the fund financial statements these assets have been reported as "cash and investments held by trustee."

### W. Prior Period Comparative Financial Information/Reclassification

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





## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Components of Cash and Investments

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

| | |
|---|---|
| Deposits | $ 19,514,137 |
| Investments | 10,811,436 |
| Total deposits and investments | $ 30,325,573 |

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

| | |
|---|---|
| Statement of Net Position | |
| Cash and temporary investments | $ 23,717,868 |
| Restricted assets – temporarily restricted | |
| Cash and investments for future construction and debt service | 4,903,798 |
| Statement of Fiduciary Net Position | |
| Cash and temporary investments | 749,000 |
| Investments – state and local bonds | 335,972 |
| Investments – MNTrust Investment Shares Portfolio | 618,935 |
| Total deposits and investments | $ 30,325,573 |

### B. Deposits

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

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

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

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

At year-end, the carrying amount of the District's deposits was $19,514,137, while the balance on the bank records was $21,045,525. At June 30, 2021, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District's agent in the District's name.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### C. Investments

The District has the following investments at year-end:

| Deposits/Investments | Credit Risk Rating | Credit Risk Agency | Fair Value Measurements Using | Interest Risk – Maturity Duration in Years Less Than 1 | Interest Risk – Maturity Duration in Years 1 to 5 | Total |
|---|---|---|---|---|---|---|
| State and local bonds | AA | S&P | Level 2 | $ – | $ 335,972 | $ 335,972 |
| Negotiable certificates of deposit | N/R | N/A | Level 2 | $ 248,000 | $ – | 248,000 |
| Investment pools/mutual funds | | | | | | |
| Minnesota School District Liquid Asset Fund | AAA | S&P | Amortized cost | N/A | N/A | 109,512 |
| MNTrust Investment Shares Portfolio | AAA | S&P | Amortized cost | N/A | N/A | 8,781,894 |
| MNTrust Limited Term Duration | N/R | N/A | Amortized cost | N/A | N/A | 1,030,332 |
| Wells Fargo Federal Treasury Obligation I | AAA | S&P | Level 1 | N/A | N/A | 305,726 |
| Total investments | | | | | | $ 10,811,436 |

N/R – Not Rated
N/A – Not Applicable

The District's investments include investment pools managed by MNTrust and the Minnesota School District Liquid Asset Fund (MSDLAF), which are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District's investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio or MSDLAF Liquid Class investment pools. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24-hour hold on all requests for redemptions. Investments in the MNTrust Limited Term Duration must be deposited for a minimum of 30 calendar days.

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

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

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



## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

**Credit Risk** – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District's investment policies do not further restrict investing in specific financial instruments.

## NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year is as follows:

| | Beginning Balance | Additions | Deletions | Completed Construction | Ending Balance |
|---|---|---|---|---|---|
| Capital assets, not depreciated | | | | | |
| Land | $ 1,885,726 | $ – | $ – | $ – | $ 1,885,726 |
| Construction in progress | 317,945 | 8,756,555 | – | (717,221) | 8,357,279 |
| Total capital assets, not depreciated | 2,203,671 | 8,756,555 | – | (717,221) | 10,243,005 |
| Capital assets, depreciated | | | | | |
| Buildings | 78,399,633 | – | – | – | 78,399,633 |
| Building and land improvements | 178,526,102 | 156,721 | – | 367,060 | 179,049,883 |
| Furniture and equipment | 24,292,056 | 360,296 | (622,440) | 350,161 | 24,380,073 |
| Intangibles | 1,895,000 | – | – | – | 1,895,000 |
| Total capital assets, depreciated | 283,112,791 | 517,017 | (622,440) | 717,221 | 283,724,589 |
| Less accumulated depreciation for | | | | | |
| Buildings | (52,621,200) | (1,445,143) | – | – | (54,066,343) |
| Building and land improvements | (16,971,647) | (4,935,049) | – | – | (21,906,696) |
| Furniture and equipment | (16,568,352) | (1,268,483) | 607,690 | – | (17,229,145) |
| Intangibles | (453,636) | (112,422) | – | – | (566,058) |
| Total accumulated depreciation | (86,614,835) | (7,761,097) | 607,690 | – | (93,768,242) |
| Net capital assets, depreciated | 196,497,956 | (7,244,080) | (14,750) | 717,221 | 189,956,347 |
| Total capital assets, net | $ 198,701,627 | $ 1,512,475 | $ (14,750) | $ – | $ 200,199,352 |

**NOTE 3 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to the following governmental functions:

| | |
|---|---|
| Administration | $ 28,327 |
| District support services | 46,066 |
| Elementary and secondary regular instruction | 127,213 |
| Vocational education instruction | 14,054 |
| Special education instruction | 5,548 |
| Instructional support services | 34,692 |
| Pupil support services | 437,520 |
| Community service | 6,300 |
| Depreciation not allocated to other functions | 7,061,377 |
| Total depreciation expense | $ 7,761,097 |

**NOTE 4 – LONG-TERM LIABILITIES**

**A. General Obligation Bonds Payable**

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

| Issue | Issue Date | Interest Rate | Face/Par Value | Final Maturity | Principal Outstanding |
|---|---|---|---|---|---|
| School building bonds | 05/05/2016 | 2.00–5.00% | $ 75,000,000 | 02/01/2046 | $ 72,020,000 |
| School building bonds | 12/15/2016 | 3.00–5.00% | $ 67,070,000 | 02/01/2046 | 64,010,000 |
| Taxable OPEB refunding bonds | 12/15/2016 | 1.25–3.35% | $ 5,365,000 | 02/01/2030 | 4,285,000 |
| Facilities maintenance and tax abatement bonds | 08/16/2018 | 3.00–5.00% | $ 8,250,000 | 02/01/2029 | 7,040,000 |
| Facilities maintenance and capital facilities bonds | 04/30/2020 | 2.00–4.00% | $ 9,610,000 | 02/01/2035 | 9,610,000 |
| Total general obligation bonds payable | | | | | $ 156,965,000 |

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

**B. Certificates of Participation Payable**

| Issue | Issue Date | Interest Rate | Face/Par Value | Final Maturity | Principal Outstanding |
|---|---|---|---|---|---|
| Certificates of participation | 06/17/2021 | 2.00–4.00% | $ 6,820,000 | 04/01/2031 | $ 6,820,000 |

On June 17, 2021, the District issued $6,820,000 of Certificates of Participation, Series 2021A. The proceeds were used for the Forest Lake Area High School improvements and for the current refunding of the remaining maturities of the District's 2014A Certificates of Participation. This current refunding reduced the District's total future debt service payments by $602,396, and resulted in a present value savings of approximately $479,116. The difference between the carrying amount of the refunded debt and its reacquisition price was not material, and was included in current year expense on the government-wide financial statements. The certificates of participation are paid by the General Fund.



**NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)**

**C. Other Long-Term Liabilities**

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

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

| Pension Plans | Net Pension Liabilities | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|---|---|---|---|---|
| PERA | $ 12,518,514 | $ 1,452,374 | $ 1,082,946 | $ 202,831 |
| TRA | 41,632,135 | 24,384,192 | 43,260,892 | 5,507,485 |
| Total | $ 54,150,649 | $ 25,836,566 | $ 44,343,838 | $ 5,710,316 |

**D. Minimum Debt Payments**

Minimum annual principal and interest payments to maturity for general obligation bonds and certificates of participation are as follows:

| Year Ending | General Obligation Bonds | | Certificates of Participation | |
|---|---|---|---|---|
| June 30, | Principal | Interest | Principal | Interest |
| 2022 | $ 4,705,000 | $ 5,311,093 | $ 610,000 | $ 158,212 |
| 2023 | 5,045,000 | 5,090,780 | 600,000 | 176,150 |
| 2024 | 5,255,000 | 4,921,123 | 630,000 | 152,150 |
| 2025 | 5,520,000 | 4,674,033 | 655,000 | 126,950 |
| 2026 | 5,745,000 | 4,450,658 | 675,000 | 107,300 |
| 2027–2031 | 30,540,000 | 19,246,114 | 3,650,000 | 243,900 |
| 2032–2036 | 30,370,000 | 14,693,663 | – | – |
| 2037–2041 | 32,000,000 | 9,802,606 | – | – |
| 2042–2046 | 37,785,000 | 4,021,166 | – | – |
| | $ 156,965,000 | $ 72,211,236 | $ 6,820,000 | $ 964,662 |

## NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

### E. Changes in Long-Term Liabilities

| | Beginning Balance | Additions | Retirements | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| General obligation bonds payable | $ 161,160,000 | $ – | $ 4,195,000 | $ 156,965,000 | $ 4,705,000 |
| Certificates of participation payable | 2,305,000 | 6,820,000 | 2,305,000 | 6,820,000 | 610,000 |
| Unamortized premium/discount | 3,837,059 | 435,647 | 213,792 | 4,058,914 | – |
| Total bonds and certificates payable | 167,302,059 | 7,255,647 | 6,713,792 | 167,843,914 | 5,315,000 |
| Net pension liability | 44,304,266 | 13,888,261 | 4,041,878 | 54,150,649 | – |
| Net OPEB liability | 8,193,036 | 817,612 | 834,698 | 8,175,950 | – |
| Severance benefits payable | 1,162,499 | 90,922 | 286,782 | 966,639 | 451,669 |
| Compensated absences payable | 950,566 | 740,251 | 725,423 | 965,394 | 725,423 |
| | $ 221,912,426 | $ 22,792,693 | $ 12,602,573 | $ 232,102,546 | $ 6,492,092 |





## NOTE 5 – FUND BALANCES

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

### Classifications

At June 30, 2021, a summary of the District's governmental fund balance classifications are as follows:

| | General Fund | Capital Projects – Building Construction Fund | Debt Service Fund | Nonmajor Funds | Total |
|---|---|---|---|---|---|
| Nonspendable | | | | | |
| Inventory | $ – | $ – | $ – | $ 85,518 | $ 85,518 |
| Prepaid items | 146,426 | – | – | 12,795 | 159,221 |
| Total nonspendable | 146,426 | – | – | 98,313 | 244,739 |
| Restricted | | | | | |
| Student activities | 75,706 | – | – | – | 75,706 |
| Operating capital | 42,743 | – | – | – | 42,743 |
| Projects funded by COP | – | 1,974,559 | – | – | 1,974,559 |
| Long-term facilities maintenance | – | 291,440 | – | – | 291,440 |
| Capital projects | – | 408,049 | – | – | 408,049 |
| Debt service | – | – | 1,560,998 | – | 1,560,998 |
| Community education programs | – | – | – | 640,963 | 640,963 |
| Early childhood family education programs | – | – | – | 181,087 | 181,087 |
| School readiness | – | – | – | 107,480 | 107,480 |
| Community service | – | – | – | 526 | 526 |
| Total restricted | 118,449 | 2,674,048 | 1,560,998 | 930,056 | 5,283,551 |
| Assigned | | | | | |
| Severance | 451,669 | – | – | – | 451,669 |
| Unassigned | | | | | |
| Long-term facilities maintenance restricted account deficit | (538,489) | – | – | – | (538,489) |
| Unassigned | 2,715,968 | – | – | (92,601) | 2,623,367 |
| Total unassigned | 2,177,479 | – | – | (92,601) | 2,084,878 |
| Total | $ 2,894,023 | $ 2,674,048 | $ 1,560,998 | $ 935,768 | $ 8,064,837 |

## NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

### A. Plan Descriptions

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

#### 1. General Employees Retirement Fund (GERF)

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

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

#### 2. Teachers Retirement Association (TRA)

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

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

### B. Benefits Provided

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

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

#### 1. GERF Benefits

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





Benefit increases are provided to benefit recipients each January. The post-retirement increase will be equal to 50.0 percent of the cost of living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. For recipients receiving the annuity or benefit 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 the Rule of 90 are exempt from the delay to normal retirement.

#### 2. TRA Benefits

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

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

**Tier I Benefits**

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

With these provisions:

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

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

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

**Tier II Benefits**

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

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

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

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

## C. Contributions

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

### 1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2021, were $1,062,123. The District's contributions were equal to the required contributions as set by state statutes.

### 2. TRA Contributions

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

| | Year Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Employee | Employer | Employee | Employer | Employee | Employer |
| **Basic Plan** | 11.00 % | 11.71 % | 11.00 % | 11.92 % | 11.00 % | 12.13 % |
| **Coordinated Plan** | 7.50 % | 7.71 % | 7.50 % | 7.92 % | 7.50 % | 8.13 % |

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2021, were $2,756,049. The District's contributions were equal to the required contributions for each year as set by state statutes.



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

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

| | *in thousands* |
|---|---|
| Employer contributions reported in the TRA's Comprehensive Annual Financial Report Statement of Changes in Fiduciary Net Position | $ 425,223 |
| Add employer contributions not related to future contribution efforts | (56) |
| Deduct the TRA's contributions not included in allocation | (508) |
| Total employer contributions | 424,659 |
| Total nonemployer contributions | 35,587 |
| Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations | $ 460,246 |

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

## D. Pension Costs

### 1. GERF Pension Costs

At June 30, 2021, the District reported a liability of $12,518,514 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction, due to the state of Minnesota's contribution of $16 million. The state of Minnesota is considered a nonemployer 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 $386,136. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.2088 percent at the end of the measurement period and 0.2053 percent for the beginning of the period.

| | |
|---|---|
| District's proportionate share of the net pension liability | $ 12,518,514 |
| State's proportionate share of the net pension liability associated with the District | $ 386,136 |

For the year ended June 30, 2021, the District recognized pension expense of $169,241 for its proportionate share of the GERF's pension expense. In addition, the District recognized $33,590 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the annual $16 million contribution.

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

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 112,493 | $ 47,364 |
| Changes in actuarial assumptions | – | 467,776 |
| Net collective difference between projected and actual investment earnings | 132,627 | – |
| Changes in proportion | 145,131 | 567,806 |
| District's contributions to the GERF subsequent to the measurement date | 1,062,123 | – |
| Total | $ 1,452,374 | $ 1,082,946 |

The $1,062,123 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Pension Expense Amount |
|---|---|
| 2022 | $ (1,136,940) |
| 2023 | $ (144,280) |
| 2024 | $ 286,072 |
| 2025 | $ 302,453 |

### 2. TRA Pension Costs

At June 30, 2021, the District reported a liability of $41,632,135 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.5635 percent at the end of the measurement period and 0.5170 percent for the beginning of the period.

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

| | |
|---|---|
| District's proportionate share of the net pension liability | $ 41,632,135 |
| State's proportionate share of the net pension liability associated with the District | $ 3,488,762 |





For the year ended June 30, 2021, the District recognized pension expense of $5,187,891. It also recognized $319,594 as an increase to pension expense for the support provided by direct aid.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 834,893 | $ 634,614 |
| Changes in actuarial assumptions | 15,437,607 | 34,611,066 |
| Net difference between projected and actual investment earnings on pension plan investments | 540,225 | – |
| Changes in proportion | 4,815,418 | 8,015,212 |
| District's contributions to the TRA subsequent to the measurement date | 2,756,049 | – |
| Total | $ 24,384,192 | $ 43,260,892 |

A total of $2,756,049 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| Year Ending June 30, | Pension Expense Amount |
|---|---|
| 2022 | $ 182,152 |
| 2023 | $ (13,346,744) |
| 2024 | $ (10,265,925) |
| 2025 | $ 1,130,536 |
| 2026 | $ 667,232 |

### E. Actuarial Assumptions

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

| Assumptions | GERF | TRA |
|---|---|---|
| Inflation | 2..25% | 2.50% |
| Wage growth rate | | 2.85% before July 1, 2028, and 3.25% thereafter |
| Projected salary increase | 3.00% | |
| Active member payroll growth | | 2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter |
| Investment rate of return | 7.50% | 7.50% |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on Pub-2010 General Employee Mortality Table for the GERF Plan and the RP-2014 tables for the TRA for males and females, as appropriate, with slight adjustments to fit the PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the GERF and 1.00 percent for January 2020 through January 2023, then increasing by 0.10 percent each year, up to 1.50 percent annually for the TRA.

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

Actuarial assumptions used in the June 30, 2020 valuations were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent experience study in the TRA plan was completed in 2015, with economic assumptions updated in 2017.

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

### 1. GERF

**CHANGES IN ACTUARIAL ASSUMPTIONS**

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

**CHANGES IN PLAN PROVISIONS**

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

### 2. TRA

**CHANGES IN ACTUARIAL ASSUMPTIONS**

- Employer contribution rate increased from 7.92 percent to 8.13 percent in July 2020.





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

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

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

### F. Discount Rate

#### 1. GERF

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### 2. TRA

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

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

### G. Pension Liability Sensitivity

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

| | 1% Decrease in Discount Rate | Discount Rate | 1% Increase in Discount Rate |
|---|---|---|---|
| GERF discount rate | 6.50% | 7.50% | 8.50% |
| District's proportionate share of the GERF net pension liability | $ 20,062,836 | $ 12,518,514 | $ 6,295,055 |
| TRA discount rate | 6.50% | 7.50% | 8.50% |
| District's proportionate share of the TRA net pension liability | $ 63,738,358 | $ 41,632,135 | $ 23,417,725 |

### H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the PERA website at www.mnpera.org.

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



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

### A. Plan Description

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

The District administers a defined benefit Post-Employment Benefits Trust Fund. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund, established by the District to finance these obligations. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

### B. Benefits Provided

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

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

### C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has established the Post-Employment Benefits Trust Fund to finance these obligations.

### D. Membership

Membership in the plan consisted of the following as of the most recent study:

| | |
|---|---|
| Retirees and beneficiaries receiving benefits | 92 |
| Active plan members | 770 |
| Total members | 862 |

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

### E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020. The components of the net OPEB liability of the District at year-end were as follows:

| | |
|---|---|
| Total OPEB liability | $ 9,667,921 |
| Plan fiduciary net position | (1,491,971) |
| District's net OPEB liability | $ 8,175,950 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 15.4% |

### F. Actuarial Method and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Discount rate | 2.10% |
| Expected long-term investment return | 2.40% (net of investment expenses) |
| 20-year municipal bond yield | 2.10% |
| Inflation rate | 2.50% |
| Salary increases | Service graded table |
| Medical trend rate | 6.50%, grading to 5.00% over 6 years and then 4.00% over the next 48 years |
| Dental trend rate | 4.00% |

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.

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

The District's policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes.





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

| Asset Class | Target Allocation | Long-Term Expected Rate of Return |
|---|---|---|
| Fixed income | 95.00 % | 2.50 % |
| Cash | 5.00 | 1.00 % |
| Total | 100.00 % | 2.40 % |

### G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 1.2 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### H. Discount Rate

The discount rate used to measure the total OPEB liability was 2.10 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been taken into account. The District discount rate used in the prior measurement date was 2.40 percent.

**I. Changes in the Net OPEB Liability**

| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
|---|---|---|---|
| Beginning balance | $ 9,879,300 | $ 1,686,264 | $ 8,193,036 |
| Changes for the year | | | |
| Service cost | 642,830 | – | 642,830 |
| Interest | 249,731 | – | 249,731 |
| Assumption changes | (224,076) | – | (224,076) |
| Plan changes | 76,387 | – | 76,387 |
| Employer contributions | – | 19,710 | (19,710) |
| Net investment income | – | 40,470 | (40,470) |
| Differences between expected and actual experience | (721,541) | (19,513) | (702,028) |
| Benefit payments – employer financed | (19,710) | (19,710) | – |
| Benefit payments – paid by trust | (215,000) | (215,000) | – |
| Administrative expenses | – | (250) | 250 |
| Total net changes | (211,379) | (194,293) | (17,086) |
| Ending balance | $ 9,667,921 | $ 1,491,971 | $ 8,175,950 |

Plan changes since the prior measurement date include the following:

- A subsidy was added for the superintendent. Unused sick days over 200 times half of the daily rate of pay will be held by the District to pay medical premiums upon retirement.
- The coordinators' sick leave accrual increased from 18 days per year to 20 days per year.
- The substitute teachers' daily rate of pay increased from $120 to $130.

Assumption changes since the prior measurement date include the following:

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.
- The expected long-term investment return was changed from 2.90 percent to 2.40 percent.
- The discount rate was changed from 2.40 percent to 2.10 percent.







**J. Net OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes**

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

| | 1% Decrease in Discount Rate | Discount Rate | 1% Increase in Discount Rate |
|---|---|---|---|
| OPEB discount rate | 1.10% | 2.10% | 3.10% |
| Net OPEB liability | $ 8,758,295 | $ 8,175,950 | $ 7,615,866 |

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

| | 1% Decrease in Healthcare Trend Rate | Healthcare Trend Rate | 1% Increase in Healthcare Trend Rate |
|---|---|---|---|
| Medical trend rate | 5.50% decreasing to 4.00% then 3.00% | 6.50% decreasing to 5.00% then 4.00% | 7.50% decreasing to 6.00% then 5.00% |
| Dental trend rate | 3.00% | 4.00% | 5.00% |
| Net OPEB liability | $ 7,316,320 | $ 8,175,950 | $ 9,189,085 |

**K. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources**

For the current year ended, the District recognized OPEB expense of $817,612. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ – | $ 1,011,300 |
| Changes in actuarial assumptions | 441,295 | 360,435 |
| Differences between projected and actual investment earnings | 27,043 | – |
| Total | $ 468,338 | $ 1,371,735 |

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

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

| Year Ending June 30, | OPEB Expense Amount |
|---|---|
| 2022 | $ (120,159) |
| 2023 | $ (125,092) |
| 2024 | $ (128,279) |
| 2025 | $ (128,323) |
| 2026 | $ (132,221) |
| Thereafter | $ (269,323) |

## NOTE 8 – FLEXIBLE BENEFIT PLAN

The District has a cafeteria plan (the Plan) established under § 125 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits.

Before the beginning of the Plan year, which is from September 1 to August 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant. 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.

The Plan is administered by the District for child care, medical expense reimbursements, and health insurance premiums. The District withholds amounts from employee payroll checks equal to the amount of the health insurance premiums owing and makes the premium payments when due. These payments are recorded in the General Fund. The medical reimbursement and dependent care activity in the financial statements is accounted for 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 of general creditors of the District in an amount equal to the eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.



## NOTE 9 – HEALTHCARE REIMBURSEMENT PLAN

The District also maintains a healthcare reimbursement plan (the Healthcare Plan) under § 105 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Participants may use the funds contributed by the District to be reimbursed for uninsured health expenses paid, additional costs associated with health insurance coverage, or insurance premiums paid under a spouse or dependent plan.

All assets of the Healthcare Plan are held by the District. The Healthcare Plan is administered by an independent contract administrator and is included in the financial statements in the various district funds.

All property of the Healthcare Plan 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 Healthcare Plan are equal to those of general creditors of the District in an amount equal to the eligible healthcare expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

## NOTE 10 – INTERFUND TRANSACTIONS

### A. Interfund Receivables and Payables

The District's General Fund has an interfund receivable from the fiduciary Post-Employment Benefits Trust Fund relating to post-employment benefit costs of $215,000 to be reimbursed as of June 30, 2021.

The District's General Fund had an interfund receivable from the Food Service Special Revenue Fund and Capital Projects – Building Construction Fund of $275,365 and $75,541, respectively, to eliminate temporary cash balance deficits.

Interfund receivables and payables reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements. However, receivables and payables between the District's governmental activities and the fiduciary fund are not eliminated.

### B. Interfund Transfers

The District's General Fund transferred $54,178 to the Capital Projects – Building Construction Fund and $26,685 to the Debt Service Fund as required with the certificates of participation debt issued in the current year.

Interfund transfers are reported in the fund financial statements, but are eliminated in the government-wide financial statements.

## NOTE 11 – OPERATING LEASES

The District has operating bus leases for student transportation. The leases have monthly payments ranging from $1,124 to $34,467, and expire at various times through September 2027. Operating lease expenditures for the year ended June 30, 2021 were $1,171,326.

The District is currently utilizing space under an operating lease agreement for the Step Program. The lease has monthly payments ranging from $12,553 to $13,931, and will expire in November 2024. Operating lease expenditures for the year ended June 30, 2021 were $158,889.

## NOTE 11 – OPERATING LEASES (CONTINUED)

Future commitments on these leases are as follows:

| Year Ending June 30, | Bus Leases | Space Lease |
|---|---|---|
| 2022 | $ 1,202,984 | $ 161,272 |
| 2023 | 1,423,154 | 163,691 |
| 2024 | 1,373,234 | 166,145 |
| 2025 | 694,846 | 69,657 |
| 2026 | 173,796 | – |
| 2027–2028 | 150,432 | – |
| | $ 5,018,446 | $ 560,765 |

## NOTE 12 – COMMITMENTS AND CONTINGENCIES

### A. Federal and State Revenues

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

### B. Legal Claims

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

### C. Construction Contracts

At June 30, 2021, the District had commitments totaling $6,147,620 under various construction contracts for which the work was not yet completed.

### D. Guaranteed Energy Savings Commitment

During fiscal year 2016, the District entered into a guaranteed energy savings agreement under Minnesota Statutes, Section 471.345, Subd. 13, not to exceed 20 years. This agreement is for the purpose of implementing comprehensive utility cost-saving measures to improve the energy efficiency of school district facilities. As of June 30, 2021, the District has recorded $1,895,000 as an intangible asset related to this energy savings contract. Total accumulated depreciation on these intangible assets at year-end was $566,058. The District is also required to purchase the energy generated by the solar panels owned by the provider that are installed on various buildings of the District.



## NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

### E. Purchase Power Commitment

During fiscal year 2018, the District entered into five community solar garden subscription agreements. The District is committed to purchasing up to 36.94 percent of the annual delivered energy of three solar systems, 29.77 percent of the annual delivered energy of one solar system, and 34.25 percent of the annual delivered energy of one solar system for a period of 25 years from the commercial operation starting date to receive bill credits associated with the energy production.

During fiscal year 2018, the District entered into two community solar garden subscription agreements. The District is committed to purchasing up to 23.00 percent of the annual delivered energy for a period of 25 years from the commercial operation date of December 31, 2017 to receive bill credits associated with the energy production.

During fiscal year 2019, the District entered into one community solar garden subscription agreement. The District is committed to purchasing up to 40.00 percent of the annual delivered energy for a period of 25 years from the commercial operation starting date to receive bill credits associated with the energy production.

During fiscal year 2019, the District entered into two community solar garden subscription agreements. The District is committed to purchasing up to 36.00 percent of the annual delivered energy for a period of 25 years from the commercial operation date of September 30, 2018 to receive bill credits associated with the energy production.

During fiscal year 2021, the District entered into two community solar garden subscription agreements. The District is committed to purchasing up to 6.70 percent of the annual delivered energy of one solar system and 2.00 percent of the annual delivered energy of one solar system. These agreements are for a period of 25 years from the estimated commercial operation date of July 30, 2021 to receive bill credits associated with the energy production.

During fiscal year 2021, the District entered into one community solar garden subscription agreement. The District is committed to purchasing up to 5.22 percent of the annual delivered energy for a period of 25 years from the estimated commercial operation date of July 30, 2021 to receive bill credits associated with the energy production.

During fiscal year 2021, the District entered into one community solar garden subscription agreement. The District is committed to purchasing up to 6.70 percent of the annual delivered energy for a period of 25 years from the estimated commercial operation date of July 30, 2021 to receive bill credits associated with the energy production.

During fiscal year 2021, the District entered into one community solar garden subscription agreement. The District is committed to purchasing up to 2.57 percent of the annual delivered energy for a period of 25 years from the estimated commercial operation date of July 30, 2021 to receive bill credits associated with the energy production.

During fiscal year 2021, the District entered into one community solar garden subscription agreement. The District is committed to purchasing up to 10.00 percent of the annual delivered energy for a period of 25 years from the estimated commercial operation date of July 30, 2021 to receive bill credits associated with the energy production.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**F. COVID-19**

The COVID-19 pandemic has caused numerous financial and operation challenges for districts in fiscal 2021, and is expected to have a significant impact for fiscal 2022 and possibly beyond. Any potential effects it may have on the District's future operations and financial condition cannot be determined at this time and have not been reflected in these financial statements.



REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 831

Public Employees Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2021

| District Fiscal Year-End Date | PERA Fiscal Year-End Date (Measurement Date) | District's Proportion of the Net Pension Liability | District's Proportionate Share of the Net Pension Liability | District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability | Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability | District's Covered Payroll | District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|---|---|
| 06/30/2015 | 06/30/2014 | 0.2504% | $ 11,762,537 | $ – | $ 11,762,537 | $ 13,148,109 | 89.46% | 78.70% |
| 06/30/2016 | 06/30/2015 | 0.2348% | $ 12,168,555 | $ – | $ 12,168,555 | $ 13,777,131 | 88.32% | 78.20% |
| 06/30/2017 | 06/30/2016 | 0.2280% | $ 18,512,470 | $ 241,803 | $ 18,754,273 | $ 14,132,795 | 130.99% | 68.90% |
| 06/30/2018 | 06/30/2017 | 0.2318% | $ 14,797,960 | $ 186,086 | $ 14,984,046 | $ 14,933,242 | 99.09% | 75.90% |
| 06/30/2019 | 06/30/2018 | 0.2176% | $ 12,071,556 | $ 396,078 | $ 12,467,634 | $ 14,645,936 | 82.42% | 79.50% |
| 06/30/2020 | 06/30/2019 | 0.2053% | $ 11,350,577 | $ 352,818 | $ 11,703,395 | $ 14,467,360 | 78.46% | 80.20% |
| 06/30/2021 | 06/30/2020 | 0.2088% | $ 12,518,514 | $ 386,136 | $ 12,904,650 | $ 14,891,478 | 84.06% | 79.10% |

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2021

| District Fiscal Year-End Date | Statutorily Required Contributions | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 06/30/2015 | $ 1,018,736 | $ 1,018,736 | $ – | $ 13,777,131 | 7.39% |
| 06/30/2016 | $ 1,060,550 | $ 1,060,550 | $ – | $ 14,132,795 | 7.50% |
| 06/30/2017 | $ 1,120,066 | $ 1,120,066 | $ – | $ 14,933,242 | 7.50% |
| 06/30/2018 | $ 1,096,981 | $ 1,096,981 | $ – | $ 14,645,936 | 7.49% |
| 06/30/2019 | $ 1,084,088 | $ 1,084,088 | $ – | $ 14,467,360 | 7.49% |
| 06/30/2020 | $ 1,116,340 | $ 1,116,340 | $ – | $ 14,891,478 | 7.50% |
| 06/30/2021 | $ 1,062,123 | $ 1,062,123 | $ – | $ 14,171,781 | 7.49% |

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



INDEPENDENT SCHOOL DISTRICT NO. 831

Teachers Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2021

| District Fiscal Year-End Date | TRA Fiscal Year-End Date (Measurement Date) | District's Proportion of the Net Pension Liability | District's Proportionate Share of the Net Pension Liability | District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability | Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability | District's Covered Payroll | District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|---|---|
| 06/30/2015 | 06/30/2014 | 0.6615% | $ 30,481,444 | $ 2,144,221 | $ 32,625,665 | $ 30,196,677 | 100.94% | 81.50% |
| 06/30/2016 | 06/30/2015 | 0.6052% | $ 37,437,605 | $ 4,591,853 | $ 42,029,458 | $ 30,724,443 | 121.85% | 76.80% |
| 06/30/2017 | 06/30/2016 | 0.5824% | $138,916,297 | $ 13,944,490 | $152,860,787 | $ 30,285,682 | 458.69% | 44.88% |
| 06/30/2018 | 06/30/2017 | 0.6119% | $122,146,340 | $ 11,808,367 | $133,954,707 | $ 32,939,487 | 370.82% | 51.57% |
| 06/30/2019 | 06/30/2018 | 0.5462% | $ 34,306,472 | $ 3,223,106 | $ 37,529,578 | $ 30,174,216 | 113.69% | 78.07% |
| 06/30/2020 | 06/30/2019 | 0.5170% | $ 32,953,689 | $ 2,916,546 | $ 35,870,235 | $ 29,353,536 | 112.26% | 78.21% |
| 06/30/2021 | 06/30/2020 | 0.5635% | $ 41,632,135 | $ 3,488,762 | $ 45,120,897 | $ 32,746,274 | 127.14% | 75.48% |

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2021

| District Fiscal Year-End Date | Statutorily Required Contributions | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 06/30/2015 | $ 2,304,333 | $ 2,304,333 | $ – | $ 30,724,443 | 7.50% |
| 06/30/2016 | $ 2,271,426 | $ 2,271,426 | $ – | $ 30,285,682 | 7.50% |
| 06/30/2017 | $ 2,470,228 | $ 2,470,228 | $ – | $ 32,939,487 | 7.50% |
| 06/30/2018 | $ 2,267,163 | $ 2,267,163 | $ – | $ 30,174,216 | 7.51% |
| 06/30/2019 | $ 2,262,283 | $ 2,262,283 | $ – | $ 29,353,536 | 7.71% |
| 06/30/2020 | $ 2,593,206 | $ 2,593,206 | $ – | $ 32,746,274 | 7.92% |
| 06/30/2021 | $ 2,756,049 | $ 2,756,049 | $ – | $ 33,899,760 | 8.13% |

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

Other Post-Employment Benefits Plan
Schedule of Changes in the District's Net
OPEB Liability and Related Ratios
Year Ended June 30, 2021

| | District Fiscal Year-End Date | | | | |
|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Total OPEB liability | | | | | |
| Service cost | $ 492,508 | $ 458,783 | $ 499,612 | $ 577,722 | $ 642,830 |
| Interest | 245,576 | 257,179 | 315,686 | 289,203 | 249,731 |
| Assumption changes | – | (290,265) | 233,741 | 367,034 | (224,076) |
| Plan changes | – | – | 25,530 | – | 76,387 |
| Differences between expected and actual experience | – | – | (554,899) | – | (721,541) |
| Benefit payments | (340,848) | (267,136) | (364,440) | (210,518) | (234,710) |
| Net change in total OPEB liability | 397,236 | 158,561 | 155,230 | 1,023,441 | (211,379) |
| Total OPEB liability – beginning of year | 8,144,832 | 8,542,068 | 8,700,629 | 8,855,859 | 9,879,300 |
| Total OPEB liability – end of year | 8,542,068 | 8,700,629 | 8,855,859 | 9,879,300 | 9,667,921 |
| Plan fiduciary net position | | | | | |
| Employer contributions | – | – | 14,440 | – | 19,710 |
| Net investment income | 19,917 | 32,754 | 51,796 | 53,470 | 40,470 |
| Differences between expected and actual experience | – | – | (15,935) | (210) | (19,513) |
| Benefit payments | (340,848) | (267,136) | (364,440) | (210,518) | (234,710) |
| Administrative expenses | (250) | (250) | (250) | (250) | (250) |
| Net change in plan fiduciary net position | (321,181) | (234,632) | (314,389) | (157,508) | (194,293) |
| Plan fiduciary net position – beginning of year | 2,713,974 | 2,392,793 | 2,158,161 | 1,843,772 | 1,686,264 |
| Plan fiduciary net position – end of year | 2,392,793 | 2,158,161 | 1,843,772 | 1,686,264 | 1,491,971 |
| Net OPEB liability | $ 6,149,275 | $ 6,542,468 | $ 7,012,087 | $ 8,193,036 | $ 8,175,950 |
| Fiduciary net position as a percentage of the total OPEB liability | 28.0% | 24.8% | 20.8% | 17.1% | 15.4% |
| Covered-employee payroll | $ 39,738,394 | $ 40,930,546 | $ 37,903,982 | $ 39,041,102 | $ 42,337,029 |
| Net OPEB liability as a percentage of covered-employee payroll | 15.5% | 16.0% | 18.5% | 21.0% | 19.3% |

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.





Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2021

| Year | Annual Money-Weighted Rate of Return Net of Investment Expense |
|---|---|
| 2017 | 0.70% |
| 2018 | 1.40% |
| 2019 | 1.70% |
| 2020 | 2.90% |
| 2021 | 1.20% |

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

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## PERA – GENERAL EMPLOYEES RETIREMENT FUND

### 2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

### 2020 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)**

**2019 CHANGES IN PLAN PROVISIONS**

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

**2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2018 CHANGES IN PLAN PROVISIONS**

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

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

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







**PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)**

**2017 CHANGES IN PLAN PROVISIONS**

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

**2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2016 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2015 CHANGES IN PLAN PROVISIONS**

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

**2015 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

## TEACHERS RETIREMENT ASSOCIATION (TRA)

### 2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

### 2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.







## TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

### 2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

### 2015 CHANGES IN PLAN PROVISIONS

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

### 2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

## OTHER POST-EMPLOYMENT BENEFITS PLAN

**2021 CHANGES IN PLAN PROVISIONS**

- A subsidy was added for the superintendent. Unused sick days over 200 times half of the daily rate of pay will be held by the District to pay medical premiums upon retirement.
- The coordinators' sick leave accrual increased from 18 days per year to 20 days per year.
- The substitute teachers' daily rate of pay increased from $120 to $130.

**2021 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.
- The expected long-term investment return was changed from 2.90 percent to 2.40 percent.
- The discount rate was changed from 2.40 percent to 2.10 percent.

**2020 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The expected long-term investment return was changed from 2.40 percent to 2.90 percent.
- The discount rate was changed from 3.10 percent to 2.40 percent.

**2019 CHANGES IN PLAN PROVISIONS**

- Unused sick days over 100 but limited to 50 days, times the daily rate of pay, is being held by the District to pay medical premiums for the superintendent, who retired during 2017. This benefit was not valued in the prior valuation.

**2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.50 percent to 3.10 percent.
- The trend on estimated post-age 65 premiums, which are assumed to be withdrawn from unused sick leave balances held by the District, was changed from being the same as the healthcare trend rates noted above to, 4.00 percent per year.





## OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

**2019 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)**

- For current and future retirees, except directors, we previously assumed the full pre- and post-age 65 premium amounts would be withdrawn from unused sick leave balances each year. This valuation we are assuming 50.00 percent of these amounts will be withdrawn each year. For directors, we are assuming $5,000 (increasing 4.00 percent per year) will be withdrawn each year, starting after the 10 years of district-paid premiums ends. This is the same assumption used in the prior valuation.

**2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 2.90 percent to 3.50 percent.

SUPPLEMENTAL INFORMATION

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INDEPENDENT SCHOOL DISTRICT NO. 831

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2021

| | Special Revenue Funds | | |
|---|---|---|---|
| | Food Service | Community Service | Total |
| **Assets** | | | |
| Cash and temporary investments | $ – | $ 1,123,309 | $ 1,123,309 |
| Receivables | | | |
| Current taxes | – | 479,564 | 479,564 |
| Delinquent taxes | – | 20,144 | 20,144 |
| Accounts and interest | – | 8,079 | 8,079 |
| Due from other governmental units | 451,752 | 328,055 | 779,807 |
| Inventory | 85,518 | – | 85,518 |
| Prepaid items | 10,297 | 2,498 | 12,795 |
| Total assets | $ 547,567 | $ 1,961,649 | $ 2,509,216 |
| **Liabilities** | | | |
| Salaries payable | $ 13,604 | $ 117,826 | $ 131,430 |
| Accounts and contracts payable | 28,286 | 34,007 | 62,293 |
| Due to other governmental units | – | 21 | 21 |
| Due to other funds | 275,365 | – | 275,365 |
| Unearned revenue | 227,098 | 6,000 | 233,098 |
| Total liabilities | 544,353 | 157,854 | 702,207 |
| **Deferred inflows of resources** | | | |
| Property taxes levied for subsequent year | – | 860,199 | 860,199 |
| Unavailable revenue – delinquent taxes | – | 11,042 | 11,042 |
| Total deferred inflows of resources | – | 871,241 | 871,241 |
| **Fund balances** | | | |
| Nonspendable | 95,815 | 2,498 | 98,313 |
| Restricted | – | 930,056 | 930,056 |
| Unassigned | (92,601) | – | (92,601) |
| Total fund balances | 3,214 | 932,554 | 935,768 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 547,567 | $ 1,961,649 | $ 2,509,216 |



INDEPENDENT SCHOOL DISTRICT NO. 831

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2021

| | Special Revenue Funds | | |
|---|---|---|---|
| | Food Service | Community Service | Total |
| **Revenue** | | | |
| Local sources | | | |
| Property taxes | $ – | $ 1,246,465 | $ 1,246,465 |
| Investment earnings | – | 2,083 | 2,083 |
| Other | 134,182 | 2,295,343 | 2,429,525 |
| State sources | 56,137 | 838,760 | 894,897 |
| Federal sources | 2,677,956 | 202,276 | 2,880,232 |
| Total revenue | 2,868,275 | 4,584,927 | 7,453,202 |
| **Expenditures** | | | |
| Current | | | |
| Food service | 3,081,156 | – | 3,081,156 |
| Community service | – | 4,318,977 | 4,318,977 |
| Capital outlay | 1,148 | 4,524 | 5,672 |
| Total expenditures | 3,082,304 | 4,323,501 | 7,405,805 |
| Excess (deficiency) of revenue over expenditures | (214,029) | 261,426 | 47,397 |
| **Fund balances** | | | |
| Beginning of year | 217,243 | 671,128 | 888,371 |
| End of year | $ 3,214 | $ 932,554 | $ 935,768 |

General Fund
Comparative Balance Sheet
as of June 30, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| Assets | | |
| Cash and temporary investments | $ 12,027,487 | $ 10,715,425 |
| Receivables | | |
| Current taxes | 9,917,123 | 10,349,315 |
| Delinquent taxes | 266,383 | 250,528 |
| Accounts and interest | 84,081 | 226,881 |
| Due from other governmental units | 6,806,104 | 6,319,907 |
| Due from other funds | 565,906 | 210,518 |
| Prepaid items | 146,426 | 37,519 |
| Total assets | $ 29,813,510 | $ 28,110,093 |
| Liabilities | | |
| Salaries payable | $ 358,750 | $ 414,334 |
| Accounts and contracts payable | 9,128,312 | 8,263,651 |
| Due to other governmental units | 280,242 | 397,486 |
| Unearned revenue | 80,575 | 1,000 |
| Total liabilities | 9,847,879 | 9,076,471 |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | 16,927,911 | 16,191,139 |
| Unavailable revenue – delinquent taxes | 143,697 | 195,239 |
| Total deferred inflows of resources | 17,071,608 | 16,386,378 |
| Fund balances (deficits) | | |
| Nonspendable for prepaid items | 146,426 | 37,519 |
| Restricted for student activities | 75,706 | 86,960 |
| Restricted for operating capital | 42,743 | – |
| Restricted for achievement and integration | – | 74,287 |
| Assigned for severance | 451,669 | 475,778 |
| Unassigned – long-term facilities maintenance restricted account deficit | (538,489) | (978,498) |
| Unassigned | 2,715,968 | 2,951,198 |
| Total fund balances | 2,894,023 | 2,647,244 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 29,813,510 | $ 28,110,093 |





General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

| | 2021 | | | 2020 |
|---|---|---|---|---|
| | Budget | Actual | Over (Under) Budget | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | $ 16,950,000 | $ 17,321,043 | $ 371,043 | $ 16,942,049 |
| Investment earnings | 85,000 | 68,777 | (16,223) | 188,443 |
| Other | 2,113,900 | 2,142,430 | 28,530 | 2,372,320 |
| State sources | 57,401,100 | 57,516,905 | 115,805 | 57,199,212 |
| Federal sources | 3,600,000 | 4,146,102 | 546,102 | 2,119,589 |
| Total revenue | 80,150,000 | 81,195,257 | 1,045,257 | 78,821,613 |
| Expenditures | | | | |
| Current | | | | |
| Administration | | | | |
| Salaries | 2,389,890 | 2,453,482 | 63,592 | 2,230,326 |
| Employee benefits | 1,036,848 | 1,051,121 | 14,273 | 1,049,777 |
| Purchased services | 41,089 | 50,973 | 9,884 | 32,356 |
| Supplies and materials | 16,674 | 6,731 | (9,943) | 8,965 |
| Capital expenditures | – | 392 | 392 | – |
| Other expenditures | 50,500 | 52,586 | 2,086 | 51,334 |
| Total administration | 3,535,001 | 3,615,285 | 80,284 | 3,372,758 |
| District support services | | | | |
| Salaries | 1,121,068 | 1,103,362 | (17,706) | 1,327,397 |
| Employee benefits | 655,431 | 558,888 | (96,543) | 587,190 |
| Purchased services | 998,133 | 1,130,107 | 131,974 | 834,531 |
| Supplies and materials | 137,500 | 101,984 | (35,516) | 147,013 |
| Other expenditures | 7,000 | 8,946 | 1,946 | 10,206 |
| Total district support services | 2,919,132 | 2,903,287 | (15,845) | 2,906,337 |
| Elementary and secondary regular instruction | | | | |
| Salaries | 19,607,551 | 19,367,681 | (239,870) | 17,843,907 |
| Employee benefits | 7,969,767 | 7,683,156 | (286,611) | 7,384,858 |
| Purchased services | 891,838 | 1,189,688 | 297,850 | 992,854 |
| Supplies and materials | 769,029 | 739,828 | (29,201) | 829,909 |
| Capital expenditures | 225,000 | 427,819 | 202,819 | – |
| Other expenditures | 10,300 | 147,898 | 137,598 | 140,328 |
| Total elementary and secondary regular instruction | 29,473,485 | 29,556,070 | 82,585 | 27,191,856 |



(continued)

INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

| | 2021 Budget | 2021 Actual | 2021 Over (Under) Budget | 2020 Actual |
|---|---|---|---|---|
| Expenditures (continued) | | | | |
| Current (continued) | | | | |
| Vocational education instruction | | | | |
| Salaries | 1,000,351 | 1,102,925 | 102,574 | 1,063,448 |
| Employee benefits | 336,498 | 426,886 | 90,388 | 395,819 |
| Purchased services | 28,300 | 24,321 | (3,979) | 36,311 |
| Supplies and materials | 41,450 | 55,017 | 13,567 | 52,792 |
| Capital expenditures | 20,000 | 22,119 | 2,119 | 1,994 |
| Other expenditures | – | 7,668 | 7,668 | 5,167 |
| Total vocational education instruction | 1,426,599 | 1,638,936 | 212,337 | 1,555,531 |
| Special education instruction | | | | |
| Salaries | 9,596,792 | 9,377,258 | (219,534) | 9,368,808 |
| Employee benefits | 3,238,519 | 3,456,578 | 218,059 | 3,453,447 |
| Purchased services | 334,810 | 485,728 | 150,918 | 664,919 |
| Supplies and materials | 23,700 | 93,934 | 70,234 | 63,635 |
| Capital expenditures | – | 11,773 | 11,773 | 30,894 |
| Other expenditures | 45,391 | 58,882 | 13,491 | 55,477 |
| Total special education instruction | 13,239,212 | 13,484,153 | 244,941 | 13,637,180 |
| Instructional support services | | | | |
| Salaries | 4,907,860 | 4,663,684 | (244,176) | 5,439,104 |
| Employee benefits | 1,232,720 | 1,518,858 | 286,138 | 1,607,240 |
| Purchased services | 199,400 | 639,814 | 440,414 | 284,021 |
| Supplies and materials | 80,135 | 117,592 | 37,457 | 103,999 |
| Capital expenditures | 1,000 | 21,287 | 20,287 | – |
| Other expenditures | 14,100 | 38,100 | 24,000 | 33,208 |
| Total instructional support services | 6,435,215 | 6,999,335 | 564,120 | 7,467,572 |
| Pupil support services | | | | |
| Salaries | 4,893,800 | 4,908,238 | 14,438 | 5,009,748 |
| Employee benefits | 2,019,572 | 2,092,550 | 72,978 | 2,156,501 |
| Purchased services | 2,656,030 | 3,217,465 | 561,435 | 2,803,557 |
| Supplies and materials | 713,512 | 548,356 | (165,156) | 699,443 |
| Capital expenditures | – | 5,181 | 5,181 | 781,466 |
| Other expenditures | – | 20,436 | 20,436 | 21,225 |
| Total pupil support services | 10,282,914 | 10,792,226 | 509,312 | 11,471,940 |



(continued)



| | 2021 Budget | 2021 Actual | 2021 Over (Under) Budget | 2020 Actual |
|---|---|---|---|---|
| Expenditures (continued) | | | | |
| Current (continued) | | | | |
| Sites and buildings | | | | |
| Salaries | 2,280,834 | 2,388,795 | 107,961 | 2,444,367 |
| Employee benefits | 1,117,085 | 1,131,863 | 14,778 | 1,141,889 |
| Purchased services | 2,266,400 | 3,388,941 | 1,122,541 | 2,778,762 |
| Supplies and materials | 307,000 | 423,945 | 116,945 | 55,541 |
| Capital expenditures | 5,511,414 | 3,668,079 | (1,843,335) | 3,895,898 |
| Other expenditures | 118,709 | 9,520 | (109,189) | 8,811 |
| Total sites and buildings | 11,601,442 | 11,011,143 | (590,299) | 10,325,268 |
| Fiscal and other fixed cost programs | | | | |
| Purchased services | 650,000 | 645,420 | (4,580) | 650,000 |
| Debt service | | | | |
| Principal | 125,000 | 125,000 | – | 120,000 |
| Interest and fiscal charges | 114,000 | 110,760 | (3,240) | 114,360 |
| Total debt service | 239,000 | 235,760 | (3,240) | 234,360 |
| Total expenditures | 79,802,000 | 80,881,615 | 1,079,615 | 78,812,802 |
| Excess (deficiency) of revenue over expenditures | 348,000 | 313,642 | (34,358) | 8,811 |
| Other financing sources (uses) | | | | |
| Sale of assets | – | 14,000 | 14,000 | 14,000 |
| Transfers out | – | (80,863) | (80,863) | – |
| Total other financing sources (uses) | – | (66,863) | (66,863) | 14,000 |
| Net change in fund balances | $ 348,000 | 246,779 | $ (101,221) | 22,811 |
| Fund balances | | | | |
| Beginning of year | | 2,647,244 | | 2,624,433 |
| End of year | | $ 2,894,023 | | $ 2,647,244 |

INDEPENDENT SCHOOL DISTRICT NO. 831

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| Assets | | |
| Cash and temporary investments | $ – | $ 254,581 |
| Receivables | | |
| Due from other governmental units | 451,752 | 69,276 |
| Inventory | 85,518 | 129,240 |
| Prepaid items | 10,297 | – |
| Total assets | $ 547,567 | $ 453,097 |
| Liabilities | | |
| Salaries payable | $ 13,604 | $ 15,784 |
| Accounts and contracts payable | 28,286 | 20,346 |
| Due to other funds | 275,365 | – |
| Unearned revenue | 227,098 | 199,724 |
| Total liabilities | 544,353 | 235,854 |
| Fund balances | | |
| Nonspendable for inventory | 85,518 | 129,240 |
| Nonspendable for prepaid items | 10,297 | – |
| Restricted for food service | – | 88,003 |
| Unassigned for food service | (92,601) | – |
| Total fund balances | 3,214 | 217,243 |
| Total liabilities and fund balances | $ 547,567 | $ 453,097 |



INDEPENDENT SCHOOL DISTRICT NO. 831

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

| | 2021 | | | 2020 |
|---|---|---|---|---|
| | Budget | Actual | Over (Under) Budget | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Investment earnings | $ – | $ – | $ – | $ 11,310 |
| Other – primarily meal sales | 1,210,464 | 134,182 | (1,076,282) | 1,768,431 |
| State sources | 207,844 | 56,137 | (151,707) | 174,707 |
| Federal sources | 1,823,905 | 2,677,956 | 854,051 | 1,289,302 |
| Total revenue | 3,242,213 | 2,868,275 | (373,938) | 3,243,750 |
| Expenditures | | | | |
| Current | | | | |
| Salaries | 1,372,946 | 1,340,592 | (32,354) | 1,368,593 |
| Employee benefits | 415,797 | 403,415 | (12,382) | 533,592 |
| Purchased services | 153,028 | 63,888 | (89,140) | 125,805 |
| Supplies and materials | 1,694,558 | 1,271,718 | (422,840) | 1,480,466 |
| Other expenditures | 1,868 | 1,543 | (325) | 1,660 |
| Capital outlay | 71,570 | 1,148 | (70,422) | 10,589 |
| Total expenditures | 3,709,767 | 3,082,304 | (627,463) | 3,520,705 |
| Excess (deficiency) of revenue over expenditures | (467,554) | (214,029) | 253,525 | (276,955) |
| Other financing sources | | | | |
| Sale of assets | – | – | – | 11,575 |
| Net change in fund balances | $ (467,554) | (214,029) | $ 253,525 | (265,380) |
| Fund balances | | | | |
| Beginning of year | | 217,243 | | 482,623 |
| End of year | | $ 3,214 | | $ 217,243 |

INDEPENDENT SCHOOL DISTRICT NO. 831

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| Assets | | |
| Cash and temporary investments | $ 1,123,309 | $ 1,141,495 |
| Receivables | | |
| Current taxes | 479,564 | 749,919 |
| Delinquent taxes | 20,144 | 18,937 |
| Accounts and interest | 8,079 | 7,561 |
| Due from other governmental units | 328,055 | 158,577 |
| Prepaid items | 2,498 | 860 |
| Total assets | $ 1,961,649 | $ 2,077,349 |
| Liabilities | | |
| Salaries payable | $ 117,826 | $ 114,146 |
| Accounts and contracts payable | 34,007 | 24,837 |
| Due to other governmental units | 21 | 321 |
| Unearned revenue | 6,000 | 6,456 |
| Total liabilities | 157,854 | 145,760 |
| Deferred inflows of resources | | |
| Property taxes levied for subsequent year | 860,199 | 1,245,373 |
| Unavailable revenue – delinquent taxes | 11,042 | 15,088 |
| Total deferred inflows of resources | 871,241 | 1,260,461 |
| Fund balances | | |
| Nonspendable for prepaid items | 2,498 | 860 |
| Restricted for community education programs | 640,963 | 586,470 |
| Restricted for early childhood family education programs | 181,087 | 40,000 |
| Restricted for school readiness | 107,480 | 40,000 |
| Restricted for community service | 526 | 3,798 |
| Total fund balances | 932,554 | 671,128 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 1,961,649 | $ 2,077,349 |



INDEPENDENT SCHOOL DISTRICT NO. 831

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

| | 2021 | | | 2020 |
|---|---|---|---|---|
| | Budget | Actual | Over (Under) Budget | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Property taxes | $ 1,241,817 | $ 1,246,465 | $ 4,648 | $ 1,202,192 |
| Investment earnings | – | 2,083 | 2,083 | 24,797 |
| Other – primarily tuition and fees | 2,481,488 | 2,295,343 | (186,145) | 2,318,311 |
| State sources | 725,195 | 838,760 | 113,565 | 782,664 |
| Federal sources | 1,500 | 202,276 | 200,776 | 3,571 |
| Total revenue | 4,450,000 | 4,584,927 | 134,927 | 4,331,535 |
| Expenditures | | | | |
| Current | | | | |
| Salaries | 2,979,943 | 2,806,171 | (173,772) | 3,105,909 |
| Employee benefits | 934,337 | 998,144 | 63,807 | 1,032,900 |
| Purchased services | 328,920 | 371,547 | 42,627 | 455,514 |
| Supplies and materials | 169,700 | 139,111 | (30,589) | 149,636 |
| Other expenditures | 5,950 | 4,004 | (1,946) | 4,657 |
| Capital outlay | 21,150 | 4,524 | (16,626) | 11,795 |
| Total expenditures | 4,440,000 | 4,323,501 | (116,499) | 4,760,411 |
| Net change in fund balances | $ 10,000 | 261,426 | $ 251,426 | (428,876) |
| Fund balances | | | | |
| Beginning of year | | 671,128 | | 1,100,004 |
| End of year | | $ 932,554 | | $ 671,128 |

INDEPENDENT SCHOOL DISTRICT NO. 831

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| Assets | | |
| Cash and temporary investments | $ – | $ 4,412,320 |
| Cash and investments held by trustee | 4,903,798 | – |
| Receivables | | |
| Accounts and interest | 5,338 | 1,702 |
| Total assets | $ 4,909,136 | $ 4,414,022 |
| Liabilities | | |
| Accounts and contracts payable | $ 2,159,547 | $ 504,340 |
| Due to other funds | 75,541 | – |
| Total liabilities | 2,235,088 | 504,340 |
| Fund balances | | |
| Restricted for projects funded by COP | 1,974,559 | – |
| Restricted for long-term facilities maintenance | 291,440 | 2,352,188 |
| Restricted for capital projects | 408,049 | 1,557,494 |
| Total fund balances | 2,674,048 | 3,909,682 |
| Total liabilities and fund balances | $ 4,909,136 | $ 4,414,022 |



INDEPENDENT SCHOOL DISTRICT NO. 831

Capital Projects – Building Construction Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

| | 2021 | | | 2020 |
|---|---|---|---|---|
| | Budget | Actual | Over (Under) Budget | Actual |
| Revenue | | | | |
| Local sources | | | | |
| Investment earnings | $ 50,000 | $ 25,034 | $ (24,966) | $ 54,393 |
| Other | – | 753 | 753 | – |
| Total revenue | 50,000 | 25,787 | (24,213) | 54,393 |
| Expenditures | | | | |
| Capital outlay | | | | |
| Salaries | – | – | – | 47,238 |
| Employee benefits | – | – | – | 20,140 |
| Purchased services | 500,000 | 267,364 | (232,636) | 1,287,987 |
| Capital expenditures | 3,000,000 | 5,882,258 | 2,882,258 | 9,456,634 |
| Debt service | | | | |
| Fiscal charges and other | – | 155,400 | 155,400 | 173,692 |
| Total expenditures | 3,500,000 | 6,305,022 | 2,805,022 | 10,985,691 |
| Excess (deficiency) of revenue over expenditures | (3,450,000) | (6,279,235) | (2,829,235) | (10,931,298) |
| Other financing sources | | | | |
| Debt issued | – | 4,690,000 | 4,690,000 | 9,610,000 |
| Premium on debt issued | – | 299,423 | 299,423 | 296,338 |
| Transfers in | – | 54,178 | 54,178 | – |
| Total other financing sources | – | 5,043,601 | 5,043,601 | 9,906,338 |
| Net change in fund balances | $ (3,450,000) | (1,235,634) | $ 2,214,366 | (1,024,960) |
| Fund balances | | | | |
| Beginning of year | | 3,909,682 | | 4,934,642 |
| End of year | | $ 2,674,048 | | $ 3,909,682 |

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INDEPENDENT SCHOOL DISTRICT NO. 831

Debt Service Fund
Balance Sheet by Account
as of June 30, 2021
(With Comparative Totals as of June 30, 2020)

| | Regular Debt Service Account | OPEB Debt Service Account | Totals 2021 | Totals 2020 |
|---|---|---|---|---|
| Assets | | | | |
| Cash and temporary investments | $ 5,651,090 | $ 338,807 | $ 5,989,897 | $ 5,096,414 |
| Receivables | | | | |
| Current taxes | 5,519,500 | 298,240 | 5,817,740 | 5,937,834 |
| Delinquent taxes | 141,570 | 8,482 | 150,052 | 134,368 |
| Due from other governmental units | 19,773 | 100 | 19,873 | 20,075 |
| Total assets | $ 11,331,933 | $ 645,629 | $ 11,977,562 | $ 11,188,691 |
| Liabilities | | | | |
| Due to other governmental units | $ – | $ – | $ – | $ 1,813 |
| Deferred inflows of resources | | | | |
| Property taxes levied for subsequent year | 9,801,967 | 534,957 | 10,336,924 | 9,793,568 |
| Unavailable revenue – delinquent taxes | 74,896 | 4,744 | 79,640 | 106,778 |
| Total deferred inflows of resources | 9,876,863 | 539,701 | 10,416,564 | 9,900,346 |
| Fund balances | | | | |
| Restricted for debt service | 1,455,070 | 105,928 | 1,560,998 | 1,286,532 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 11,331,933 | $ 645,629 | $ 11,977,562 | $ 11,188,691 |

INDEPENDENT SCHOOL DISTRICT NO. 831

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Budget and Actual
Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

| | 2021 | | | | | 2020 |
|---|---|---|---|---|---|---|
| | | Actual | | | | |
| | Budget | Regular Debt Service Account | OPEB Debt Service Account | Total | Over (Under) Budget | Actual |
| Revenue | | | | | | |
| Local sources | | | | | | |
| Property taxes | $ 9,790,000 | $ 9,181,960 | $ 524,118 | $ 9,706,078 | $ (83,922) | $ 8,856,291 |
| Investment earnings | – | 5,581 | 108 | 5,689 | 5,689 | 55,021 |
| State sources | – | 197,729 | 997 | 198,726 | 198,726 | 200,574 |
| Total revenue | 9,790,000 | 9,385,270 | 525,223 | 9,910,493 | 120,493 | 9,111,886 |
| Expenditures | | | | | | |
| Debt service | | | | | | |
| Principal | 4,195,000 | 3,790,000 | 405,000 | 4,195,000 | – | 3,855,000 |
| Interest | 5,428,700 | 5,336,853 | 131,700 | 5,468,553 | 39,853 | 5,573,542 |
| Fiscal charges and other | 291,300 | 85,383 | – | 85,383 | (205,917) | 13,897 |
| Total expenditures | 9,915,000 | 9,212,236 | 536,700 | 9,748,936 | (166,064) | 9,442,439 |
| Excess (deficiency) of revenue over expenditures | (125,000) | 173,034 | (11,477) | 161,557 | 286,557 | (330,553) |
| Other financing sources (uses) | | | | | | |
| Debt issued | – | 2,130,000 | – | 2,130,000 | 2,130,000 | – |
| Premium on debt issued | – | 136,224 | – | 136,224 | 136,224 | 92,584 |
| Payment on refunded debt | – | (2,180,000) | – | (2,180,000) | (2,180,000) | – |
| Transfers in | – | 26,685 | – | 26,685 | 26,685 | – |
| Total other financing sources (uses) | – | 112,909 | – | 112,909 | 112,909 | 92,584 |
| Net change in fund balances | $ (125,000) | 285,943 | (11,477) | 274,466 | $ 399,466 | (237,969) |
| Fund balances | | | | | | |
| Beginning of year | | 1,169,127 | 117,405 | 1,286,532 | | 1,524,501 |
| End of year | | $ 1,455,070 | $ 105,928 | $ 1,560,998 | | $ 1,286,532 |

INDEPENDENT SCHOOL DISTRICT NO. 831

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2021
(With Comparative Totals as of June 30, 2020)

| | Health Benefits Self-Insurance | Dental Benefits Self-Insurance | Totals 2021 | Totals 2020 |
|---|---|---|---|---|
| Assets | | | | |
| Current assets | | | | |
| Cash and temporary investments | $ 3,995,300 | $ 581,875 | $ 4,577,175 | $ 6,547,676 |
| Receivables | | | | |
| Accounts and interest | 27,530 | 1,432 | 28,962 | 24,744 |
| Prepaid items | 3,000 | – | 3,000 | – |
| Total current assets | 4,025,830 | 583,307 | 4,609,137 | 6,572,420 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts and contracts payable | 247,700 | 15,160 | 262,860 | 167,300 |
| Unearned revenue | 1,991,613 | 121,390 | 2,113,003 | 1,997,807 |
| Claims incurred, but not reported | 802,751 | 13,515 | 816,266 | 801,970 |
| Total current liabilities | 3,042,064 | 150,065 | 3,192,129 | 2,967,077 |
| Net position | | | | |
| Unrestricted | $ 983,766 | $ 433,242 | $ 1,417,008 | $ 3,605,343 |



INDEPENDENT SCHOOL DISTRICT NO. 831

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

| | Health Benefits Self-Insurance | Dental Benefits Self-Insurance | Totals 2021 | Totals 2020 |
|---|---|---|---|---|
| Operating revenue | | | | |
| Charges for services | | | | |
| Contributions from governmental funds | $ 10,123,274 | $ 609,089 | $ 10,732,363 | $ 10,133,409 |
| Operating expenses | | | | |
| Health benefit claims | 12,314,075 | – | 12,314,075 | 9,586,574 |
| Dental benefit claims | – | 628,327 | 628,327 | 496,953 |
| Total operating expenses | 12,314,075 | 628,327 | 12,942,402 | 10,083,527 |
| Operating income (loss) | (2,190,801) | (19,238) | (2,210,039) | 49,882 |
| Nonoperating revenue | | | | |
| Investment earnings | 19,366 | 2,338 | 21,704 | 91,063 |
| Change in net position | (2,171,435) | (16,900) | (2,188,335) | 140,945 |
| Net position | | | | |
| Beginning of year | 3,155,201 | 450,142 | 3,605,343 | 3,464,398 |
| End of year | $ 983,766 | $ 433,242 | $ 1,417,008 | $ 3,605,343 |

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INDEPENDENT SCHOOL DISTRICT NO. 831

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

| | Health Benefits Self-Insurance | Dental Benefits Self-Insurance | Totals 2021 | Totals 2020 |
|---|---|---|---|---|
| Cash flows from operating activities | | | | |
| Contributions from governmental funds | $ 10,230,353 | $ 612,988 | $ 10,843,341 | $ 10,428,555 |
| Payment for health claims | (12,205,919) | – | (12,205,919) | (9,450,506) |
| Payment for dental claims | – | (629,627) | (629,627) | (487,884) |
| Net cash flows from operating activities | (1,975,566) | (16,639) | (1,992,205) | 490,165 |
| Cash flows from investing activities | | | | |
| Investment income received | 19,366 | 2,338 | 21,704 | 91,063 |
| Net change in cash and cash equivalents | (1,956,200) | (14,301) | (1,970,501) | 581,228 |
| Cash and cash equivalents | | | | |
| Beginning of year | 5,951,500 | 596,176 | 6,547,676 | 5,966,448 |
| End of year | $ 3,995,300 | $ 581,875 | $ 4,577,175 | $ 6,547,676 |
| Reconciliation of operating income (loss) to net cash flows from operating activities | | | | |
| Operating income (loss) | $ (2,190,801) | $ (19,238) | $ (2,210,039) | $ 49,882 |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities | | | | |
| Changes in assets and liabilities | | | | |
| Accounts and interest receivable | (4,290) | 72 | (4,218) | 10,941 |
| Prepaid items | (3,000) | – | (3,000) | – |
| Accounts and contracts payable | 100,375 | (4,815) | 95,560 | (35,337) |
| Unearned revenue | 111,369 | 3,827 | 115,196 | 284,205 |
| Claims incurred, but not reported | 10,781 | 3,515 | 14,296 | 180,474 |
| Net cash flows from operating activities | $ (1,975,566) | $ (16,639) | $ (1,992,205) | $ 490,165 |

OTHER DISTRICT INFORMATION

(UNAUDITED)

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INDEPENDENT SCHOOL DISTRICT NO. 831

Government-Wide Revenue by Type
Last Ten Fiscal Years

| Year Ended June 30, | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | General Revenues: Property Taxes | General Revenues: General Grants and Aids | General Revenues: Investment Earnings and Other | Total |
|---|---|---|---|---|---|---|
| 2012 | $ 6,148,601 | $ 11,485,954 | $ 15,230,036 | $ 44,173,101 | $ 591,559 | $ 77,629,251 |
| | 8% | 14% | 20% | 57% | 1% | 100% |
| 2013 | 6,115,186 | 11,490,994 | 16,176,424 | 43,429,388 | 553,293 | 77,765,285 |
| | 8% | 14% | 21% | 56% | 1% | 100% |
| 2014 | 5,954,935 | 12,220,938 | 11,742,462 | 50,084,696 | 855,420 | 80,858,451 |
| | 7% | 15% | 15% | 62% | 1% | 100% |
| 2015 | 6,423,354 | 11,968,641 | 17,571,864 | 49,259,872 | 1,193,682 | 86,417,413 |
| | 7% | 14% | 21% | 57% | 1% | 100% |
| 2016 | 6,847,529 | 12,672,382 | 17,057,514 | 49,382,999 | 629,701 | 86,590,125 |
| | 8% | 14% | 20% | 57% | 1% | 100% |
| 2017 | 6,437,175 | 13,194,175 | 19,430,966 | 50,352,014 | 1,585,486 | 90,999,816 |
| | 7% | 15% | 21% | 55% | 2% | 100% |
| 2018 | 6,697,514 | 13,334,671 | 23,571,789 | 48,177,917 | 1,955,966 | 93,737,857 |
| | 7% | 14% | 25% | 52% | 2% | 100% |
| 2019 | 6,891,345 | 13,306,489 | 22,372,109 | 46,735,121 | 2,605,932 | 91,910,996 |
| | 8% | 14% | 24% | 51% | 3% | 100% |
| 2020 | 5,313,535 | 13,010,160 | 27,031,623 | 48,773,418 | 1,570,554 | 95,699,290 |
| | 5% | 14% | 28% | 51% | 2% | 100% |
| 2021 | 3,570,969 | 14,315,351 | 28,190,860 | 51,422,933 | 1,125,026 | 98,625,139 |
| | 4% | 14% | 29% | 52% | 1% | 100% |

Note: The change in “tax shift,” as approved in legislation, impacted the amount of tax revenue recognized in fiscal year 2014. Changes in the amount of revenue recognized, due to the tax shift, are offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 831

Government-Wide Expenses by Function
Last Ten Fiscal Years

| Year Ended June 30, | Administration | District Support Services | Elementary and Secondary Regular Instruction | Vocational Education Instruction | Special Education Instruction | Instructional Support Services | Pupil Support Services |
|---|---|---|---|---|---|---|---|
| 2012 | $ 3,100,536 | $ 2,197,394 | $ 25,576,188 | $ 810,798 | $ 10,620,873 | $ 2,077,860 | $ 9,731,943 |
| | 4% | 3% | 35% | 1% | 15% | 3% | 13% |
| 2013 | 3,201,925 | 2,254,471 | 27,594,183 | 781,880 | 10,918,573 | 2,369,743 | 9,928,802 |
| | 4% | 3% | 36% | 1% | 14% | 3% | 13% |
| 2014 | 3,323,552 | 2,417,192 | 29,596,211 | 758,648 | 11,736,976 | 3,541,782 | 10,017,084 |
| | 4% | 3% | 37% | 1% | 15% | 4% | 12% |
| 2015 | 3,226,706 | 3,072,069 | 29,472,957 | 863,577 | 12,018,150 | 5,120,151 | 10,278,319 |
| | 4% | 4% | 36% | 1% | 14% | 6% | 12% |
| 2016 | 3,796,645 | 2,322,473 | 29,008,857 | 954,911 | 12,558,342 | 4,610,217 | 11,046,015 |
| | 4% | 3% | 33% | 1% | 14% | 5% | 13% |
| 2017 | 4,923,047 | 2,052,095 | 39,074,208 | 1,727,610 | 17,305,271 | 6,333,778 | 12,344,131 |
| | 4% | 2% | 35% | 1% | 16% | 6% | 11% |
| 2018 | 3,618,600 | 2,774,376 | 36,792,292 | 1,604,135 | 16,690,659 | 6,380,709 | 11,308,606 |
| | 3% | 3% | 34% | 1% | 16% | 6% | 11% |
| 2019 | 2,404,931 | 2,914,489 | 15,406,822 | 551,470 | 9,188,795 | 3,770,996 | 9,919,553 |
| | 3% | 4% | 22% | 1% | 13% | 5% | 14% |
| 2020 | 3,527,550 | 2,825,243 | 29,013,805 | 1,647,733 | 14,352,862 | 7,738,382 | 11,321,031 |
| | 4% | 3% | 29% | 2% | 14% | 8% | 11% |
| 2021 | 3,732,567 | 2,920,183 | 32,235,382 | 1,741,085 | 14,439,227 | 7,479,775 | 11,334,205 |
| | 4% | 3% | 31% | 2% | 14% | 7% | 11% |



| Year Ended June 30, | Sites and Buildings | Fiscal and Other Fixed Cost Programs | Food Service | Community Service | Depreciation Not Allocated to Other Functions | Interest and Fiscal Charges | Total |
|---|---|---|---|---|---|---|---|
| 2012 | $ 6,538,037 | $ 296,349 | $ 4,037,265 | $ 4,085,559 | $ 2,126,662 | $ 1,428,442 | $ 72,627,906 |
| | 9% | – | 6% | 6% | 3% | 2% | 100% |
| 2013 | 7,684,483 | 317,174 | 3,891,749 | 4,113,757 | 2,098,391 | 1,275,898 | 76,431,029 |
| | 10% | 1% | 5% | 5% | 3% | 2% | 100% |
| 2014 | 7,639,633 | 351,205 | 3,959,013 | 4,007,281 | 2,535,075 | 1,158,034 | 81,041,686 |
| | 9% | 1% | 5% | 5% | 3% | 1% | 100% |
| 2015 | 7,444,141 | 379,529 | 4,138,798 | 4,321,014 | 2,488,510 | 1,019,716 | 83,843,637 |
| | 9% | – | 5% | 5% | 3% | 1% | 100% |
| 2016 | 8,776,019 | 526,412 | 4,276,582 | 4,531,548 | 2,545,922 | 2,243,227 | 87,197,170 |
| | 10% | 1% | 5% | 5% | 3% | 3% | 100% |
| 2017 | 8,490,188 | 574,212 | 3,957,910 | 4,990,631 | 2,835,218 | 5,475,005 | 110,083,304 |
| | 8% | 1% | 4% | 4% | 3% | 5% | 100% |
| 2018 | 10,704,394 | 635,768 | 3,775,043 | 4,956,962 | 2,946,179 | 4,860,767 | 107,048,490 |
| | 10% | 1% | 3% | 5% | 3% | 4% | 100% |
| 2019 | 9,509,308 | 520,000 | 3,642,072 | 4,447,056 | 4,393,215 | 5,170,398 | 71,839,105 |
| | 13% | 1% | 5% | 6% | 6% | 7% | 100% |
| 2020 | 7,648,115 | 650,000 | 3,526,004 | 4,855,822 | 6,209,276 | 5,489,519 | 98,805,342 |
| | 8% | 1% | 4% | 5% | 6% | 5% | 100% |
| 2021 | 8,130,514 | 645,420 | 3,057,501 | 4,397,440 | 7,061,377 | 5,589,973 | 102,764,649 |
| | 8% | 1% | 3% | 4% | 7% | 5% | 100% |

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INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund Revenue by Source
Last Ten Fiscal Years

| Year Ended June 30, | Local Property Tax Levies | State Revenue | Federal Revenue | Other Local and Miscellaneous | Total |
|---|---|---|---|---|---|
| 2012 | $ 10,361,414 | $ 50,606,450 | $ 2,975,539 | $ 1,531,090 | $ 65,474,493 |
| | 16% | 77% | 5% | 2% | 100% |
| 2013 | 10,599,904 | 50,759,534 | 2,183,794 | 1,616,894 | 65,160,126 |
| | 16% | 78% | 4% | 2% | 100% |
| 2014 | 5,017,095 | 57,937,865 | 1,944,413 | 2,032,995 | 66,932,368 |
| | 7% | 87% | 3% | 3% | 100% |
| 2015 | 10,566,174 | 56,971,250 | 2,000,562 | 2,639,541 | 72,177,527 |
| | 14% | 79% | 3% | 4% | 100% |
| 2016 | 10,143,433 | 57,995,977 | 1,833,859 | 2,255,801 | 72,229,070 |
| | 14% | 80% | 3% | 3% | 100% |
| 2017 | 12,003,610 | 57,412,440 | 1,902,513 | 2,374,673 | 73,693,236 |
| | 16% | 78% | 3% | 3% | 100% |
| 2018 | 13,421,398 | 57,201,749 | 1,953,798 | 2,589,135 | 75,166,080 |
| | 18% | 76% | 3% | 3% | 100% |
| 2019 | 11,976,441 | 58,120,768 | 1,943,362 | 3,110,611 | 75,151,182 |
| | 16% | 77% | 3% | 4% | 100% |
| 2020 | 16,942,049 | 57,199,212 | 2,119,589 | 2,560,763 | 78,821,613 |
| | 21% | 73% | 3% | 3% | 100% |
| 2021 | 17,321,043 | 57,516,905 | 4,146,102 | 2,211,207 | 81,195,257 |
| | 21% | 71% | 5% | 3% | 100% |

Note: The change in "tax shift," as approved in legislation, impacted the amount of tax revenue recognized in fiscal year 2014. Changes in the amount of revenue recognized, due to the tax shift, are offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund Expenditures by Function
Last Ten Fiscal Years

| Year Ended June 30, | Administration | District Support Services | Elementary and Secondary Regular Instruction | Vocational Education Instruction | Special Education Instruction | Instructional Support Services | Pupil Support Services | Sites and Buildings | Other Programs | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| 2012 | $ 3,112,219 | $ 2,178,896 | $ 26,302,525 | $ 808,428 | $ 10,542,937 | $ 2,058,433 | $ 9,481,775 | $ 7,526,899 | $ 355,588 | $ 62,367,700 |
| | 5% | 4% | 42% | 1% | 17% | 3% | 15% | 12% | 1% | 100% |
| 2013 | 3,159,778 | 2,232,860 | 27,755,921 | 779,510 | 10,809,283 | 2,345,242 | 9,699,810 | 8,058,856 | 394,099 | 65,235,359 |
| | 5% | 3% | 43% | 1% | 17% | 3% | 15% | 12% | 1% | 100% |
| 2014 | 3,364,983 | 2,434,106 | 30,818,312 | 764,300 | 11,842,041 | 3,560,499 | 9,949,597 | 8,718,984 | 412,317 | 71,865,139 |
| | 5% | 3% | 43% | 1% | 16% | 5% | 14% | 12% | 1% | 100% |
| 2015 | 3,298,590 | 3,085,780 | 29,877,813 | 872,825 | 12,139,538 | 5,312,438 | 10,214,856 | 8,657,555 | 692,148 | 74,151,543 |
| | 5% | 4% | 40% | 1% | 16% | 7% | 14% | 12% | 1% | 100% |
| 2016 | 3,654,157 | 2,299,936 | 28,929,355 | 942,709 | 12,427,639 | 4,571,268 | 11,113,359 | 7,306,746 | 842,963 | 72,088,132 |
| | 5% | 3% | 41% | 1% | 18% | 6% | 15% | 10% | 1% | 100% |
| 2017 | 3,706,541 | 1,981,718 | 27,796,600 | 1,331,649 | 13,191,811 | 4,875,659 | 11,214,282 | 8,252,564 | 899,378 | 73,250,202 |
| | 5% | 3% | 38% | 2% | 18% | 7% | 15% | 11% | 1% | 100% |
| 2018 | 3,305,470 | 2,794,017 | 27,505,436 | 1,228,503 | 12,505,873 | 5,258,752 | 10,874,254 | 10,193,913 | 946,706 | 74,612,924 |
| | 4% | 4% | 37% | 2% | 17% | 7% | 14% | 14% | 1% | 100% |
| 2019 | 3,237,724 | 2,967,753 | 26,064,394 | 1,059,116 | 12,741,535 | 5,286,816 | 11,736,493 | 10,863,761 | 828,465 | 74,786,057 |
| | 4% | 4% | 35% | 1% | 17% | 7% | 16% | 15% | 1% | 100% |
| 2020 | 3,372,758 | 2,906,337 | 27,191,856 | 1,555,531 | 13,637,180 | 7,467,572 | 11,471,940 | 10,325,268 | 884,360 | 78,812,802 |
| | 4% | 4% | 35% | 2% | 17% | 9% | 15% | 13% | 1% | 100% |
| 2021 | 3,615,285 | 2,903,287 | 29,556,070 | 1,638,936 | 13,484,153 | 6,999,335 | 10,792,226 | 11,011,143 | 881,180 | 80,881,615 |
| | 4% | 4% | 36% | 2% | 17% | 9% | 13% | 14% | 1% | 100% |

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INDEPENDENT SCHOOL DISTRICT NO. 831

School Tax Levies and Tax Rates by Fund
Last Ten Fiscal Years

| | Year Collectible | General Fund | Community Service Special Revenue Fund | Debt Service Fund | Total All Funds |
|---|---|---|---|---|---|
| **Levies** | | | | | |
| | 2012 | $ 9,886,190 | $ 903,832 | $ 4,750,683 | $ 15,540,705 |
| | 2013 | 11,377,392 | 882,776 | 4,755,527 | 17,015,695 |
| | 2014 | 11,573,258 | 927,114 | 4,637,561 | 17,137,933 |
| | 2015 | 11,337,029 | 915,154 | 4,658,652 | 16,910,835 |
| | 2016 | 11,996,073 | 986,419 | 6,482,348 | 19,464,840 |
| | 2017 | 12,927,090 | 1,057,994 | 9,197,425 | 23,182,509 |
| | 2018 | 11,282,541 | 1,137,354 | 9,300,188 | 21,720,083 |
| | 2019 | 16,981,566 | 1,212,469 | 9,005,584 | 27,199,619 |
| | 2020 | 17,087,846 | 1,245,373 | 9,793,569 | 28,126,788 |
| | 2021 | 17,769,591 | 860,199 | 10,336,924 | 28,966,714 |
| **Tax rates** | | | | | |
| Tax capacity rates | | | | | |
| | 2012 | 5.458 | 1.901 | 9.972 | 17.331 |
| | 2013 | 8.949 | 2.050 | 11.020 | 22.019 |
| | 2014 | 11.328 | 2.097 | 10.471 | 23.896 |
| | 2015 | 9.898 | 1.849 | 9.398 | 21.145 |
| | 2016 | 10.145 | 1.952 | 12.806 | 24.903 |
| | 2017 | 11.781 | 2.005 | 17.427 | 31.213 |
| | 2018 | 8.426 | 1.940 | 15.864 | 26.230 |
| | 2019 | 8.625 | 1.926 | 14.306 | 24.857 |
| | 2020 | 8.641 | 1.857 | 14.599 | 25.097 |
| | 2021 | 9.229 | 1.218 | 14.642 | 25.089 |
| Market value rates | | | | | |
| | 2012 | 0.15390 | – | – | 0.15390 |
| | 2013 | 0.17389 | – | – | 0.17389 |
| | 2014 | 0.14626 | – | – | 0.14626 |
| | 2015 | 0.13351 | – | – | 0.13351 |
| | 2016 | 0.13979 | – | – | 0.13979 |
| | 2017 | 0.12865 | – | – | 0.12865 |
| | 2018 | 0.11395 | – | – | 0.11395 |
| | 2019 | 0.20186 | – | – | 0.20186 |
| | 2020 | 0.17344 | – | – | 0.17344 |
| | 2021 | 0.16723 | – | – | 0.16723 |

Note: A tax rate based on market value is used primarily for the District’s referendum, equity, and transition levies.

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 831

Tax Capacities and Market Values
Last Ten Fiscal Years

| | Net Tax Capacities | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Fiscal Disparities | | | |
| For Taxes Collectible | Agricultural | Nonagricultural | Tax Increment | Contribution | Distribution | Total Taxable | Market Value |
| 2012 | $ 1,739,170 | $ 46,408,764 | $ (1,294,513) | $ (3,580,022) | $ 4,830,499 | $ 48,103,898 | $ 4,290,135,700 |
| 2013 | 1,741,624 | 42,273,461 | (1,232,190) | (3,176,279) | 4,443,326 | 44,049,942 | 3,939,600,600 |
| 2014 | 1,798,181 | 42,261,513 | (858,721) | (3,136,170) | 4,528,567 | 44,593,370 | 3,956,177,800 |
| 2015 | 1,947,446 | 46,296,615 | (828,748) | (3,089,582) | 4,621,327 | 48,947,058 | 4,328,284,000 |
| 2016 | 1,958,007 | 48,029,784 | (197,609) | (3,149,763) | 4,689,654 | 51,330,073 | 4,484,223,100 |
| 2017 | 2,010,419 | 50,174,007 | (316,163) | (3,216,864) | 5,264,712 | 53,916,111 | 4,672,890,900 |
| 2018 | 2,083,679 | 53,722,499 | (327,428) | (3,169,145) | 5,521,366 | 57,830,971 | 4,992,499,000 |
| 2019 | 2,127,411 | 58,412,990 | (437,588) | (3,258,899) | 5,834,684 | 62,678,598 | 5,413,348,800 |
| 2020 | 2,241,354 | 63,039,694 | (761,940) | (3,495,850) | 6,144,151 | 67,167,409 | 5,831,765,400 |
| 2021 | 2,446,212 | 66,057,877 | (898,774) | (3,495,118) | 6,456,084 | 70,566,281 | 6,086,754,570 |

Note: Market value is used primarily for extension of the District's referendum levy.

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 831

Property Tax Levies and Receivables
Last Ten Fiscal Years

| For Taxes Collectible | Original Levy | | | | Uncollected Taxes Receivable as of June 30, 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Delinquent | | Current | |
| | Local Spread | Fiscal Disparities | Property Tax Credits | Total Spread | Amount | Percent | Amount | Percent |
| 2012 | $ 14,095,828 | $ 1,444,877 | $ – | $ 15,540,705 | $ – | – % | $ – | – % |
| 2013 | 15,567,747 | 1,447,948 | – | 17,015,695 | – | – | – | – |
| 2014 | 15,357,515 | 1,780,418 | – | 17,137,933 | – | – | – | – |
| 2015 | 15,139,104 | 1,771,731 | – | 16,910,835 | 39,802 | 0.24 | – | – |
| 2016 | 17,861,854 | 1,602,986 | – | 19,464,840 | 14,005 | 0.07 | – | – |
| 2017 | 21,163,913 | 2,018,596 | – | 23,182,509 | 22,700 | 0.10 | – | – |
| 2018 | 19,314,437 | 2,405,646 | – | 21,720,083 | 27,830 | 0.13 | – | – |
| 2019 | 24,932,058 | 2,164,987 | 102,574 | 27,199,619 | 82,050 | 0.30 | – | – |
| 2020 | 25,294,660 | 2,708,298 | 123,830 | 28,126,788 | 250,192 | 0.89 | – | – |
| 2021 | 26,132,524 | 2,690,687 | 143,503 | 28,966,714 | – | – | 16,214,427 | 55.98 |
| | | | | | $ 436,579 | | $ 16,214,427 | |

Note: Delinquent taxes are written off after seven years.

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 831

Student Enrollment
Last Ten Fiscal Years

| Year Ended June 30, | Adjusted Average Daily Membership (ADM) Handicapped and Pre-Kindergarten | Kindergarten | Elementary | Secondary | Total | Total Pupil Units |
|---|---|---|---|---|---|---|
| 2012 | 95.96 | 401.75 | 2,980.94 | 3,214.68 | 6,693.33 | 7,779.21 |
| 2013 | 102.14 | 394.47 | 2,962.30 | 3,202.66 | 6,661.57 | 7,741.35 |
| 2014 | 107.06 | 429.29 | 2,969.74 | 3,102.01 | 6,608.10 | 7,642.50 |
| 2015 | 116.37 | 384.90 | 2,960.46 | 3,164.73 | 6,626.46 | 7,259.42 |
| 2016 | 111.89 | 351.77 | 2,814.95 | 3,173.63 | 6,452.24 | 7,086.98 |
| 2017 | 109.78 | 389.39 | 2,701.60 | 3,091.89 | 6,292.66 | 6,911.03 |
| 2018 | 113.01 | 361.39 | 2,620.92 | 3,028.80 | 6,124.12 | 6,729.89 |
| 2019 | 109.07 | 342.53 | 2,609.78 | 2,997.49 | 6,058.87 | 6,658.37 |
| 2020 | 110.99 | 337.05 | 2,476.35 | 2,980.92 | 5,905.31 | 6,501.51 |
| 2021 | 98.69 | 330.85 | 2,473.35 | 2,943.66 | 5,846.55 | 6,435.28 |

Note 1: Student enrollment numbers are estimated for the most recent fiscal year.

Note 2: ADM is weighted as follows in computing pupil units:

| | Pre-Kindergarten | Handicapped Kindergarten | Half-Day Kindergarten | Full-Day Kindergarten | Elementary 1–3 | Elementary 4–6 | Secondary |
|---|---|---|---|---|---|---|---|
| Fiscal 2012 through 2014 | 1.250 | 1.000 | 0.612 | 0.612 | 1.115 | 1.060 | 1.300 |
| Fiscal 2015 through 2021 | 1.000 | 1.000 | 0.550 | 1.000 | 1.000 | 1.000 | 1.200 |

Source: Minnesota Department of Education student reporting system



SINGLE AUDIT AND OTHER REQUIRED REPORTS

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INDEPENDENT SCHOOL DISTRICT NO. 831

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

| Federal Grantor/Pass-Through Grantor/Program Title | Federal ALN | Federal Expenditures | | |
|---|---|---|---|---|
| **U.S. Department of Agriculture** | | | | |
| Passed through Minnesota Department of Education | | | | |
| Child nutrition cluster | | | | |
| School Breakfast Program | 10.553 | $ 1,535 | | |
| COVID-19 – School Breakfast Program | 10.553 | 547,344 | | |
| Total ALN 10.553 | | | $ 548,879 | |
| National School Lunch Program | 10.555 | 272,703 | | |
| COVID-19 – National School Lunch Program | 10.555 | 1,574,093 | | |
| Total ALN 10.555 | | | 1,846,796 | |
| Total child nutrition cluster | | | | $ 2,395,675 |
| **U.S. Department of the Treasury** | | | | |
| Passed through Minnesota Department of Education | | | | |
| COVID-19 – Coronavirus Relief Fund | 21.019 | | 1,522,586 | |
| Passed through Chisago County | | | | |
| COVID-19 – Coronavirus Relief Fund | 21.019 | | 74,754 | |
| Passed through Washington County | | | | |
| COVID-19 – Coronavirus Relief Fund | 21.019 | | 208,296 | |
| Total ALN 21.019 | | | | 1,805,636 |
| **U.S. Department of Education** | | | | |
| Direct | | | | |
| Indian Education Grants to Local Educational Agencies | 84.060 | | | 19,842 |
| Passed through Minnesota Department of Education | | | | |
| Special education cluster | | | | |
| Special Education – Grant to States | 84.027 | | 1,152,029 | |
| Special Education – Preschool Grants | 84.173 | | 37,638 | |
| Total special education cluster | | | | 1,189,667 |
| Title I Grants to Local Educational Agencies | 84.010 | | | 250,468 |
| Special Education – Grants for Infants and Families | 84.181 | | | 25,417 |
| English Language Acquisition State Grants | 84.365 | | | 19,151 |
| Supporting Effective Instruction State Grants | 84.367 | | | 138,948 |
| Education Stabilization Fund | | | | |
| COVID-19 – Governor's Emergency Education Relief (GEER) Fund | 84.425C | | 43,327 | |
| COVID-19 – Elementary and Secondary School Emergency Relief (ESSER) Fund | 84.425D | | 1,080,287 | |
| Total ALN 84.425 | | | | 1,123,614 |
| Passed through Independent School District No. 622 | | | | |
| Adult Education – Basic Grants to States | 84.002 | | | 2,288 |
| Passed through Northeast Metropolitan Intermediate School District No. 916 | | | | |
| Career and Technical Education – Basic Grants to States | 84.048 | | | 55,627 |
| Total federal awards | | | | $ 7,026,333 |

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

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

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

Note 4: The District had $17,216 transferred into Supporting Effective Instruction State Grants ALN 84.367 from other Title programs.

Note 5: The District had $267,128 of noncash assistance included in the National School Lunch Program, ALN 10.555.

Note 6: Unaudited Disclosure – The District received donated personal protective equipment (PPE) with an estimated value of $24,638. The District was unable to determine whether federal dollars were used to purchase the donated PPE.

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

To the School Board and Management of
Independent School District No. 831
Forest Lake, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 831 (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 22, 2021.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

(continued)



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**COMPLIANCE AND OTHER MATTERS**

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

**PURPOSE OF THIS REPORT**

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

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

Minneapolis, Minnesota
November 22, 2021





CERTIFIED PUBLIC ACCOUNTANTS



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

To the School Board and Management of
Independent School District No. 831
Forest Lake, Minnesota

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited Independent School District No. 831's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

**MANAGEMENT'S RESPONSIBILITY**

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

**AUDITOR'S RESPONSIBILITY**

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

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

(continued)



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**OPINION ON EACH MAJOR FEDERAL PROGRAM**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

**REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

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

**PURPOSE OF THIS REPORT**

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

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

Minneapolis, Minnesota
November 22, 2021



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CERTIFIED PUBLIC ACCOUNTANTS

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

## INDEPENDENT AUDITOR'S REPORT

## ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 831
Forest Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 831 (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 22, 2021.

**MINNESOTA LEGAL COMPLIANCE**

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

**PURPOSE OF THIS REPORT**

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

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

Minneapolis, Minnesota
November 22, 2021



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Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

## A. SUMMARY OF AUDIT RESULTS

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

**Financial Statements**

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

**Federal Awards**

| | | |
|---|---|---|
| Internal controls over major federal award programs: | | |
| Material weakness(es) identified? | __ Yes | X No |
| Significant deficiencies identified? | __ Yes | X None reported |
| Type of auditor's report issued on compliance for major programs? | | |
| U.S. Department of the Treasury – COVID-19 – Coronavirus Relief Fund | | Unmodified |
| U.S. Department of Education – COVID-19 – Education Stabilization Fund | | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | __ Yes | X No |

Programs tested as major programs:

| Program or Cluster | Federal ALN |
|---|---|
| U.S. Department of the Treasury – COVID-19 – Coronavirus Relief Fund | 21.019 |
| U.S. Department of Education – COVID-19 – Education Stabilization Fund | 84.425 |

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



INDEPENDENT SCHOOL DISTRICT NO. 831

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2021

## B. FINANCIAL STATEMENT FINDINGS

None.

## C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

## D. MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2021

| | | Audit | UFARS | Audit – UFARS |
|---|---|---|---|---|
| **General Fund** | | | | |
| Total revenue | | $ 81,195,257 | $ 81,195,257 | $ – |
| Total expenditures | | $ 80,881,615 | $ 80,881,615 | $ – |
| Nonspendable | | | | |
| 460 | Nonspendable fund balance | $ 146,426 | $ 146,426 | $ – |
| Restricted | | | | |
| 401 | Student activities | $ 75,706 | $ 75,706 | $ – |
| 402 | Scholarships | $ – | $ – | $ – |
| 403 | Staff development | $ – | $ – | $ – |
| 407 | Capital projects levy | $ – | $ – | $ – |
| 408 | Cooperative revenue | $ – | $ – | $ – |
| 413 | Projects funded by COP | $ – | $ – | $ – |
| 414 | Operating debt | $ – | $ – | $ – |
| 416 | Levy reduction | $ – | $ – | $ – |
| 417 | Taconite building maintenance | $ – | $ – | $ – |
| 424 | Operating capital | $ 42,743 | $ 42,743 | $ – |
| 426 | $25 taconite | $ – | $ – | $ – |
| 427 | Disabled accessibility | $ – | $ – | $ – |
| 428 | Learning and development | $ – | $ – | $ – |
| 434 | Area learning center | $ – | $ – | $ – |
| 435 | Contracted alternative programs | $ – | $ – | $ – |
| 436 | State approved alternative programs | $ – | $ – | $ – |
| 438 | Gifted and talented | $ – | $ – | $ – |
| 440 | Teacher development and evaluation | $ – | $ – | $ – |
| 441 | Basic skills programs | $ – | $ – | $ – |
| 448 | Achievement and integration | $ – | $ – | $ – |
| 449 | Safe schools levy | $ – | $ – | $ – |
| 451 | QZAB payments | $ – | $ – | $ – |
| 452 | OPEB liability not in trust | $ – | $ – | $ – |
| 453 | Unfunded severance and retirement levy | $ – | $ – | $ – |
| 459 | Basic skills extended time | $ – | $ – | $ – |
| 467 | Long-term facilities maintenance | $ (538,489) | $ (538,489) | $ – |
| 472 | Medical Assistance | $ – | $ – | $ – |
| 473 | PPP loans | $ – | $ – | $ – |
| 474 | EIDL loans | $ – | $ – | $ – |
| 464 | Restricted fund balance | $ – | $ – | $ – |
| 475 | Title VII – Impact Aid | $ – | $ – | $ – |
| 476 | PILT | $ – | $ – | $ – |
| Committed | | | | |
| 418 | Committed for separation | $ – | $ – | $ – |
| 461 | Committed fund balance | $ – | $ – | $ – |
| Assigned | | | | |
| 462 | Assigned fund balance | $ 451,669 | $ 451,669 | $ – |
| Unassigned | | | | |
| 422 | Unassigned fund balance | $ 2,715,968 | $ 2,715,968 | $ – |
| **Food Service** | | | | |
| Total revenue | | $ 2,868,275 | $ 2,868,274 | $ 1 |
| Total expenditures | | $ 3,082,304 | $ 3,082,304 | $ – |
| Nonspendable | | | | |
| 460 | Nonspendable fund balance | $ 95,815 | $ 95,815 | $ – |
| Restricted | | | | |
| 452 | OPEB liability not in trust | $ – | $ – | $ – |
| 474 | EIDL loans | $ – | $ – | $ – |
| 464 | Restricted fund balance | $ – | $ – | $ – |
| Unassigned | | | | |
| 463 | Unassigned fund balance | $ (92,601) | $ (92,601) | $ – |
| **Community Service** | | | | |
| Total revenue | | $ 4,584,927 | $ 4,584,927 | $ – |
| Total expenditures | | $ 4,323,501 | $ 4,323,501 | $ – |
| Nonspendable | | | | |
| 460 | Nonspendable fund balance | $ 2,498 | $ 2,498 | $ – |
| Restricted | | | | |
| 426 | $25 taconite | $ – | $ – | $ – |
| 431 | Community education | $ 640,963 | $ 640,963 | $ – |
| 432 | ECFE | $ 181,087 | $ 181,087 | $ – |
| 440 | Teacher development and evaluation | $ – | $ – | $ – |
| 444 | School readiness | $ 107,480 | $ 107,480 | $ – |
| 447 | Adult basic education | $ – | $ – | $ – |
| 452 | OPEB liability not in trust | $ – | $ – | $ – |
| 473 | PPP loans | $ – | $ – | $ – |
| 474 | EIDL loans | $ – | $ – | $ – |
| 464 | Restricted fund balance | $ 526 | $ 526 | $ – |
| Unassigned | | | | |
| 463 | Unassigned fund balance | $ – | $ – | $ – |





Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2021

| | | Audit | UFARS | Audit – UFARS |
|---|---|---|---|---|
| **Building Construction** | | | | |
| Total revenue | | $ 25,787 | $ 25,787 | $ – |
| Total expenditures | | $ 6,305,022 | $ 6,305,022 | $ – |
| Nonspendable | | | | |
| 460 | Nonspendable fund balance | $ – | $ – | $ – |
| Restricted | | | | |
| 407 | Capital projects levy | $ – | $ – | $ – |
| 413 | Projects funded by COP | $ 1,974,559 | $ 1,974,559 | $ – |
| 467 | Long-term facilities maintenance | $ 291,440 | $ 291,440 | $ – |
| 464 | Restricted fund balance | $ 408,049 | $ 408,049 | $ – |
| Unassigned | | | | |
| 463 | Unassigned fund balance | $ – | $ – | $ – |
| **Debt Service** | | | | |
| Total revenue | | $ 9,385,270 | $ 9,385,270 | $ – |
| Total expenditures | | $ 9,212,236 | $ 9,212,236 | $ – |
| Nonspendable | | | | |
| 460 | Nonspendable fund balance | $ – | $ – | $ – |
| Restricted | | | | |
| 425 | Bond refundings | $ – | $ – | $ – |
| 433 | Maximum effort loan | $ – | $ – | $ – |
| 451 | QZAB payments | $ – | $ – | $ – |
| 467 | Long-term facilities maintenance | $ – | $ – | $ – |
| 464 | Restricted fund balance | $ 1,455,070 | $ 1,455,070 | $ – |
| Unassigned | | | | |
| 463 | Unassigned fund balance | $ – | $ – | $ – |
| **Trust** | | | | |
| Total revenue | | $ – | $ – | $ – |
| Total expenditures | | $ – | $ – | $ – |
| 401 | Student activities | $ – | $ – | $ – |
| 402 | Scholarships | $ – | $ – | $ – |
| 422 | Net position | $ – | $ – | $ – |
| **Custodial Fund** | | | | |
| Total revenue | | $ – | $ – | $ – |
| Total expenditures | | $ – | $ – | $ – |
| 401 | Student activities | $ – | $ – | $ – |
| 402 | Scholarships | $ – | $ – | $ – |
| 448 | Achievement and integration | $ – | $ – | $ – |
| 464 | Restricted fund balance | $ – | $ – | $ – |
| **Internal Service** | | | | |
| Total revenue | | $ 10,754,067 | $ 10,754,066 | $ 1 |
| Total expenditures | | $ 12,942,402 | $ 12,942,402 | $ – |
| 422 | Net position | $ 1,417,008 | $ 1,417,008 | $ – |
| **OPEB Revocable Trust Fund** | | | | |
| Total revenue | | $ – | $ – | $ – |
| Total expenditures | | $ – | $ – | $ – |
| 422 | Net position | $ – | $ – | $ – |
| **OPEB Irrevocable Trust Fund** | | | | |
| Total revenue | | $ 20,957 | $ 20,957 | $ – |
| Total expenditures | | $ 215,250 | $ 215,250 | $ – |
| 422 | Net position | $ 1,491,971 | $ 1,491,971 | $ – |
| **OPEB Debt Service Fund** | | | | |
| Total revenue | | $ 525,223 | $ 525,223 | $ – |
| Total expenditures | | $ 536,700 | $ 536,700 | $ – |
| Nonspendable | | | | |
| 460 | Nonspendable fund balance | $ – | $ – | $ – |
| Restricted | | | | |
| 425 | Bond refundings | $ – | $ – | $ – |
| 464 | Restricted fund balance | $ 105,928 | $ 105,928 | $ – |
| Unassigned | | | | |
| 463 | Unassigned fund balance | $ – | $ – | $ – |

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

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# APPENDIX B

## FORM OF LEGAL OPINION

(See following pages)

# APPENDIX B

## FORM OF LEGAL OPINION

Independent School District No. 831
Forest Lake, Minnesota

[Original Purchaser]

Re: $5,040,000 General Obligation Capital Notes and Facilities Maintenance Bonds, Series 2022A
Independent School District No. 831 (Forest Lake Area Schools), Minnesota
Washington, Anoka and Chisago Counties, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Independent School District No. 831 (Forest Lake Area Schools), Minnesota (the District), of the obligations described above, dated, as originally issued, as of August 25, 2022 (the Bonds), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the District in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

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

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

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

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

item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.

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

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

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

The opinions expressed in paragraphs 4, 5 and 6 above are subject to the compliance by the District with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, or the Bonds failing to be qualified tax-exempt obligations, retroactive to the date of issuance of the Bonds.

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

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

Dated this 25th day of August, 2022.

Very truly yours,

# APPENDIX C

## BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

**APPENDIX D**

# FORM OF CONTINUING DISCLOSURE COVENANTS (EXCERPTS FROM SALE RESOLUTION)

(See following pages)

## FORM OF CONTINUING DISCLOSURE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Manner of Disclosure.

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

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

(d) Term; Amendments; Interpretation.

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

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

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

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

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

# APPENDIX E

# TERMS OF PROPOSAL

## $5,040,000* GENERAL OBLIGATION CAPITAL NOTES AND FACILITIES MAINTENANCE BONDS, SERIES 2022A INDEPENDENT SCHOOL DISTRICT NO. 831 (FOREST LAKE AREA SCHOOLS), MINNESOTA

Proposals for the purchase of $5,040,000* General Obligation Capital Notes and Facilities Maintenance Bonds, Series 2022A (the "Bonds") of the Independent School District No. 831 (Forest Lake Area Schools), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on August 4, 2022, at which time they will be opened, read and tabulated. The proposals will be presented to the School Board for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

### PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Sections 123B.595 and 123B.61, by the District for the purposes of financing deferred maintenance projects included in the District's ten-year facility maintenance plan and the purchase of school buses. 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 August 25, 2022, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

| Year | Amount* | Year | Amount* | Year | Amount* |
|---|---|---|---|---|---|
| 2024 | $80,000 | 2029 | $115,000 | 2034 | $895,000 |
| 2025 | 95,000 | 2030 | 115,000 | 2035 | 960,000 |
| 2026 | 100,000 | 2031 | 120,000 | 2036 | 1,580,000 |
| 2027 | 105,000 | 2032 | 365,000 | | |
| 2028 | 110,000 | 2033 | 400,000 | | |

### 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, 2023, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2024 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

## BOOK-ENTRY-ONLY FORMAT

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

## PAYING AGENT

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

## OPTIONAL REDEMPTION

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

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

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

## DELIVERY

On or about August 25, 2022, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

## LEGAL OPINION

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

## SUBMISSION OF PROPOSALS

Proposals must not be for less than $5,040,000 plus accrued interest on the principal sum of $5,040,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

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

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

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

**A good faith deposit ("Deposit") in the amount of $100,800 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.

## ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

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

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

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

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

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

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

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

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

## PRELIMINARY OFFICIAL STATEMENT

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

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

By Order of the School Board

Independent School District No. 831
(Forest Lake Area Schools), Minnesota

# PROPOSAL FORM

**The School Board** **August 4, 2022**
**Independent School District No. 831 (Forest Lake Area Schools), Minnesota (the "District")**

**RE:** **$5,040,000* General Obligation Capital Notes and Facilities Maintenance Bonds, Series 2022A (the "Bonds")**
**DATED:** **August 25, 2022**

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you $__________________ (not less than $5,040,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ________ | % due | 2024 | ________ | % due | 2029 | ________ | % due | 2034 |
| ________ | % due | 2025 | ________ | % due | 2030 | ________ | % due | 2035 |
| ________ | % due | 2026 | ________ | % due | 2031 | ________ | % due | 2036 |
| ________ | % due | 2027 | ________ | % due | 2032 | | | |
| ________ | % due | 2028 | ________ | % due | 2033 | | | |

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

**The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2024 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

**A good faith deposit ("Deposit") in the amount of $100,800 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 August 25, 2022.

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

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

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

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

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

Account Manager: ______________________________ By: ______________________________

Account Members:

**Award will be on a true interest cost basis.** According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from August 25, 2022 of the above proposal is $_______________and the true interest cost (TIC) is __________%.

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The foregoing offer is hereby accepted by and on behalf of the School Board of Independent School District No. 831 (Forest Lake Area Schools), Minnesota, on August 4, 2022.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________