PRELIMINARY OFFICIAL STATEMENT DATED JUNE 16, 2022

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 2170 (STAPLES-MOTLEY), MINNESOTA

(Todd, Cass, Morrison and Wadena Counties)

(Minnesota School District Credit Enhancement Program)

$3,745,000* GENERAL OBLIGATION FACILITIES MAINTENANCE AND CAPITAL FACILITIES BONDS, SERIES 2022A

PROPOSAL OPENING: June 27, 2022, 11:00 A.M., C.T. **CONSIDERATION**: June 27, 2022, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $3,745,000* General Obligation Facilities Maintenance and Capital Facilities Bonds, Series 2022A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, Minnesota Statutes, Section 123B.595 (long-term facilities maintenance revenue), as amended, and Minnesota Statutes, Section 123B.62, as amended, by Independent School District No. 2170 (Staples-Motley), Minnesota (the "District") to finance deferred maintenance projects included in the District's ten-year facilities plan and capital projects approved by the Commissioner of Education. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: July 21, 2022

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2023	$115,000	2028	$235,000	2033	$280,000
2024	200,000	2029	245,000	2034	290,000
2025	205,000	2030	255,000	2035	305,000
2026	215,000	2031	260,000	2036	315,000
2027	225,000	2032	275,000	2037	325,000

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: February 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: $3,745,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $74,900 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Kennedy & Graven, Chartered

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

EHLERS PUBLIC FINANCE ADVISORS

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info@ehlers-inc.com 1 (800) 552-1171 www.ehlers-inc.com

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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STAPLES-MOTLEY
SCHOOL BOARD

		Term Expires
Bryan Winkels	Board Chair	January 2023
Bruce Lund	Vice Chair	January 2023
Mary Freeman	Clerk	January 2023
Brad Anderson	Treasurer	January 2023
Lisa Anderson	Member	January 2025
Jeremy Reeck	Member	January 2025

ADMINISTRATION

Shane Tappe, Superintendent of Schools

Tanley Lego, Business Manager

PROFESSIONAL SERVICES

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

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 2170 (Staples-Motley), Minnesota (the "District") and the issuance of its $3,745,000* General Obligation Facilities Maintenance and Capital Facilities 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 June 27, 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 July 21, 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 February 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 2023 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 or any date thereafter, at a price of par plus accrued interest 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, as amended, Minnesota Statutes, Section 123B.595 (long-term facilities maintenance revenue), as amended, and Minnesota Statutes, Section 123B.62, as amended, by the District, to finance deferred maintenance projects included in the District's ten-year facilities plan (the "Facilities Maintenance Portion") and capital projects (the "Capital Facilities Portion") approved by the Commissioner of Education.

ESTIMATED SOURCES AND USES*

Sources	**Facilities Maintenance Portion**	**Capital Facilities Portion**	**Total Bond Issue**
Par Amount of Bonds	$1,800,000	$1,945,000	$3,745,000
Reoffering Premium	25,234	27,847	53,081
Debt Service Funds - Funds on Hand	-	39,462	39,462
Total Sources	**$1,825,234**	**$2,012,309**	**$3,837,543**
Uses			
Total Underwriter's Discount (1.200%)	$21,600	$23,340	$44,940
Costs of Issuance	28,217	30,491	58,708
Deposit to Capitalized Interest (CIF) Fund	-	39,462	39,462
Deposit to Project Construction Fund	1,775,416	1,919,017	3,694,433
Total Uses	**$1,825,234**	**$2,012,309**	**$3,837,543**

*Preliminary, subject to change.

Breakdown of Principal Payments*:

Payment Date	Facilities Maintenance Portion	Capital Facilities Portion	Total Bond Issue
2/01/2023	$115,000	-	$115,000
2/01/2024	90,000	$110,000	200,000
2/01/2025	95,000	110,000	205,000
2/01/2026	100,000	115,000	215,000
2/01/2027	105,000	120,000	225,000
2/01/2028	110,000	125,000	235,000
2/01/2029	115,000	130,000	245,000
2/01/2030	120,000	135,000	255,000
2/01/2031	120,000	140,000	260,000
2/01/2032	130,000	145,000	275,000
2/01/2033	130,000	150,000	280,000
2/01/2034	135,000	155,000	290,000
2/01/2035	140,000	165,000	305,000
2/01/2036	145,000	170,000	315,000
2/01/2037	150,000	175,000	325,000
Total	**$1,800,000**	**$1,945,000**	**$3,745,000**

*Preliminary, subject to change.

SECURITY

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

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

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 "Aa2" to issuers participating in the MNCEP. The "Aa2" rating is based on the State of Minnesota's current "Aa1" rating from Moody's. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS" for further details.

The District currently has an "A1" underlying rating from Moody's and will be requesting an underlying rating on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the 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 May 23, 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 intermed ate school districts."

CONTINUING DISCLOSURE

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

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

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

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

LEGAL OPINION

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

TAX EXEMPTION

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

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

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

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

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

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

Legislative proposals

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

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

RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

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

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

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

3 Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2021/22 Economic Market Value	$1,556,087,989[1]

2021/22 Assessor's Estimated Market Value

	Todd County	Cass County	Morrison County	Wadena County	Total
Real Estate	$499,857,200	$248,597,800	$380,725,000	$177,766,200	$1,306,946,200
Personal Property	17,640,100	1,388,100	6,376,000	9,983,200	35,387,400
Total Valuation	$517,497,300	$249,985,900	$387,101,000	$187,749,400	$1,342,333,600

2021/22 Net Tax Capacity

	Todd County	Cass County	Morrison County	Wadena County	Total
Real Estate	$4,605,902	$2,095,068	$3,818,664	$1,590,175	$12,109,809
Personal Property	350,902	26,087	125,207	198,593	700,789
Net Tax Capacity	$4,956,804	$2,121,155	$3,943,871	$1,788,768	$12,810,598
Less: Captured Tax Increment Tax Capacity[2]	(165,067)	0	0	(53,337)	(218,404)
Taxable Net Tax Capacity	$4,791,737	$2,121,155	$3,943,871	$1,735,431	$12,592,194

[1] According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 86.29% of the actual selling prices of property most recently sold in the District. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the District of $1,556,087,989.

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

2021/22 NET TAX CAPACITY BY CLASSIFICATION

	2021/22 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$3,518,093	27.46%
Agricultural	3,408,944	26.61%
Commercial/industrial	993,000	7.75%
Public utility	402,781	3.14%
Railroad operating property	426,140	3.33%
Non-homestead residential	872,534	6.81%
Commercial & residential seasonal/rec.	2,488,317	19.42%
Personal property	700,789	5.47%
Total	$12,810,598	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Taxable Net Tax Capacity[2]	Percent Increase/Decrease in Estimated Market Value
2017/18	$1,065,965,500	$982,240,091	$9,798,351	$9,748,976	2.36%
2018/19	1,143,422,300	1,059,015,832	10,963,127	10,816,119	7.27%
2019/20	1,246,942,800	1,161,434,656	11,917,758	11,750,072	9.05%
2020/21	1,267,409,900	1,181,897,389	12,182,686	11,986,232	1.64%
2021/22	1,342,333,600	1,254,715,470	12,810,598	12,592,194	5.91%

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1 Net Tax Capacity includes tax increment values.

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

LARGER TAXPAYERS

Taxpayer	Type of Property	2021/22 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Minnesota Pipeline Company	Utility	$758,466	5.92%
BNSF Railway Company	Railroad	428,379	3.34%
United Hospital District	Commercial	261,830	2.04%
Viking Gas	Utility	125,074	0.98%
Ives Family, LLC	Commercial	89,600	0.70%
Minnesota Power & Light Company	Utility	60,488	0.47%
Great River Energy	Utility	49,864	0.39%
Kass Krest, LLP	Commercial	49,328	0.39%
Ice Wings, LLP	Commercial	48,546	0.38%
Trident Seafoods Corporation	Commercial	46,204	0.36%
Total		$1,917,779	14.97%

District's Total 2021/22 Net Tax Capacity $12,810,598

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Todd, Cass, Morrison and Wadena Counties.

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by tax abatement revenues and state aids[2]	$2,060,000
Total G.O. debt secured by taxes and state aids[2] (includes the Bonds)*	13,415,000
Total General Obligation Debt*	$15,475,000

*Preliminary, subject to change.

STATE AID FOR DEBT SERVICE

The Minnesota Debt Service Equalization program provides state aid to finance a portion of the principal and interest payments on 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 Long Term Facilities Maintenance Revenue formula (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 12.00% of total annual debt service levies, based on the District’s 2020/21 qualifying agricultural land valuation.

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

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

Independent School District No. 2170 (Staples-Motley), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 07/21/2022)

	Tax Abatement Bonds 1) Series 2021A							
Dated	09/30/2021							
Amount	$2,060,000							
Maturity	02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2023	455,000	137,619	455,000	137,619	592,619	1,605,000	22.09%	**2023**
2024	510,000	80,250	510,000	80,250	590,250	1,095,000	46.84%	**2024**
2025	535,000	54,750	535,000	54,750	589,750	560,000	72.82%	**2025**
2026	560,000	28,000	560,000	28,000	588,000	0	100.00%	**2026**
	2,060,000	300,619	2,060,000	300,619	2,360,619			

1) This represents the $2,060,000 Tax Abatement Portion of the $10,700,000 General Obligation Facilities Maintenance and Tax Abatement Bonds, Series 2021A.

Independent School District No. 2170 (Staples-Motley), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 07/21/2022)

	Facilities Maintenance Bonds Series 2019A		Facilities Maintenance Bonds 1) Series 2021A		Facilities Maintenance and Capital Facilities Bonds Series 2022A							
Dated / Amount	09/12/2019 $1,305,000		09/30/2021 $8,640,000		07/21/2022 $3,745,000*							
Maturity	02/01		02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2023	285,000	51,500	1,900,000	577,200	115,000	76,074	2,300,000	704,774	3,004,774	11,115,000	17.14%	**2023**
2024	315,000	37,250	2,140,000	337,000	200,000	139,540	2,655,000	513,790	3,168,790	8,460,000	36.94%	**2024**
2025	330,000	21,500	2,245,000	230,000	205,000	131,540	2,780,000	383,040	3,163,040	5,680,000	57.66%	**2025**
2026	100,000	5,000	2,355,000	117,750	215,000	123,340	2,670,000	246,090	2,916,090	3,010,000	77.56%	**2026**
2027					225,000	114,740	225,000	114,740	339,740	2,785,000	79.24%	**2027**
2028					235,000	105,740	235,000	105,740	340,740	2,550,000	80.99%	**2028**
2029					245,000	96,340	245,000	96,340	341,340	2,305,000	82.82%	**2029**
2030					255,000	86,540	255,000	86,540	341,540	2,050,000	84.72%	**2030**
2031					260,000	76,340	260,000	76,340	336,340	1,790,000	86.66%	**2031**
2032					275,000	67,240	275,000	67,240	342,240	1,515,000	88.71%	**2032**
2033					280,000	57,615	280,000	57,615	337,615	1,235,000	90.79%	**2033**
2034					290,000	47,115	290,000	47,115	337,115	945,000	92.96%	**2034**
2035					305,000	36,240	305,000	36,240	341,240	640,000	95.23%	**2035**
2036					315,000	24,803	315,000	24,803	339,803	325,000	97.58%	**2036**
2037					325,000	12,675	325,000	12,675	337,675	0	100.00%	**2037**
	1,030,000	115,250	8,640,000	1,261,950	3,745,000	1,195,881	13,415,000	2,573,081	15,988,081			

* Preliminary, subject to change.

1) This represents the $8,640,000 Facilities Maintenance Portion of the $10,700,000 General Obligation Facilities Maintenance and Tax Abatement Bonds, Series 2021A.

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	$1,556,087,989
Multiply by 15%	0.15
Statutory Debt Limit	$233,413,198
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(13,415,000)
Unused Debt Limit*	$219,998,198

*Preliminary, subject to change.

OVERLAPPING DEBT[1]

Taxing District	2021/22 Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Counties of:				
Morrison	$38,638,220	10.2072%	$11,145,000	$1,137,592
Todd	27,425,248	17.4720%	1,230,000	214,906
Wadena	12,525,421	13.8553%	745,000	103,222
Cities of:				
Staples	2,485,269	100.0000%	4,173,000	4,173,000
Motley	442,483	95.1924%	985,000	937,645
District's Share of Total Overlapping Debt				$6,566,365

DEBT PAYMENT HISTORY

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

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value $1,556,087,989	Debt/ Per Capita 10,099[1]
Direct G.O. Debt Secured By:			
Tax Abatement Revenues and State Aids	$2,060,000		
Taxes and State Aids*	13,415,000		
Total General Obligation Debt (includes the Bonds)*	$15,475,000		
Less: Agricultural Credit[2]	(1,857,000)		
Tax Supported General Obligation Debt*	$13,618,000	0.88%	$1,348.45
District's Share of Total Overlapping Debt	$6,566,365	0.42%	$650.20
Total*	$20,184,365	1.30%	$1,998.65

*Preliminary, subject to change.

FUTURE FINANCING

The District plans to issue approximately $4,000,000 General Obligation Facilities Maintenance Bonds in Fall of 2022 and approximately $2,000,000 Certificates of Participation in Winter of 2023.

LEVY LIMITS

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

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

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1 2020 U.S. Census population.

2 Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 12.00% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is $1,857,000.

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	$1,863,201	$1,820,206	$1,860,969	99.88%
2018/19	2,371,842	2,312,965	2,367,596	99.82%
2019/20	2,408,985	2,364,201	2,398,125	99.55%
2020/21	2,441,027	2,393,967	2,398,275	98.25%
2021/22	4,887,083	In process of collection		

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

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

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

2 Collections are through December 31, 2021 for Todd, Morrison and Wadena Counties and through March 5, 2022 for Cass County.

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. 2170 (Staples-Motley)	13.151%	15.973%	14.682%	14.079%	36.782%
Cass County	31.869%	30.957%	30.522%	29.857%	29.034%
Morrison County	59.269%	56.224%	54.208%	53.465%	51.655%
Todd County	74.568%	71.970%	66.564%	63.488%	63.304%
Wadena County	87.817%	80.617%	80.099%	80.738%	78.491%
City of Aldrich	40.696%	42.550%	41.481%	45.145%	42.207%
City of Motley	100.689%	103.870%	95.257%	93.065%	96.436%
City of Staples	97.263%	82.547%	72.932%	73.095%	71.482%
Town of May[2]	27.125%	22.963%	21.576%	23.355%	25.161%
Region V Commission	0.134%	0.133%	0.130%	0.128%	0.123%
HRA- Morrison County	0.104%	0.097%	0.114%	0.109%	0.104%
Rural Development Finance Authority	0.273%	0.268%	0.256%	0.246%	0.246%
Referendum Market Value Rates:					
I.S.D. No. 2170 (Staples-Motley)	0.13057%	0.12016%	0.12006%	0.12596%	0.10856%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Todd, Cass, Morrison and Wadena Counties.

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

2 Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 150, including 30 non-licensed employees and 120 licensed employees (75 of whom are teachers). The District provides education for 937 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
Non-unionized employees	June 30, 2023
Administration	June 30, 2023

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 addendum to the actuarial study shows a total OPEB liability of $2,011,721 as of June 30, 2021. In November of 2008, the District issued $1,010,000 in OPEB Bonds to fund an irrevocable trust. As of June 30, 2021, the net position of the trust was $575,751. Future OPEB costs will be paid partially from the trust and partially from operating funds.

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

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2017/18	101	466	547	1,114
2018/19	90	460	540	1,090
2019/20	66	416	521	1,003
2020/21	66	405	508	979
2021/22	48	400	489	937

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2022/23	67	407	503	977
2023/24	64	404	501	969
2024/25	64	404	496	964

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Staples Elementary	1966	1996
Motley Elementary/Staples Motley Middle School	1954	1967, 1974, 1995, 1996, 2011
Staples Motley High School	1935	1950, 1960, 1966, 1969, 1971, 1985, 1987, 1991

FUNDS ON HAND (as of April 30, 2022)

Fund	Total Cash and Investments
General	$5,711,966
Food Service	448,013
Community Service	506,209
Debt Service	205,869
Building/Construction	9,400,766
OPEB Funds	615,806
Trust & Agency	39,688
Total Funds on Hand	$16,928,316

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 2021 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				
	2018 Audited	2019 Audited	2020 Audited	2021 Audited	2021-22 Adopted Budget 1)
Revenues					
Local property taxes	$1,500,716	$1,473,048	$2,270,247	$2,171,505	$2,151,096
Other local and county sources	597,246	558,271	341,525	246,249	500,000
Earnings on investments	46,735	0	0	0	0
State sources	11,597,269	11,586,256	11,375,269	10,595,230	10,342,256
Federal sources	463,216	435,010	484,166	1,049,895	914,542
Insurance recovery	0	237	0	0	0
Sales and other conversion of assets	0	53,236	60,919	20,042	0
Total Revenues	$14,205,182	$14,106,058	$14,532,126	$14,082,921	$13,907,894
Expenditures					
Current:					
Administration	$888,317	$932,929	$848,436	$583,777	$701,415
District support services	546,158	480,606	462,828	594,812	353,386
Regular instruction	5,756,574	5,630,462	5,906,010	5,622,691	5,928,104
Vocational education instruction	279,870	256,544	163,844	148,850	168,197
Special education instruction	2,292,191	2,387,115	2,430,842	2,361,721	2,574,681
Instructional support services	568,929	537,042	526,497	876,475	914,250
Pupil support services	1,216,930	1,241,947	1,065,493	981,707	1,024,107
Sites and buildings	1,302,127	1,589,557	1,326,400	1,357,408	1,217,876
Fiscal and other fixed cost programs	85,084	71,882	65,111	75,172	87,855
Capital outlay	427,480	1,076,376	664,727	966,789	658,220
Debt service	230,912	365,968	367,127	180,539	0
Total Expenditures	$13,594,572	$14,570,428	$13,827,315	$13,749,941	$13,628,091
Excess of revenues over (under) expenditures	610,610	(464,370)	704,811	332,980	279,803
Other Financing Sources (Uses)					
Sale of equipment	$0	$3,818	$1,147	$46	
Sale of capital assets	62,049	0	0	0	
Capital lease proceeds	74,781	0	0	0	
Insurance recovery proceeds	10,327	0	0	0	
Lease proceeds	0	213,575	0	0	
Operating transfers in/out	(6,397)	(73,430)	(75,260)	(78,016)	
Total Other Financing Sources (Uses)	140,760	143,963	(74,113)	(77,970)	
Net changes in Fund Balances	$751,370	($320,407)	$630,698	$255,010	
General Fund Balance July 1	3,289,472	4,040,842	3,720,435	4,351,133	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance June 30	$4,040,842	$3,720,435	$4,351,133	$4,606,143	
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$47,562	$119,243	$159,783	$107,448	
Restricted	1,077,641	1,179,098	1,537,387	1,368,045	
Committed	0	0	0	10,450	
Assigned	598,821	275,226	109,092	109,092	
Unassigned	2,316,818	2,146,868	2,544,871	3,011,108	
Total	$4,040,842	$3,720,435	$4,351,133	$4,606,143	

1) The 2021-22 budget was adopted on June 28, 2021.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 10,060 and a 2020 U.S. Census population of 10,099, and comprising an area of 482 square miles, is located approximately 140 miles northwest of the Minneapolis/St. Paul metropolitan area.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Lakewood Health System	Hospital, clinic & nursing home	1,475
Trident Seafood Corp.	Seafood-wholesale	400
Central Lakes College	Junior-community college- tech institute	277
I.S.D. No. 2170 (Staples-Motley)	Elementary and secondary education	150
Morey's Seafood International, LLC	Seafood-retail	150
Stern Rubber	Rubber products-manufacturer	140
Sourcewell	Education centers	75
3M Fabrication Services	Machine shop/manufacturers	50
Ernies Food Market	Grocers-retail	50
Pine Ridge Golf Club	Golf courses	30

Source: *Data Axle Reference Solutions*, *written and telephone survey (May 2022), 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	10,006
2020 U.S. Census population	10,099
Percent of Change 2010 - 2020	0.93%

Income and Age Statistics

	The District	Todd County	State of Minnesota	United States
2020 per capita income	$27,505	$26,427	$38,881	$35,384
2020 median household income	$50,439	$54,502	$73,382	$64,994
2020 median family income	$61,342	$66,645	$92,692	$80,069
2020 median gross rent	$802	$691	$1,010	$1,096
2020 median value owner occupied units	$154,500	$151,800	$235,700	$229,800
2020 median age	49.4 yrs.	43.9 yrs.	38.1 yrs.	38.2 yrs.

	State of Minnesota	United States
District % of 2020 per capita income	70.74%	77.73%
District % of 2020 median family income	66.18%	76.61%

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	**Todd County**	**Todd County**	**State of Minnesota**
2018	13,062	3.9%	3.1%
2019	13,358	4.4%	3.4%
2020	12,989	5.0%	6.3%
2021	12,851	3.9%	3.4%
2022, April	12,682	2.2%	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. 2170

Staples, Minnesota

Audited Financial Statements

June 30, 2021

SCHLENNER WENNER & CO.
CPAs

INDEPENDENT SCHOOL DISTRICT NO. 2170
STAPLES, MINNESOTA
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STAPLES, MINNESOTA
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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 2170
BOARD OF EDUCATION AND ADMINISTRATION
FOR THE YEAR ENDED JUNE 30, 2021

BOARD OF EDUCATION

Name	Title	Term Expires
Bryan Winkels	Chair	December 31, 2025
Bruce Lund	Vice Chair	December 31, 2023
Mary Freeman	Clerk	December 31, 2023
Brad Anderson	Treasurer	December 31, 2023
Lisa Anderson	Director	December 31, 2025
Jeremy Reeck	Director	December 31, 2025

ADMINISTRATION

Name	Title
Shane Tappe	Superintendent
John Regan	Director of Finance

FINANCIAL SECTION

SCHLENNER WENNER & CO.
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

Professional Association

INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2170
Staples, 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. 2170, Staples, Minnesota (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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2170, Staples, Minnesota, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

St. Cloud 320.251.0286 | **Little Falls** 320.632.6311 | **Albany** 320.845.2940 | **Maple Lake** 320.963.5414 | **Monticello** 763.295.5070

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule, Schedule Changes in District's Net OPEB Liability, Schedule of Money-Weighted Rate of Return on OPEB Plan Assets, Schedule of District's Proportionate Share of Net Pension Liability, Schedule of District Pension Contributions, and Schedule of Changes in District's Supplemental Pension Liability be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's 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.

Supplementary 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, combining nonmajor governmental funds financial statements and schedules, and the Uniform Financial Accounting and Reporting Standards Compliance Table are presented for the purposes of additional analysis and are not a required part 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.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2021 on our consideration of Independent School District No. 2170's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Independent School District No. 2170's internal control over financial reporting and compliance.

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
December 28, 2021

REQUIRED SUPPLEMENTARY INFORMATION

As management of Independent School District No. 2170 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $1,317,512 (net position). Of this amount, negative $11,837,887 is considered unrestricted.
- The District's total net position increased $1,282,767 as a result of current year operations.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $5,175,693, a decrease of $739,850 in comparison with the prior year. Approximately 53 percent of this amount, $2,736,048 is available for spending at the District's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund is $3,011,108, or 22 percent of total General Fund expenditures.
- The District's total long-term debt decreased by $473,384 (23 percent) in the current fiscal year, primarily due to principal payments made during the year. This excludes the changes in the pension and OPEB liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain are summarized in the following table. The remainder of the overview section of the Management Discussion and Analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

	Government-Wide	Fund Financial Statements	
		Governmental Funds	**Fiduciary Funds**
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as regular instruction, special education, administration, building maintenance, food service, and community service	Activities the District operates in trust or for which the District is a fiscal agent
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows/liability/ deferred inflows information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; deferred inflows of resources recorded to defer unavailable assets; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of outflow/inflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid

Government-Wide Financial Statements
The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued but unpaid interest).

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include administration, district support services, regular instruction, vocational instruction, exceptional instruction, community education and services, instructional support services, pupil support services, sites and buildings, fiscal and other fixed cost programs and interest and other fiscal charges, and unallocated depreciation. The District currently does not report any business-type activities.

The government-wide financial statements start on page 19 of this report.

Fund Financial Statements
A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are classified as governmental funds, aside from the fiduciary fund discussed below.

Governmental Funds
Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains one individual major governmental fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the remaining nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 21 of this report.

Fiduciary Funds
Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for the district-wide financial statements.

The basic fiduciary fund financial statements start on page 25 of this report.

Notes to the Financial Statements
The notes provide additional information essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements start on page 27 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Supplementary Information
The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements as supplementary information. Combining fund statements start on page 75 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, for a net balance of $1,317,512 at the close of the most recent fiscal year.

A significant portion of the District's net position reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, and equipment and vehicles), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although, the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position
Table 1

	Governmental Activities		
	2021	2020	Increase (Decrease)
Assets			
Current and Other Assets	$ 9,108,336	$ 10,263,488	$ (1,155,152)
Capital Assets	12,313,153	10,835,172	1,477,981
Total Assets	21,421,489	21,098,660	322,829
Deferred Outflows of Resources	3,661,696	6,091,951	(2,430,255)
Liabilities			
Current and Other Liabilities	1,516,349	2,007,934	(491,585)
Noncurrent Liabilities	12,393,724	11,934,537	459,187
Total Liabilities	13,910,073	13,942,471	(32,398)
Deferred Inflows of Resources	9,855,600	13,213,395	(3,357,795)
Net Position			
Net Investment in Capital Assets	10,850,390	9,929,430	920,960
Restricted	2,305,009	2,050,924	254,085
Unrestricted	(11,837,887)	(11,945,609)	107,722
Total Net Position	$ 1,317,512	$ 34,745	$ 1,282,767

An additional portion of the District's net position ($2,305,009) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position was negative $11,837,887 at year-end. This unrestricted balance has been reduced by a total of $12,405,654 as a result of recording the District's proportionate share of the net pension liability and related balances for the statewide pension plans in which District employees participate.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position
The District's net position increased $1,282,767 during the most recent fiscal year. Key elements of this increase are as follows:

Changes in Net Position
Table 2

	Governmental Activities		
	2021	2020	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services	$ 395,118	$ 568,515	$ (173,397)
Operating Grants and Contributions	3,790,677	3,126,261	664,416
Capital Grants and Contributions	78,069	111,552	(33,483)
General Revenues			
Property Taxes	2,530,005	2,522,022	7,983
State Aid Not Restricted to Specific Programs	9,148,448	9,721,922	(573,474)
Earnings on Investments	17,187	70,571	(53,384)
Gifts and Donations	45,917	63,871	(17,954)
Gain (Loss) on Sale of Assets	46	(6,680)	6,726
Miscellaneous	150,833	138,882	11,951
Total Revenues	16,156,300	16,316,916	(160,616)
Expenses			
Administration	601,731	892,644	(290,913)
District Support Services	649,555	513,403	136,152
Regular Instruction	5,739,652	6,060,971	(321,319)
Vocational Instruction	155,576	214,594	(59,018)
Exceptional Instruction	2,378,548	2,551,659	(173,111)
Community Education and Services	520,482	606,006	(85,524)
Instructional Support Services	892,090	544,259	347,831
Pupil Support Services	1,853,429	2,058,144	(204,715)
Sites and Buildings	1,964,804	2,002,311	(37,507)
Fiscal and Other Fixed Cost Programs	75,172	65,111	10,061
Interest and Other Fiscal Charges	38,876	51,794	(12,918)
Unallocated Depreciation	3,618	-	3,618
Total Expenses	14,873,533	15,560,896	(687,363)
Change in Net Position	1,282,767	756,020	526,747
Net Position - Beginning of Year	34,745	(721,275)	756,020
Net Position - End of Year	$ 1,317,512	$ 34,745	$ 1,282,767

Some significant items to note include the following:

- The current year increase in net position was $1,282,767, compared to an increase of $756,020 in the prior year. This was a result of a 1.0 percent decrease in revenues and a 4.4 percent decrease in expenses during fiscal year 2021.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

- Operating grants and contributions increased $664,416, primarily due to additional funding received from the Federal government in response to the coronavirus pandemic.
- State aid not restricted to specific programs decreased $573,474, primarily due to decreased general education aid revenues based primarily on enrollment.
- Expenses related to instructional support services increased $347,831, primarily due to increases in compensation and technology costs incurred in response to the coronavirus pandemic.
- Expenses related to administration and regular instruction decreased $290,913 and $321,319, respectively, primarily due to lower costs for compensation and related student services as a result of reduced operations in response to the pandemic.

Total and Net Cost of Governmental Activities
The net cost of governmental activities is their total costs less program revenues applicable to each category. The following table presents these total and net costs.

Total and Net Costs of Services
Table 3

	Total Cost of Services			Net Cost of Services		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Administration	$ 601,731	$ 892,644	$ (290,913)	$ 601,731	$ 892,644	$ (290,913)
District Support Services	649,555	513,403	136,152	649,555	513,403	136,152
Regular Instruction	5,739,652	6,060,971	(321,319)	4,485,460	5,295,114	(809,654)
Vocational Instruction	155,576	214,594	(59,018)	155,041	175,188	(20,147)
Exceptional Instruction	2,378,548	2,551,659	(173,111)	1,020,386	1,094,497	(74,111)
Community Education and Services	520,482	606,006	(85,524)	(87,012)	181,149	(268,161)
Instructional Support Services	892,090	544,259	347,831	855,380	507,186	348,194
Pupil Support Services	1,853,429	2,058,144	(204,715)	958,823	1,098,491	(139,668)
Sites and Buildings	1,964,804	2,002,311	(37,507)	1,852,639	1,879,991	(27,352)
Fiscal and Other Fixed Cost Programs	75,172	65,111	10,061	75,172	65,111	10,061
Interest and Other Fiscal Charges	38,876	51,794	(12,918)	38,876	51,794	(12,918)
Unallocated Depreciation	3,618	-	3,618	3,618	-	3,618
Totals	$ 14,873,533	$ 15,560,896	$ (687,363)	$ 10,609,669	$ 11,754,568	$ (1,144,899)

Some significant items to note include the following:

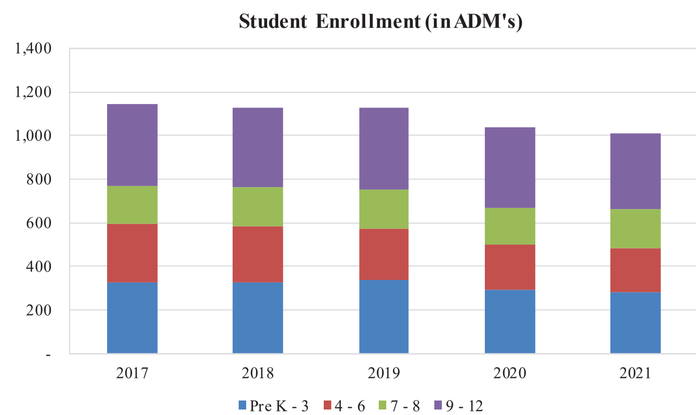
- The net cost of services related to administration and regular instruction decreased $290,913 (32.6 percent) and $809,654 (15.3 percent), respectively, primarily due to matters discussed in the previous section.
- The net cost of services related to instructional support services increased $348,194 (68.7 percent), primarily due to matters discussed in the previous section.
- The net cost of services for community education and services decreased $268,161 (148.0), primarily the result of reduced operations in response to the pandemic.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The majority of the financial aid received by the District is determined based on the number of students enrolled during the year. Therefore, fluctuations in enrollment have a significant impact on the financial health of the District. The following graphs show the trend in student enrollment counts over the past five years:

Student Enrollment (Average Daily Membership)

	2017	2018	2019	2020	2021
Pre K - 3	326	327	336	292	281
4 - 6	269	256	239	207	201
7 - 8	172	180	179	169	178
9 - 12	379	367	372	368	349
Total Student for Aid	1,146	1,130	1,126	1,036	1,009
Percentage Change	-2.05%	-1.40%	-0.35%	-7.99%	-2.61%



As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds
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 spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $5,175,693, a decrease of $739,850 in comparison with the prior year.

INDEPENDENT SCHOOL DISTRICT NO. 2170
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

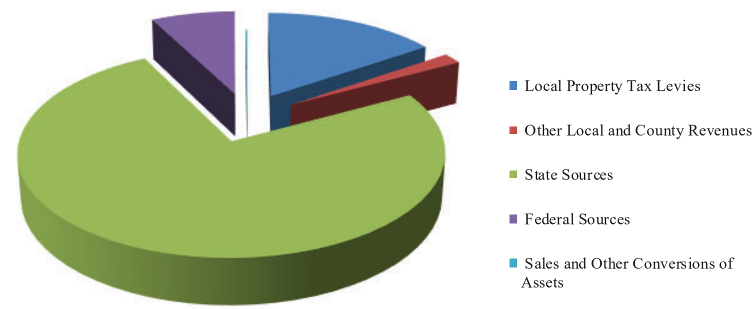
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

The following is a summary of the District's major governmental fund:

	Fund Balance June 30,		
Major Funds	2021	2020	Increase (Decrease)
General	$ 4,606,143	$ 4,351,133	$ 255,010

The fund balance of the General Fund increased by $255,010 (5.9 percent). Revenues decreased approximately 3.1 percent from the prior year, while expenditures decreased approximately 0.6 percent.

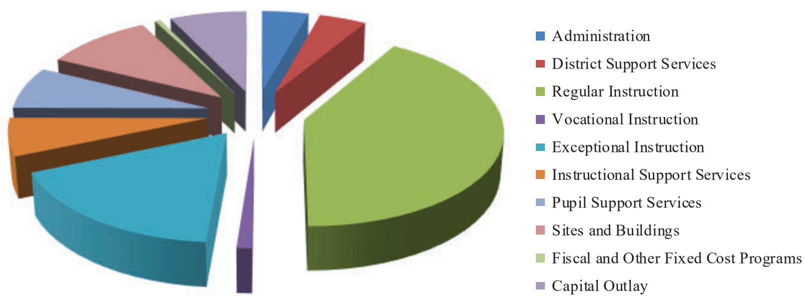
General Fund Revenue



The District receives the vast majority of its funding in the General Fund from the State of Minnesota (75 percent), which is subject to fluctuation based on the number of pupils served by the District and changes in State legislation. In addition, the District receives approximately 15 percent of its General Fund revenues from local property tax levies, and 7 percent from Federal Sources.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund Expenditures



A significant portion of the District's General Fund expenditures are used for regular, vocational and exceptional instruction (59 percent). Expenditures for various support services total 18 percent, and the remaining 23 percent consists of expenditures for administration, sites and buildings, and other items.

General Fund Budgetary Highlights
The District's General Fund budget was amended during the year. The revenues budget was decreased by $155,003, and the expenditures budget was changed in several functions for an overall increase of $30,867 from original to final. The final budget called for expenditures of $14,437,667 and a decrease in fund balance of $266,028. Actual revenues recognized during the year were less than budgeted amounts by $95,243, and expenditures were less than those budgeted by $687,726. Therefore, including the sale of equipment of $46 and transfers to other funds of $78,016, the current year increase in fund balance was $521,038 more than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets
The District's investment in capital assets for its governmental activities as of June 30, 2021, amounts to $12,313,153 (net of accumulated depreciation). This investment in capital assets consists of land, construction in progress, land improvements, buildings and improvements, and equipment and vehicles. The total increase in the District's investment in capital assets for the current fiscal year was approximately 14 percent.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Major capital asset events during the current fiscal year included the improvement and remodeling of various facilities, the purchase of vehicles, and various other equipment and technology purchases.

Capital Assets Net of Depreciation
Table 4

	Governmental Activities		
	2021	2020	Increase (Decrease)
Land	$ 867,639	$ 867,640	$ (1)
Construction in Progress	1,443,008	814,354	628,654
Land Improvements	188,227	187,974	253
Buildings and Improvements	8,547,949	7,567,308	980,641
Equipment and Vehicles	1,266,330	1,397,896	(131,566)
Total	$ 12,313,153	$ 10,835,172	$ 1,477,981

Additional information on the District's capital assets can be found in Note 2.B. on page 37 of this report.

Long-Term Debt
At the end of the current fiscal year, the District had total long-term debt outstanding of $1,577,747, excluding the District's long-term net pension liability of $8,961,631, net OPEB liability of $1,435,970, and supplemental pension liability of $418,376. A summary of long-term debt activity for the year ended June 30, 2021 follows:

Long-Term Debt
Table 5

	Governmental Activities		
	2021	2020	Increase (Decrease)
G.O. Facilities Bonds	$ 1,305,000	$ 1,565,000	$ (260,000)
Unamortized Premium	140,650	177,299	(36,649)
Capital Leases Payable	17,113	172,889	(155,776)
Vacation Payable	53,024	40,122	12,902
Severance Payable	61,960	95,821	(33,861)
Total	$ 1,577,747	$ 2,051,131	$ (473,384)

The District's total debt decreased by $473,384 (23 percent) during the current fiscal year. Additional information on the District's long-term debt can be found in Note 2.C. on page 38 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's appointed and elected officials considered many factors when setting the fiscal year 2022 budget. These factors included the following:

- The District's enrollment is projected to decrease in the original budget adopted by the School Board, which will result in fewer resources for operation of the District's educational programs. As a result of this reduction in revenues, the Board approved reductions in the operating budget in order to maintain a balanced budget.

- The District will receive an additional two percent in the general aid funding formula, based on legislative action. Funding increases, if any, beyond fiscal year 2022 will be determined by the State Legislature as part of their budget setting process.

- Budgets include normal inflationary increases in expenditures, with more significant increases in educational support staff, instructional materials and equipment, and the school improvements project.

REQUESTS FOR INFORMATION

This financial report is designed to provide our students, taxpayers, customers, and creditors with general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Independent School District No. 2170, 905 4th Street NE, Staples, MN 56479.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 2170
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Cash and Temporary Investments	$ 6,180,268
Property Taxes Receivable	1,182,782
Accounts Receivable	5,248
Due from Fiduciary Trust	203,816
Due from Other Minnesota School Districts	54,662
Due from Minnesota Department of Education	889,668
Due from Federal Government through Minnesota Department of Education	461,937
Inventory	18,579
Prepaids	111,376
Capital Assets not Being Depreciated	2,310,647
Capital Assets Being Depreciated (Net)	10,002,506
TOTAL ASSETS	21,421,489
DEFERRED OUTFLOWS OF RESOURCES	
OPEB	58,715
Pensions	3,592,036
Other Pension	10,945
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,661,696
LIABILITIES	
Accounts Payable	389,375
Salaries Payable	737,839
Accrued Interest Payable	27,188
Construction Contract Payable	5,721
Due to Other Minnesota School Districts	71,714
Due to Other Governments	29,674
Payroll Deductions and Employer Contributions	226,933
Unearned Revenue	27,905
Noncurrent Liabilities:	
Amount Due Within One Year	357,149
Amount Due After One Year	1,220,598
Net OPEB Liability	1,435,970
Net Pension Liability	8,961,631
Supplemental Pension Liability	418,376
TOTAL LIABILITIES	13,910,073
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Subsequent Years	2,391,793
OPEB	396,722
Pensions	7,036,059
Other Pension	31,026
TOTAL DEFERRED INFLOWS OF RESOURCES	9,855,600
NET POSITION	
Net Investment in Capital Assets	10,850,390
Restricted:	
General Fund Operating Capital	118,196
General Fund State Mandated Restrictions	1,249,849
Debt Service	220,745
Food Service	293,963
Community Service	422,256
Unrestricted	(11,837,887)
TOTAL NET POSITION	$ 1,317,512

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 2170
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense)/ Revenue
Governmental Activities:					
Administration	$ 601,731	$ -	$ -	$ -	$ (601,731)
District Support Services	649,555	-	-	-	(649,555)
Regular Instruction	5,739,652	47,780	1,206,412	-	(4,485,460)
Vocational Instruction	155,576	535	-	-	(155,041)
Exceptional Instruction	2,378,548	8,024	1,350,138	-	(1,020,386)
Community Education and Services	520,482	272,967	334,527	-	87,012
Instructional Support Services	892,090	-	36,710	-	(855,380)
Pupil Support Services	1,853,429	31,716	862,890	-	(958,823)
Sites and Buildings	1,964,804	34,096	-	78,069	(1,852,639)
Fiscal and Other Fixed Cost Programs	75,172	-	-	-	(75,172)
Interest and Other Fiscal Charges	38,876	-	-	-	(38,876)
Unallocated Depreciation	3,618	-	-	-	(3,618)
Total Governmental Activities	$ 14,873,533	$ 395,118	$ 3,790,677	$ 78,069	(10,609,669)
General Revenues:					
Property Taxes					2,530,005
State Aid Not Restricted to Specific Programs					9,148,448
Earnings on Investments					17,187
Gifts and Donations					45,917
Gain on Sale of Assets					46
Miscellaneous					150,833
Total General Revenues					11,892,436
CHANGE IN NET POSITION					1,282,767
NET POSITION - BEGINNING OF YEAR					34,745
NET POSITION - END OF YEAR					$ 1,317,512

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 2170
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Temporary Investments	$ 5,137,709	$ 1,042,559	$ 6,180,268
Property Taxes Receivable:			
Current	919,201	211,892	1,131,093
Delinquent	38,860	12,829	51,689
Accounts Receivable	5,248	-	5,248
Due from Fiduciary Trust	203,816	-	203,816
Due from Other Minnesota School Districts	54,662	-	54,662
Due from Minnesota Department of Education	871,315	18,353	889,668
Due from Federal Government through Minnesota Department of Education	347,903	114,034	461,937
Inventory	-	18,579	18,579
Prepaids	107,448	3,928	111,376
TOTAL ASSETS	$ 7,686,162	$ 1,422,174	$ 9,108,336
LIABILITIES			
Accounts Payable	$ 47,145	$ 342,230	$ 389,375
Salaries Payable	720,206	17,633	737,839
Construction Contracts Payable	5,721	-	5,721
Due to Other Minnesota School Districts	71,714	-	71,714
Due to Other Governments	27,792	1,882	29,674
Payroll Deductions and Employer Contributions	206,066	20,867	226,933
Unearned Revenue	3,905	24,000	27,905
Total Liabilities	1,082,549	406,612	1,489,161
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue:			
Delinquent Property Taxes	38,860	12,829	51,689
Property Taxes Levied for Subsequent Years	1,958,610	433,183	2,391,793
Total Deferred Inflows of Resources	1,997,470	446,012	2,443,482
FUND BALANCES			
Nonspendable	107,448	22,507	129,955
Restricted	1,368,045	941,645	2,309,690
Committed	10,450	-	10,450
Assigned	109,092	-	109,092
Unassigned	3,011,108	(394,602)	2,616,506
Total Fund Balances	4,606,143	569,550	5,175,693
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 7,686,162	$ 1,422,174	$ 9,108,336

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 2170
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balances - Governmental Funds		$ 5,175,693
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:		
Capital Assets	$ 28,307,563	
Accumulated Depreciation	(15,994,410)	
Capital Assets (Net)		12,313,153
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:		
Bond Principal Payable	(1,305,000)	
Bond Premium, Net of Accumulated Amortization	(140,650)	
Capital Leases Payable	(17,113)	
Vacation Payable	(53,024)	
Severance Payable	(61,960)	
		(1,577,747)
Interest on long-term debt is recognized as an expenditure when due and payable in the governmental funds. Therefore, interest is not accrued in the governmental funds Balance Sheet, but is accrued in the Statement of Net Position:		(27,188)
The net OPEB liability represents the present value of projected unfunded future postemployment benefits other than pensions, as determined by an actuary as of the most recent measurement date. Such liability and related balances do not represent the impending use of current financial resources and, therefore, are not reported in the governmental funds:		
Net OPEB Liability	(1,435,970)	
Deferred Outflows - OPEB	58,715	
Deferred Inflows - OPEB	(396,722)	
		(1,773,977)
The net pension liability and related deferred outflows/inflows represent the allocation of the pension obligations of the statewide plans to the District. Such balances are not reported in the governmental funds:		
Net Pension Liability	(8,961,631)	
Deferred Outflows - Pensions	3,592,036	
Deferred Inflows - Pensions	(7,036,059)	
		(12,405,654)
The supplemental pension liability represents the present value of projected future pension benefits based on years of service, as determined by an actuary as of the most recent measurement date. Such liability and related balances do not represent the impending use of current financial resources, and therefore, are not reported in the governmental funds:		
Supplemental Pension Liability	(418,376)	
Deferred Outflows - Supplemental Pension	10,945	
Deferred Inflows - Supplemental Pension	(31,026)	
		(438,457)
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds:		51,689
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 1,317,512

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 2170
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Local Property Tax Levies	$ 2,171,505	$ 375,732	$ 2,547,237
Other Local and County Revenues	246,249	311,192	557,441
State Sources	10,595,230	297,269	10,892,499
Federal Sources	1,049,895	1,017,899	2,067,794
Sales and Other Conversions of Assets	20,042	31,572	51,614
TOTAL REVENUES	14,082,921	2,033,664	16,116,585
EXPENDITURES			
Current:			
Administration	583,777	-	583,777
District Support Services	594,812	-	594,812
Regular Instruction	5,622,691	-	5,622,691
Vocational Instruction	148,850	-	148,850
Exceptional Instruction	2,361,721	-	2,361,721
Community Education and Services	-	528,558	528,558
Instructional Support Services	876,475	-	876,475
Pupil Support Services	981,707	727,483	1,709,190
Sites and Buildings	1,357,408	-	1,357,408
Fiscal and Other Fixed Cost Programs	75,172	-	75,172
Capital Outlay	966,789	1,492,524	2,459,313
Debt Service:			
Principal	175,477	260,000	435,477
Interest and Other Charges	5,062	97,975	103,037
TOTAL EXPENDITURES	13,749,941	3,106,540	16,856,481
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	332,980	(1,072,876)	(739,896)
OTHER FINANCING SOURCES (USES)			
Sale of Equipment	46	-	46
Transfers In	-	78,016	78,016
Transfers Out	(78,016)	-	(78,016)
TOTAL OTHER FINANCING SOURCES (USES)	(77,970)	78,016	46
NET CHANGE IN FUND BALANCES	255,010	(994,860)	(739,850)
FUND BALANCES - BEGINNING	4,351,133	1,564,410	5,915,543
FUND BALANCES - ENDING	$ 4,606,143	$ 569,550	$ 5,175,693

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 2170
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances - Total Governmental Funds		$ (739,850)
Amounts reported for governmental activities in the Statement of Activities are different due to the following:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense:		
Capital Outlay Capitalized	$ 2,411,285	
Depreciation Expense	(933,303)	
		1,477,982
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long term debt and related items:		
Bond Principal Repayments	260,000	
Amortization of Bond Premium	36,649	
Capital Lease Principal Repayments	155,776	
Prepaid Capital Lease Principal Repayments	19,700	
		472,125
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due:		27,512
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period:		
Property Taxes		(17,232)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Vacation Payable	(12,902)	
Severance Payable	33,861	
		20,959
Certain liabilities do not represent the impending use of current resources. Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:		
Net OPEB Liability and Deferred Outflows/Inflows of Resources	135,372	
Net Pension Liability and Deferred Outflows/Inflows of Resources	(168,862)	
Supplemental Pension Liability and Deferred Outflows/Inflows of Resources	74,761	
		41,271
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 1,282,767

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 2170
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021

	OPEB Trust
ASSETS	
Cash	$ 9,185
Investments	770,382
TOTAL ASSETS	779,567
LIABILITIES	
Due to Fiscal Host	203,816
FIDUCIARY NET POSITION	
Restricted for Other Postemployment Benefits	$ 575,751

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 2170
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	OPEB Trust
ADDITIONS	
Investment Interest	$ 51,755
DEDUCTIONS	
Administrative Fees	543
Postemployment Benefits Expense	110,000
TOTAL DEDUCTIONS	110,543
CHANGE IN FIDUCIARY NET POSITION	(58,788)
FIDUCIARY NET POSITION - BEGINNING OF YEAR	634,539
FIDUCIARY NET POSITION - END OF YEAR	$ 575,751

See Accompanying Notes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. FINANCIAL REPORTING ENTITY

Independent School District No. 2170 (the District) is an educational entity established by the State of Minnesota. The government of the District is directed by an elected six-member Board of Education (the Board). The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the District. The accompanying financial statements present the government entities for which the District is considered to be financially accountable.

The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Based on these criteria, there are currently no entities considered to be component units of the District.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. However, the Board does have administrative control over student activity funds, as well as responsibility for establishing broad policies and ensuring that appropriate financial records are maintained for student activities. Accordingly, the student activity accounts are included in the basic financial statements as part of the General Fund.

1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the primary government. For the most part, interfund activities have been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements of Independent School District No. 2170 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are classified by function for governmental activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character	Current (further classified by function) Capital Outlay Debt Service

Property taxes, intergovernmental revenue and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

The District reports the following major governmental fund:

The G*eneral Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the government reports the following nonmajor governmental fund types:

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Building Construction Fund* is a capital project fund used to account for the resources accumulated and payments made for building construction projects that were funded with bond proceeds.

The *Special Revenue Funds* account for the proceeds of specific revenue sources (other than expendable trust and major capital projects) that are legally restricted to expenditures for specified purposes.

The District reports the following fiduciary fund:

The *OPEB Trust Fund* is used to account for an irrevocable trust established to fund postemployment benefits (other than pension benefits) accrued by the employees of the District to be paid as they come due.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.D. USE OF ESTIMATES

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

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY

Deposits and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable participation by each of the funds. Temporary cash investments are stated at cost which approximates fair value. Investments in external investment pools are valued at the pool's share price.

See Note 2.A. for additional information related to Deposits and Investments.

Property Taxes Receivable

The majority of District revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then 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.

Property tax levies are certified to the County 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 an enforceable lien on property on the following January 1. The County generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operation of the District in the current year. For government-wide financial statements, no allowance for uncollectible taxes is considered necessary.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year-end. No substantial losses are anticipated from present receivable balances; therefore, no allowance for uncollectible accounts is deemed necessary.

Due from Other Governments

Amounts due from the Minnesota Department of Education, from the federal government through the Department of Education and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances, adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution, and may result in differing amounts actually being received. Any such differences will be absorbed into operations as of the subsequent period.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Inventory

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

Prepaids

Prepaid expenditures consist of amounts paid during the year ended June 30, 2021 which will benefit future periods. Included in this amount is supplies and maintenance services purchased for use in subsequent periods and insurance premiums applicable to future accounting periods.

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of $2,500 or more for capitalizing capital assets. The system for accumulation of fixed asset cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Capital assets are recorded in the district-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from fifteen to seventy years for land improvements and buildings, and five to thirty years for equipment and vehicles.

Capital assets not being depreciated include land and construction in progress, if any.

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

Accrued Payroll Liabilities

Salaries pertaining to the school year ended June 30, 2021, which are payable in July and August 2021, are accrued as of June 30, 2021 and are shown as a liability on the accompanying financial statements. Liabilities for payroll taxes, amounts withheld from payroll checks and benefits accrued are also included.

Unearned Revenue

Unearned revenue consists of local revenue received but not yet earned. Such amounts typically consist of grants and entitlements received before eligibility requirements are met and prepaid pupil lunch balances. Unearned revenue at June 30, 2021 totaled $27,905.

Compensated Absences Payable

Vacation Pay – The District permits some employees to accumulate varying amounts of vacation pay as determined by their contracts. All vacation pay eligible for payout has been accrued in the government-wide financial statements.

Sick Pay – The District's regular employees and teachers are entitled to sick leave at various rates. Employees are not directly compensated for unused sick leave upon termination of employment; however, unused sick leave does enter into the calculation of severance pay upon termination for certain employees.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Supplemental Pension (Severance) Plan

The District maintains various severance plans for its employee groups. The portion of these benefits based on years of service and/or minimum age requirements is considered to be a supplemental pension plan. Therefore, the present value of the District's future projected liabilities under this supplemental plan are calculated via an actuarial valuation, and this amount is accrued in the government-wide financial statements. See Note 5 for additional information relating to the District's Supplemental Pension Plan.

Long-Term Obligations

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

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

Postemployment Benefits Other Than Pensions (OPEB)

Under the provisions of the various employee and union contracts, the District provides health insurance coverage for varying lengths of time if certain age and minimum years of service requirements are met.

Pensions

The net pension liability represents the District's allocation of its pro-rata share of the Statewide Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) net pension liabilities.

PERA

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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TRA

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Interfund Transactions and Balances

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. If short-term in nature or incurred through goods and service type transactions, such interfund balances are reported as "due to/from other funds." Long-term interfund loans are reported as "advances to/from other funds." Interfund transactions and balances between governmental funds are eliminated in the Statement of Net Position.

See Note 2.E. for additional information pertaining to interfund balances and transfers.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The District reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds and OPEB plan in which District employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The District reports property taxes levied for subsequent years as deferred inflows of resources in both the government-wide and governmental fund financial statements. The District reports delinquent property tax receivables as deferred inflows of resources in the governmental funds, in accordance with the modified accrual basis of accounting. In addition, the District reports deferred inflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds and OPEB plan in which District employees participate.

See Notes 3, 4, and 5 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for OPEB and pension activities.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or they are legally or contractually required to be maintained intact. The nonspendable fund balances at June 30, 2021 consist of prepaid expenditures and inventory.

Restricted – Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education (the Board), which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

Assigned – Amounts that are neither restricted or committed but are constrained by the District's intent to be used for specific purposes. The Board has delegated the authority to assign to the Superintendent and Business Manager.

Unassigned – The residual classification for the General Fund and also negative residual amounts in other funds, if any. The District has formally adopted a policy under which it strives to maintain a minimum unassigned General Fund balance equal to approximately one month of operating expenditures.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

When both restricted and unrestricted resources are available for use, it is the District's practice to first use restricted resources, and then use unrestricted resources as they are needed. If resources from more than one fund balance classification could be spent, the District will spend the resources from fund balance classifications in the following order: committed, assigned and unassigned, in accordance with the District's policy.

See Note 2.D. for additional disclosures.

Net Position

Net position represents the difference between the sum of assets and deferred outflows of resources and the sum of 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 acquiring the capital assets.

Restricted Net Position – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, 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."

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

1.F. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the current year presentation in the District's Management's Discussion and Analysis and Notes to the Basic Financial Statements. Such reclassifications have no impact on the change in net position.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

2.A. DEPOSITS AND INVESTMENTS

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits in financial institutions designated by the School Board. Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The District complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated "A" or better;

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. DEPOSITS AND INVESTMENTS (Continued)

- A revenue obligation of a state or local government, with taxing powers, rated "AA" or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard and Poor's; or
- Time deposits insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a 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 selection should be approved by the District.

At June 30, 2021, the District's deposits were not exposed to custodial credit risk. The District's deposits were sufficiently covered by federal depository insurance or by collateral held by the District's agent in the District's name.

Investments

The District may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received 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, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The District does not have any investment policies that would further limit investment choices.

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares. The investments in the Minnesota School District Liquid Asset Fund are not subject to the credit risk classifications as noted in GASB Statement No. 72 and, therefore, are not subject to the fair value measurements noted on the following pages.

The assets of the OPEB Irrevocable Trust invested in the Minnesota State Board of Investments are also not subject to the fair value hierarchy or credit risk classification noted in GASB Statement No. 72. Instead, such investments are measured at amortized cost.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. DEPOSITS AND INVESTMENTS (Continued)

Investment balances at June 30, 2021 are as follows:

Type of Investments	Credit Rating	Segmented Time Distribution	Fair Value
District Assets			
Pooled Investments:			
Minnesota District Liquid Asset Fund	N/A	Less than 1 year	$ 5,983,272
Non-Pooled Investments			
Brokered Certificates of Deposit	N/A	Less than 1 year	107,489
OPEB Irrevocable Trust Assets			
Pooled Investments:			
MN State Board of Investments Non-Retirement - Money Market Fund	N/A	Less than 1 year	25,960
MN State Board of Investments Non-Retirement - Bond Fund	N/A	Less than 1 year	590,998
MN State Board of Investments Non-Retirement - Equity Fund	N/A	Less than 1 year	153,424
Total Investments			$ 6,861,143

The table above includes investments of $770,382, which are held in the OPEB Trust Fund.

The investments of the District are subject to the following risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the District's investments.
- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- Concentration of Credit Risk is the risk associated with the magnitude of the District's investments (considered five percent or more) in the investments of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District has no formal policy limiting the amounts that may be invested in any one issuer. At June 30, 2021, the District does not have a significant concentration of credit risk.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has no formal policy to address interest rate risk.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. DEPOSITS AND INVESTMENTS (Continued)

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 active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Brokered Certificates of Deposit of $107,489 are valued at fair value discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer (Level 2 inputs). As previously noted, none of the School's current investments are subject to the fair value hierarchy, outside of the District's Brokered Certificates of Deposit.

Deposits and Temporary Investments Summary

The following is summary of total deposits and temporary investments:

Carrying Amount of Deposits	$ 98,692
Investments (See Investments Section)	6,861,143
Total	$ 6,959,835

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

Government-Wide	
Cash and Temporary Investments	$ 6,180,268
Fiduciary	
OPEB Irrevocable Trust Fund	779,567
Total	$ 6,959,835

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, not Being Depreciated					
Land	$ 867,639	$ -	$ -	$ -	$ 867,639
Construction in Progress	814,354	2,175,369	-	(1,546,715)	1,443,008
Total Capital Assets Not Being Depreciated	1,681,993	2,175,369	-	(1,546,715)	2,310,647
Capital Assets, Being Depreciated					
Land Improvements	836,991	17,754	-	-	854,745
Building and Improvements	19,414,164	-	-	1,572,202	20,986,366
Equipment and Vehicles	4,242,235	218,162	(279,105)	(25,487)	4,155,805
Total Capital Assets Being Depreciated	24,493,390	235,916	(279,105)	1,546,715	25,996,916
Less Accumulated Depreciation for					
Land Improvements	649,017	17,501	-	-	666,518
Building and Improvements	11,846,856	590,583	-	978	12,438,417
Equipment and Vehicles	2,844,339	325,219	(279,105)	(978)	2,889,475
Total Accumulated Depreciation	15,340,212	933,303	(279,105)	-	15,994,410
Total Capital Assets Being Depreciated, Net	9,153,178	(697,387)	-	1,546,715	10,002,506
Governmental Activities Capital Assets, Net	$ 10,835,171	$ 1,477,982	$ -	$ -	$ 12,313,153

Depreciation expense was charged to functions of the District as follows:

Governmental Activities	
Administration	$ 1,310
District Support Services	57,318
Regular Instruction	19,810
Vocational Instruction	3,223
Exceptional Instruction	9,382
Community Education	3,676
Instructional Support Services	2,007
Pupil Support Services	185,302
Sites and Buildings	647,657
Unallocated Depreciation	3,618
Total Depreciation Expense - Governmental Activities	$ 933,303

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES

General Obligation (G.O.) Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these obligations. 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.

There are a number of limitations and restrictions contained in the general obligation bond indentures.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

Description	Original Issue Amount	Interest Rate(s)	Final Maturity Date	Balance Outstanding
Governmental Activities				
G.O. Facilities Maintenance Bonds				
Bonds, Series 2019A	$ 1,305,000	5.00%	2/1/2026	$ 1,305,000

Capital Leases

The District occasionally enters into lease agreements as a means for acquiring new equipment. Collateral pledged to under these agreements consists of the equipment acquired by the District through the lease agreements. Additional information, including the outstanding balance on the lease agreements at June 30, 2021, is as follows:

Description	Original Issue Amount	Interest Rate(s)	Final Maturity Date	Balance Outstanding
Governmental Activities				
Copier Equipment	$ 71,573	7.84 - 19.40%	8/10/2022	$ 17,113

The carrying values of the remaining assets acquired under capital leases are assumed to approximates the balances of the leases outstanding at year end.

Debt Service Requirements

At June 30, 2021, estimated annual debt service requirements to maturity for the general obligation bonds are as follows:

	Governmental-Type Activities		
	General Obligation Bonds		
Year Ended June 30,	Principal	Interest	Total
2022	$ 275,000	$ 65,250	$ 340,250
2023	285,000	51,500	336,500
2024	315,000	37,250	352,250
2025	330,000	21,500	351,500
2026	100,000	5,000	105,000
Total	$ 1,305,000	$ 180,500	$ 1,485,500

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES (Continued)

At June 30, 2021, estimated annual debt service requirements to maturity for the capital leases are as follows:

Year Ended June 30,	Governmental-Type Activities – Capital Leases – Principal	Interest	Total
2022	$ 14,633	$ 870	$ 15,503
2023	2,480	26	2,506
Total	$ 17,113	$ 896	$ 18,009

Changes in Noncurrent Liabilities

Noncurrent liability activity (excluding the net OPEB liability, net pension liability and supplemental pension liability) for the year ended June 30, 2021 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds	$ 1,565,000	$ -	$ (260,000)	$ 1,305,000	$ 275,000
Unamortized Premium	177,299	-	(36,649)	140,650	-
Capital Leases Payable	172,889	-	(155,776)	17,113	14,633
Vacation Payable	40,122	95,294	(82,392)	53,024	53,024
Severance Payable	95,821	7,450	(41,311)	61,960	14,492
Total Noncurrent Liabilities	$ 2,051,131	$ 102,744	$ (576,128)	$ 1,577,747	$ 357,149

Bonds payable are typically funded through the Debt Service Fund. Capital leases payable, vacation payable, and severance payable are typically funded through the General Fund.

The interest rates are fixed rates that may increase a predetermined amount each year. District-wide interest and other fiscal charges for the year ended June 30, 2021 total $38,876 on the Statement of Activities. Fund financial statement interest and other fiscal charges for the year ended June 30, 2021 total $103,037. Interest expenses for non-bonded debt included in government-wide direct program expenses total $0; all bond interest and fees are included in interest and other charges.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. FUND BALANCE CLASSIFICATIONS

At June 30, 2021, governmental fund equity includes the following:

		Nonmajor Governmental Funds				
				Special Revenue		
	General Fund	Debt Service Fund	Building Construction Fund	Food Service Fund	Community Service Fund	Total Governmental Funds
Nonspendable						
Inventory	$ -	$ -	$ -	$ 18,579	$ -	$ 18,579
Prepaids	107,448	-	-	1,752	2,176	111,376
Total Nonspendable	$ 107,448	$ -	$ -	$ 20,331	$ 2,176	$ 129,955
Restricted for						
Student Activities	$ 67,029	$ -	$ -	$ -	$ -	$ 67,029
Staff Development	53,126	-	-	-	-	53,126
Operating Capital	118,196	-	-	-	-	118,196
Gifted and Talented	62,744	-	-	-	-	62,744
Safe Schools	56,503	-	-	-	-	56,503
Long-Term Facility Maintenance	853,838	-	-	-	-	853,838
Medical Assistance	156,609	-	-	-	-	156,609
Debt Service	-	247,933	-	-	-	247,933
Food Service	-	-	-	273,632	-	273,632
Community Education	-	-	-	-	161,687	161,687
School Readiness	-	-	-	-	79,356	79,356
Adult Basic Education	-	-	-	-	5,786	5,786
Community Service	-	-	-	-	173,251	173,251
Total Restricted	$ 1,368,045	$ 247,933	$ -	$ 273,632	$ 420,080	$ 2,309,690
Committed for:						
Staff Development	$ 10,450	$ -	$ -	$ -	$ -	$ 10,450
Assigned for						
Concessions	$ 9,208	$ -	$ -	$ -	$ -	$ 9,208
Middle School Activities	2,887	-	-	-	-	2,887
Q Comp	5,218	-	-	-	-	5,218
Referendum - Bus Purchases	9,213	-	-	-	-	9,213
Referendum - Textbooks	56,088	-	-	-	-	56,088
Referendum - Safe School	26,478	-	-	-	-	26,478
Total Assigned	$ 109,092	$ -	$ -	$ -	$ -	$ 109,092
Deficit UFARS Restrictions						
Early Childhood and Family Education	$ -	$ -	$ -	$ -	$ (54,480)	$ (54,480)

Restricted for Student Activities - This amount represents resources available for extracurricular student activities, from funds raised by students.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. FUND BALANCE CLASSIFICATIONS (Continued)

Restricted for Staff Development - This amount represents available resources restricted for professional growth of instructional staff members during their service to the school district.

Restricted for Operating Capital - This amount represents funds to be used for the purchase, lease and maintenance of school facilities and equipment.

Restricted for Gifted and Talented - This amount represents the unspent portion of general education aid revenue at year end restricted for programs for the gifted and talented.

Restricted for Safe Schools Levy - This amount represents restricted resources for funding programs designed to increase school safety and awareness. Amount also represents resources restricted to pay for the salaries of student counselors, security, and other personnel employed for the purpose of providing early responses to problems.

Restricted for Long-Term Facility Maintenance - This amount represents restricted resources for long-term facility maintenance stipulated by the District's long-term facility maintenance plan.

Restricted for Medical Assistance - This amount represents the unspent resources available from medical assistance.

Restricted for Debt Service - This amount represents restricted resources for debt service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for Food Service - This amount represents restricted resources for food service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for Community Education - This amount represents available resources for community education classes. Revenues are derived from tax levies and state aids and expenditures are for salaries, benefits and supplies. Any deficits can be eliminated by future tax levies and state aids.

Restricted for School Readiness - This amount represents the resources available to provide for services for school readiness programs, which includes aids, fees, grants and all other revenues received by the District for the program. Deficits can be eliminated through state aids and program revenues.

Restricted for Adult Basic Education - This amount represents the balance of restricted resources for all activity involving adult basic education. This includes all state aid and any grant or local funding used in support of adult basic education programs.

Restricted for Community Service - This amount represents restricted resources for community service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for Early Childhood Family Education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and state aids and expenditures are for salaries, benefits and supplies. Any deficits can be eliminated by future tax levies, state aids and program revenues.

Committed for Staff Development - This amount represents the resources segregated from the unassigned fund balance for future staff development.

Assigned for Concessions - This amount represents the resources segregated from the unassigned fund balance for concessions.

Assigned for Middle School Activities - This amount represents the resources segregated from the unassigned fund balance for middle school activities.

Assigned for Q-Comp - This amount represents the resources segregated from the unassigned fund balance for Q-comp payments.

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NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. FUND BALANCE CLASSIFICATIONS (Continued)

Assigned for Referendum - This amount represents the resources segregated from the unassigned fund balance for various referendum specific items or projects.

Additionally, the nonmajor governmental fund with a deficit fund balance at June 30, 2021 is as follows:

Fund	Deficit
Nonmajor Capital Project Fund	
Building Construction Fund	$ (340,122)

This fund deficit is expected to be recovered through proceeds from a bond issuance anticipated in the subsequent year.

2.E. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended June 30, 2021:

Major Fund	Transfers Out	Transfers In Building Construction
General	$ 78,016	$ 78,016

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund balances at June 30, 2021 are as follows:

Due From Fund	Due To Fund	Amount
OPEB Irrevocable Trust Fund	General	$ 203,816

The interfund balances above are expected to be repaid within the next year.

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The District administers a single-employer defined benefit plan (the Plan), through which the District provides postemployment benefits to eligible retirees and their families. An irrevocable trust, established and operated under the provisions of *Minnesota Statute* 471.6175, is used to finance benefit obligations incurred by the plan. The School Board of the District has been designated as the Plan's trustee, and manages the assets of the trust in accordance with *Minnesota Statute* 118A. The Plan does not issue a publicly available financial report.

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Benefits Provided

The District offers continuing group health and life insurance coverage after retirement for qualifying District employees. Teachers and certain other District personnel who retire from active employment after 55 years of age and 3 to 5 years of service to the District may continue their single or family coverage through the District plan at their expense. Additionally, Teachers become eligible for partial subsidization of these benefits after 11 years of employment at the District and 30 years of overall service as an educator, while other qualifying employees become eligible for varying subsidies after 13 years of service at the District. These options are allowed as long as the District continues to sponsor a group health plan. Benefits and eligibility provisions have been established through negotiations between the District and the union representing the District's personnel and are renegotiated every two-year bargaining period. As of the most recent actuarial valuation date, there are 184 active employees electing coverage, 25 retirees receiving payments, and 2 spouses receiving payments.

The District is legally required to include any retirees for who it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, regardless of 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 arises from 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.

Contributions

The District did not have any contractually required or actuarially determined contributions to the Plan during the year ended of June 30, 2021. The District has established an irrevocable trust to fund all future benefits paid under the Plan, and it is assumed that the District will be required to make no further contributions to the trust. However, the District occasionally elects to fund benefit payments through its General Fund, which mirrors a direct contribution to the Plan. Direct contributions of this nature total $185,461 for the measurement period. Benefit payments, including reimbursements and amounts due to the General Fund, total $295,461. Employees are not required to contribute to the OPEB plan.

Net OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources

At June 30, 2021, the District reported a net OPEB liability of $1,435,970 for the District's plan. The net OPEB liability was measured as of June 30, 2021, as determined by an actuarial valuation as of July 1, 2020.

For the year ended June 30, 2021, the District recognized OPEB expense of negative $135,372. At June 30, 2021, 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	$ -	$ 298,909
Changes in actuarial assumptions	58,715	42,515
Differences between projected and actual investment earnings	-	55,298
Total Deferred Outflows/Inflows	$ 58,715	$ 396,722

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Deferred outflows and inflows of resources related to the plan will be recognized in the District's OPEB expense as follows:

Year Ended June 30,	OPEB Expense
2022	$ (87,671)
2023	$ (88,803)
2024	$ (82,115)
2025	$ (70,260)
2026	$ 2,361
Thereafter	$ (11,519)

Changes in the Net OPEB Liability

The following table summarizes changes in the net OPEB liability for the year ended June 30, 2021:

Changes in Total OPEB Liability (TOL)	
Balance at July 1st	$ 2,190,874
Service Cost	108,568
Interest Cost	53,816
Changes in Assumptions	(34,190)
Differences Between Expected and Actual Experience	(11,886)
Benefit Payments	(295,461)
Balance at June 30th	$ 2,011,721
Plan Fiduciary Net Position (FNP)	
Balance at July 1st	$ 634,422
Employer Contributions	185,461
Projected Investment Return	26,646
Differences Between Expected and Actual Experience	25,109
Total Additions	237,216
Benefit Payments	(295,461)
Administrative Expenses	(543)
Other Charges	117
Total Reductions	(295,887)
Balance at June 30th	$ 575,751
Net OPEB Liability (Asset) - June 30th	$ 1,435,970

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Assumptions

The following is a summary of pertinent actuarial assumptions and methods utilized, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:	
Valuation Date	July 1, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age, level percentage of pay
Actuarial Assets	Trustee value as of the measurement date
Amortization of Deferred Resource Flows	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes. Closed five-year period for differences between expected and actual asset returns.

Economic Assumptions:	
Discount Rate	2.20%
Expected Investment Return	4.20% (net of investment expense)
20-Year Municipal Bond Yield	2.10%
Inflation Rate	2.50%
Salary Increases	See service graded table.
Medical Trend Rate	6.50% in 2020 grading to 5.00% over 6 years and then to 4.00% over the next 48 years. District contributions are assumed to increase 4.00% for administrators and 2.50% for teachers.

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

The long-term expected rate of return the Plan's investments was determined using a building-block method in which best estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
NR Equity Fund	15%	6.80%
NR Bond Fund	80%	3.80%
NR Cash Pool	5%	2.00%
Total Portfolio	100%	4.20%

Significant changes in assumptions, benefit terms, and other inputs since the prior measurement date include:

- The discount rate was changed from 2.50 percent to 2.20 percent.

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Net OPEB Liability Sensitivity

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

Sensitivity of Net OPEB Liability at Current Single Discount Rate

	Rates	Amounts
1% Increase in Discount Rate	3.20%	$1,359,120
Current Discount Rate	2.20%	$1,435,970
1% Decrease in Discount Rate	1.20%	$1,514,485

The following presents the net OPEB liability, calculated using the healthcare cost trend rates disclosed in the preceding section, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Sensitivity of Net OPEB Liability at Current Healthcare Trend Rates

	Amounts
1% Increase in Healthcare Trend Rates	$1,588,582
Current Healthcare Trend Rates	$1,435,970
1% Decrease in Healthcare Trend Rates	$1,301,134

Concentrations

At June 30, 2021, the Plan's investments consist entirely of pooled investments held with the Minnesota State Board of Investment, as shown at Note 2.A. Therefore, the District's OPEB plan held no investments that represented more than 5 percent of the Plan's Fiduciary Net Position, other than those issued by the U.S. Government.

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on plan investments, net of investment expense, approximated 8.20 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

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

General Employees Retirement Plan

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

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Benefits Provided

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.20 percent for each of the first 10 years of service and 1.70 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.70 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.00 percent and a maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50 percent for the Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021 were $203,953. The District's contributions were equal to the required contributions as set by State Statute.

Pension Costs

General Employees Fund Pension Costs

At June 30, 2021, the District reported a liability of $2,386,192 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $73,533. 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 0.0398 percent at the end of the measurement period and 0.0403 percent for the beginning of the period.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

District's proportionate share of the net pension liability:	$2,386,192
State of Minnesota's proportionate share of the net pension liability associated with the District	73,533
Total	$2,459,725

For the year ended June 30, 2021, the District recognized pension expense of $204,990 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $6,400 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 21,986	$ 9,028
Changes in actuarial assumptions	-	87,782
Differences between projected and actual investment earnings	41,037	-
Changes in proportion	55,475	67,017
Contributions made to PERA subsequent to the measurement date	203,953	-
Total	$ 322,451	$ 163,827

The $203,953 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2022	$ (161,840)
2023	$ 20,359
2024	$ 38,501
2025	$ 57,651

Total Pension Expense

The total pension expense for all plans recognized by the District for the year ended June 30, 2021 was $204,990.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

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:

Inflation	2.25 percent per year
Active Member Payroll Growth	3.00 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based Pub-2010 General Employee Mortality tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year.

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

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

<u>General Employees Fund</u>

Changes in Actuarial Assumptions:

- he 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 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 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 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
Total	100%	

Discount Rate

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

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 one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis
Net Pension Liability (Asset) at Different Discount Rates

	Rates	Amounts
1% Lower	6.50%	$3,824,238
Current Discount Rate	7.50%	$2,386,192$8,961,631
1% Higher	8.50%	$1,199,919

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 Internet at www.mnpera.org.

4.B. TEACHERS RETIREMENT ASSOCIATION

Plan Description

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

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

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

Benefits Provided

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

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

Tier I Benefits

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

With these provisions:

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

(b) 3 percent per year early retirement reduction 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).

Or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.70 percent per year for coordinated members and 2.70 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.90 percent per year for coordinated members and 2.70 percent per year for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary (ies) by selecting one of 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.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

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.

Contribution Rate

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

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

The following is a reconciliation of employer contributions in TRA 's fiscal year 2020 ACFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

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

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

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information:	
Valuation date	July 1, 2020
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial Assumptions:	
Investment rate of return	7.5%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.00% for January 2020 through January 2023, then increasing by 0.10% each year up to 1.50% annually.
Mortality Assumptions:	
Pre-retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Equity	35.5%	5.10%
International Equity	17.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
Unallocated Cash	2.0%	0.00%
Total	100%	

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

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

Changes in actuarial assumptions since the 2018 valuation:

- The 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 0.00 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 6 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.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 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).

Net Pension Liability

At June 30, 2021, the District reported a liability of $6,575,439 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.0890 percent at the end of the measurement period and 0.0884 percent for the beginning of the period.

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

District's proportionate share of net pension liability	$6,575,439
State's proportionate share of the net pension liability associated with the District	$551,278

For the year ended June 30, 2021, the District recognized pension expense of $657,382. It also recognized $50,501 as an increase to pension expense for the support provided by direct aid.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 131,864	$ 104,780
Changes in assumptions	2,613,222	5,639,448
Net difference between projected and actual investment earnings on pension plan investments	75,272	-
Changes in proportion	31,871	1,128,004
Contributions made to TRA subsequent to the measurement date	417,356	-
Total	$ 3,269,585	$ 6,872,232

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2022	$ (103,269)
2023	$ (2,425,388)
2024	$ (1,671,102)
2025	$ 146,018
2026	$ 33,738

Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate.

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate

1 percent decrease (6.50%)	Current (7.50%)	1 percent increase (8.50%)
$10,066,928	$6,575,439	$3,698,629

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

Pension Plan Fiduciary Net Position

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 TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling 651-296-2409 or 800-657-3669.

NOTE 5 SUPPLEMENTAL PENSION PLAN

Plan Description

The District provides a single-employer, defined benefit supplemental pension benefit to certain eligible employees. All of the pension benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. The pension is administered by the District's School Board, and a separate financial report is not issued.

As of the most recent valuation date, there were 37 active employees and 14 retired employees eligible to receive benefits under the plan. Teachers and certain other District personnel who retire from active employment after 55 years of age and sufficient years of service become eligible for benefits. The pension benefit ranges from 5 days per year of services times the daily rate to 60 days per year of service times the daily rate. Payments are made in three equal annual installments paid to a 403(b) plan. Some contracts also reduce the pension benefits by the total matching contribution made by the District to the employee's qualified retirement account over the course of that individual's employment with the District.

Funding Policy

Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The General Fund is used for funding of all pension/retirement benefits. The employer makes all contributions.

Total Pension Liability

The District recognizes its total pension liability, rather than a net pension liability. In order for the District to recognize a net pension liability, assets must be accumulated in a trust that meets the following criteria:

- Contributions from employer and/or nonemployer contributing entities, and the earning thereon, must be irrevocable.
- Pension plan assets must be dedicated to providing pensions to Plan members in accordance with benefit terms.
- Pension plan assets must be legally protected from the creditors of employer, nonemployer contributing entities, the Plan administrator, and the Plan members.

No assets are accumulated in a trust that meets all of the above criteria. Accordingly, the District's total pension liability is not reduced by any assets accumulated in a trust that meets the criteria, and the District must report its total pension liability as follows:

Changes in Supplemental Pension Liability	
Balance at July 1st	$ 464,223
Service Cost	16,850
Interest Cost	10,620
Changes in Assumptions	(2,049)
Differences Between Expected and Actual Experience	6,377
Benefit Payments	(77,645)
Balance at June 30th	$ 418,376

NOTE 5 SUPPLEMENTAL PENSION PLAN (Continued)

Pension Costs

For the year ended June 30, 2021, the District recognized pension expense of negative $74,760. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the pension liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 4,783	$ 27,867
Changes in actuarial assumptions	6,162	3,159
Total Deferred Outflows/Inflows	$ 10,945	$ 31,026

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

Year Ended June 30,	Pension Expense
2022	$ (24,585)
2023	$ 3,422
2024	$ 1,082

Actuarial Methods and Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information:	
Valuation Date	July 1, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age, level percentage of pay
Amortization of Deferred Resource Flows	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.
Mortality	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale.
Economic Assumptions:	
Discount Rate	2.10%
20-Year Municipal Bond Yield	2.10%
Inflation Rate	2.50%
Salary Increases	Service graded table

The retirement and withdrawal assumptions and rates are based on the Teacher Retirement Association of Minnesota actuarial experience study for the period July 1, 2008 through June 30, 2014, and the Public Employees Retirement Association of Minnesota most recent six-year experience study for the General Employees Plan completed in 2019.

NOTE 5 SUPPLEMENTAL PENSION PLAN (Continued)

Significant changes in assumptions, benefit terms, and other inputs since the prior measurement date include:

- The discount rate was changed from 2.40 percent to 2.10 percent.

Discount Rate

The discount rate used to measure the total pension liability was 2.10 percent. The discount rate is based on the estimate yield of 20-Year AA-rated municipal bonds.

Total Pension Liability Sensitivity

The following presents the District's total pension liability calculated using the discount rate of 2.10%, as well as what the District's total pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

1 percent decrease (1.10%)	Current (2.10%)	1 percent increase (3.10%)
$431,711	$418,376	$405,250

NOTE 6 OTHER INFORMATION

6.A. COMMITMENTS AND CONTINGENCIES

Federal and State Programs

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 fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time. However, management of the District expects such amounts, if any, to be immaterial.

Construction Contracts

During the current year, the District entered into various contracts for construction services. Remaining commitment under these contracts at June 30, 2021 totals $3,026,099, not including retainage, which has been accrued in these financial statements.

Additionally, the District has entered into an agreement for construction management services, for a project anticipated to begin in the subsequent year. The total cost of the project is budgeted to be $26,612,692, and future compensation to be paid to the construction manager is estimated at $3,401,221.

6.B. RISK MANAGEMENT

Claims and Judgements

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the District purchases commercial insurance. The District retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

NOTE 6 OTHER INFORMATION

6.B. RISK MANAGEMENT (Continued)

Public Health Emergency

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the District operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the District, to date, the District has not experienced any significant negative effects on its operations.

6.C. OTHER EMPLOYEE BENEFITS

Defined Contribution Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). The District has contracted with a private brokerage firm to establish the Plan, and plan assets are not held in a formal trust meeting the criteria defined by GASB No. 73, par 4. The District's Board of Education acts as the plan administrator, but the District is not involved with the investment decisions for plan assets. Contributions are invested in tax deferred annuities selected and owned by Plan participants. Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. The District's contributions to the plan total $55,587 for the year ended June 30, 2021, in addition to the $77,645 contributed to the plan through the District's supplemental pension arrangements previously described.

6.D. SUBSEQUENT EVENTS

Construction Contracts

Subsequent to year end and prior to the issuance of these financial statements, the District entered into a construction contract for energy savings renovations at a total cost of $1,319,481.

General Obligation School Building Bonds

Subsequent to year end but prior to the issuance of these financial statements, the District issued General Obligation Facilities Maintenance and Tax Abatement Bonds with a par value of $10,700,000.

6.E. NEW ACCOUNTING STANDARD

In June 2017, the Government Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. GASB Statement No. 87 (GASB 87) increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases and recognized as income by lessors and expenditures by lessees. GASB 87 replaces the previous lease accounting methodology and establishes a single model for lease accounting based on the foundational principle that leases are a financing of the right to use an underlying asset. GASB 87 will be effective for the District's fiscal year ended June 30, 2022. The effect on net position will likely be significant.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2170
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local Property Tax Levies	$ 2,173,423	$ 2,153,423	$ 2,171,505	$ 18,082
Other Local and County Revenues	465,000	201,025	246,249	45,224
State Sources	11,151,827	10,840,045	10,595,230	(244,815)
Federal Sources	482,917	964,671	1,049,895	85,224
Sales and Other Conversions of Assets	60,000	19,000	20,042	1,042
TOTAL REVENUES	14,333,167	14,178,164	14,082,921	(95,243)
EXPENDITURES				
Current:				
Administration	669,233	636,892	583,777	(53,115)
District Support Services	720,880	599,208	594,812	(4,396)
Regular Instruction	5,940,709	5,964,341	5,622,691	(341,650)
Vocational Instruction	289,777	169,425	148,850	(20,575)
Exceptional Instruction	2,441,219	2,493,989	2,361,721	(132,268)
Instructional Support Services	719,808	770,323	876,475	106,152
Pupil Support Services	1,282,423	1,025,655	981,707	(43,948)
Sites and Buildings	1,360,138	1,481,152	1,357,408	(123,744)
Fiscal and Other Fixed Cost Programs	80,250	75,000	75,172	172
Capital Outlay	737,819	1,058,974	966,789	(92,185)
Debt Service:				
Principal	147,816	159,827	175,477	15,650
Interest and Other Charges	16,728	2,881	5,062	2,181
TOTAL EXPENDITURES	14,406,800	14,437,667	13,749,941	(687,726)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(73,633)	(259,503)	332,980	592,483
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	-	-	46	46
Transfers Out	(83,156)	(6,525)	(78,016)	(71,491)
TOTAL OTHER FINANCING SOURCES (USES)	(83,156)	(6,525)	(77,970)	(71,445)
NET CHANGE IN FUND BALANCE	$ (156,789)	$ (266,028)	255,010	$ 521,038
FUND BALANCE - BEGINNING			4,351,133	
FUND BALANCE - ENDING			$ 4,606,143	

INDEPENDENT SCHOOL DISTRICT NO. 2170
SCHEDULE OF CHANGES IN DISTRICT'S NET OPEB LIABILITY
LAST TEN YEARS (Presented Prospectively)

	Measurement Period Ending June 30,				
	2021	2020	2019	2018	2017
Changes in Total OPEB Liability (TOL)					
Balance at July 1st	$ 2,190,874	$ 2,274,483	$ 2,896,312	$ 3,095,999	$ 3,213,471
Service Cost	108,568	108,248	93,444	134,027	135,949
Interest Cost	53,816	73,359	101,501	99,974	104,670
Differences between Expected and Actual Experience	(11,886)	-	(504,890)	-	-
Changes in Actuarial Assumptions	(34,190)	56,843	31,697	(29,396)	-
Benefit Payments	(295,461)	(322,059)	(343,581)	(404,292)	(358,091)
Balance at June 30th	$ 2,011,721	$ 2,190,874	$ 2,274,483	$ 2,896,312	$ 3,095,999
Plan Fiduciary Net Position (FNP)					
Balance at July 1st	$ 634,422	$ 662,501	$ 705,732	$ 782,051	$ 855,944
Employer Contributions	185,461	228,243	233,581	294,292	243,091
Differences between Expected and Actual Experience	26,646	38,278	33,442	-	-
Projected Investment Return	25,109	27,825	33,875	34,225	49,645
Total Additions	237,216	294,346	300,898	328,517	292,736
Differences between Expected and Actual Experience	-	-	-	-	(7,984)
Benefit Payments	(295,461)	(322,059)	(343,581)	(404,292)	(358,091)
Administrative Expenses	(543)	(548)	(548)	(544)	(554)
Other Charges	117	182	-	-	-
Total Reductions	(295,887)	(322,425)	(344,129)	(404,836)	(366,629)
Balance at June 30th	575,751	634,422	662,501	705,732	782,051
Net OPEB Liability - June 30th	$ 1,435,970	$ 1,556,452	$ 1,611,982	$ 2,190,580	$ 2,313,948
Plan Fiduciary Net Position / Total OPEB Liability	28.62%	28.96%	29.13%	24.37%	25.26%
Covered Payroll for Active Members	$ 7,560,952	$ 7,530,830	$ 7,311,486	$ 7,734,338	$ 7,509,066
Net OPEB Liability / Covered Payroll	18.99%	20.67%	22.05%	28.32%	30.82%

Note: The schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2017 and is intended to show a ten-year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 2170
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN ON OPEB PLAN ASSETS
LAST TEN YEARS (Presented Prospectively)

For the Year Ended June 30,	Annual Money-Weighted Rate of Return, Net of Investment Expense
2021	8.20%
2020	10.00%
2019	9.50%
2018	4.40%
2017	4.90%

Note: The schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2017 and is intended to show a ten-year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 2170
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (Presented Prospectively)

For the Measurement Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Public Employees Retirement Association							
2020	0.0398%	$ 2,386,192	$ 73,533	$ 2,459,725	$ 2,840,053	86.61%	79.1%
2019	0.0403%	$ 2,228,097	$ 69,252	$ 2,297,349	$ 2,874,747	79.91%	80.2%
2018	0.0383%	$ 2,124,727	$ 69,694	$ 2,194,421	$ 2,804,627	78.24%	79.5%
2017	0.0412%	$ 2,630,181	$ 33,072	$ 2,663,253	$ 2,670,120	99.74%	75.9%
2016	0.0424%	$ 3,442,670	$ 44,963	$ 3,487,633	$ 2,637,467	132.23%	68.9%
2015	0.0472%	$ 2,446,149	$ -	$ 2,446,149	$ 2,772,995	88.21%	78.2%
2014	0.0511%	$ 2,400,422	$ -	$ 2,400,422	$ 2,682,916	89.47%	78.8%
Teachers Retirement Association							
2020	0.0890%	$ 6,575,439	$ 551,278	$ 7,126,717	$ 5,170,593	137.83%	75.5%
2019	0.0884%	$ 5,634,635	$ 498,528	$ 6,133,163	$ 4,923,593	124.57%	78.2%
2018	0.0892%	$ 5,605,042	$ 526,486	$ 6,131,528	$ 5,168,067	118.64%	78.1%
2017	0.0986%	$ 19,682,349	$ 1,902,628	$ 21,584,977	$ 5,293,600	407.76%	51.6%
2016	0.1031%	$ 24,591,810	$ 2,467,320	$ 27,059,130	$ 4,526,973	597.73%	44.9%
2015	0.1053%	$ 6,513,846	$ 798,877	$ 7,312,723	$ 5,344,533	136.83%	76.8%
2014	0.1063%	$ 4,898,227	$ 34,650	$ 4,932,877	$ 4,850,184	101.70%	81.5%

Note: The schedule is provided prospectively with the District's fiscal year ended June 30, 2014 (June 30, 2013 measurement date) and is intended to show a ten-year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 2170
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
LAST TEN YEARS (Presented Prospectively)

For the Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
Public Employees Retirement Association					
2021	$ 203,953	$ 203,953	$ -	$ 2,719,373	7.50%
2020	$ 213,004	$ 213,004	$ -	$ 2,840,053	7.50%
2019	$ 215,606	$ 215,606	$ -	$ 2,874,747	7.50%
2018	$ 210,347	$ 210,347	$ -	$ 2,804,627	7.50%
2017	$ 200,259	$ 200,259	$ -	$ 2,670,120	7.50%
2016	$ 197,810	$ 197,810	$ -	$ 2,637,467	7.50%
2015	$ 204,647	$ 204,647	$ -	$ 2,772,995	7.38%
2014	$ 194,511	$ 194,511	$ -	$ 2,682,916	7.25%
Teachers Retirement Association					
2021	$ 417,356	$ 417,356	$ -	$ 5,133,530	8.13%
2020	$ 409,511	$ 409,511	$ -	$ 5,170,593	7.92%
2019	$ 379,609	$ 379,609	$ -	$ 4,923,593	7.71%
2018	$ 387,605	$ 387,605	$ -	$ 5,168,067	7.50%
2017	$ 397,020	$ 397,020	$ -	$ 5,293,600	7.50%
2016	$ 339,223	$ 339,223	$ -	$ 4,526,973	7.49%
2015	$ 400,840	$ 400,840	$ -	$ 5,344,533	7.50%
2014	$ 339,513	$ 339,513	$ -	$ 4,850,184	7.00%

Note: The schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2014 and is intended to show a ten-year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 2170
SCHEDULE OF CHANGES IN DISTRICT'S SUPPMENTAL PENSION LIABILITY
LAST TEN YEARS (Presented Prospectively)

	Measurement Period Ending June 30, 2021	2020	2019	2018	2017
Changes in Supplemental Pension Liability					
Balance at July 1st	$ 464,223	$ 444,898	$ 576,084	$ 636,032	$ 655,230
Service Cost	16,850	18,981	16,584	23,618	24,940
Interest Cost	10,620	14,026	19,669	17,787	18,819
Differences between Expected and Actual Experience	6,377	-	(111,469)	-	-
Changes in Actuarial Assumptions	(2,049)	9,360	5,928	(8,110)	-
Benefit Payments	(77,645)	(23,042)	(61,898)	(93,243)	(62,957)
Balance at June 30th	$ 418,376	$ 464,223	$ 444,898	$ 576,084	$ 636,032
Covered Employee Payroll	$ 1,712,383	$ 2,294,386	$ 2,227,559	$ 3,180,240	$ 2,997,681
Supplemental Pension Liability / Covered Payroll	24.43%	20.23%	19.97%	18.11%	21.22%

Note: The schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2017 and is intended to show a ten-year trend. Additional years will be reported as they become available.

NOTE 1 EXPENDITURES IN EXCESS OF BUDGET

Actual expenditures in the General Fund did not exceed budgeted amounts for the year ended June 30, 2021.

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND

2020 Changes

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 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent Joint & 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 & 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 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from $31.0 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.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

- 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.

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 0.00 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.

2017 Changes

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 non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability and 3.00 percent for non-vested 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.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

2015 Changes

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.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6 million, which meets the special funding situation definition, is due September 2015.

NOTE 3 TEACHERS RETIREMENT ASSOCIATION

2020 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The 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% 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.

NOTE 3 TEACHERS RETIREMENT ASSOCIATION (Continued)

- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 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 6 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

- The cost of living adjustment (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 combined service annuity loads. The active load was reduced from 1.40 percent to 0.00 percent, the vested inactive load increased from 4.00 percent to 7.00 percent and the non-vested 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 ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2.00 percent for all future years.
- The price inflation assumption was lowered from 3.00 percent to 2.75 percent.
- The general wage growth and payroll growth assumptions were lowered from 3.75 percent to 3.50 percent.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.

NOTE 3 TEACHERS RETIREMENT ASSOCIATION (Continued)

- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

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.

Changes in Plan Provisions

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

NOTE 4 OTHER POSTEMPLOYMENT BENEFIT PLAN

2021 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.50 percent to 2.20 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The expected long-term investment return was changed from 4.80 percent to 4.20 percent.
- The discount rate was changed from 3.30 percent to 2.50 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

NOTE 4 OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)

- The expected long-term investment return was changed from 5.10 percent to 4.80 percent.
- The discount rate was changed from 3.60 percent to 3.30 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The expected long-term investment return was changed from 5.80 percent to 5.10 percent.
- The discount rate was changed from 3.30 percent to 3.60 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 5 SUPPLEMENTAL PENSION PLAN

The plan is funded on a pay-as-you-go basis. No assets have been accumulated in a trust to pay the benefits contractually required under this plan.

2021 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.40% to 2.10%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- 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.

NOTE 5 SUPPLEMENTAL PENSION PLAN (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2170
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

			Special Revenue		
	Debt Service	Building Construction	Food Service	Community Service	Total Nonmajor Governmental Funds
ASSETS					
Cash and Temporary Investments	$ 385,353	$ -	$ 177,612	$ 479,594	$ 1,042,559
Property Taxes Receivable:					
Current	154,593	-	-	57,299	211,892
Delinquent	9,774	-	-	3,055	12,829
Due from Minnesota					
Department of Education	12,198	-	-	6,155	18,353
Due from Federal Government through					
Minnesota Department of Education	-	-	114,034	-	114,034
Inventory	-	-	18,579	-	18,579
Prepaids	-	-	1,752	2,176	3,928
TOTAL ASSETS	$ 561,918	$ -	$ 311,977	$ 548,279	$ 1,422,174
LIABILITIES					
Accounts Payable	$ -	$ 340,122	$ 775	$ 1,333	$ 342,230
Salaries Payable	-	-	4,785	12,848	17,633
Due to Other Governments	-	-	1,882	-	1,882
Payroll Deductions and					
Employer Contributions	-	-	10,572	10,295	20,867
Unearned Revenue	-	-	-	24,000	24,000
Total Liabilities	-	340,122	18,014	48,476	406,612
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue:					
Delinquent Property Taxes	9,774	-	-	3,055	12,829
Property Taxes Levied for					
Subsequent Years	304,211	-	-	128,972	433,183
Total Deferred Inflows of Resources	313,985	-	-	132,027	446,012
FUND BALANCES					
Nonspendable:					
Inventory	-	-	18,579	-	18,579
Prepaids	-	-	1,752	2,176	3,928
Restricted for:					
Debt Service	206,606	-	-	-	206,606
OPEB Debt Service	41,327	-	-	-	41,327
Food Service	-	-	273,632	-	273,632
Community Education	-	-	-	161,687	161,687
School Readiness	-	-	-	79,356	79,356
Adult Basic Education	-	-	-	5,786	5,786
Community Service	-	-	-	173,251	173,251
Unassigned	-	(340,122)	-	(54,480)	(394,602)
Total Fund Balances	247,933	(340,122)	293,963	367,776	569,550
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 561,918	$ -	$ 311,977	$ 548,279	$ 1,422,174

INDEPENDENT SCHOOL DISTRICT NO. 2170
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

			Special Revenue		
	Debt Service	Building Construction	Food Service	Community Service	Total Nonmajor Governmental Funds
REVENUES					
Local Property Tax Levies	$ 252,759	$ -	$ -	$ 122,973	$ 375,732
Other Local and County Revenues	-	13,747	734	296,711	311,192
State Sources	112,511	-	-	184,758	297,269
Federal Sources	-	-	862,890	155,009	1,017,899
Sales and Other Conversions of Assets	-	-	31,572	-	31,572
TOTAL REVENUES	365,270	13,747	895,196	759,451	2,033,664
EXPENDITURES					
Current:					
Community Education and Services	-	-	-	528,558	528,558
Pupil Support Services	-	-	727,483	-	727,483
Capital Outlay	-	1,441,331	31,650	19,543	1,492,524
Debt Service:					
Principal	260,000	-	-	-	260,000
Interest and Other Charges	97,975	-	-	-	97,975
TOTAL EXPENDITURES	357,975	1,441,331	759,133	548,101	3,106,540
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,295	(1,427,584)	136,063	211,350	(1,072,876)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	78,016	-	-	78,016
NET CHANGE IN FUND BALANCES	7,295	(1,349,568)	136,063	211,350	(994,860)
FUND BALANCES - BEGINNING	240,638	1,009,446	157,900	156,426	1,564,410
FUND BALANCES - ENDING	$ 247,933	$ (340,122)	$ 293,963	$ 367,776	$ 569,550

INDEPENDENT SCHOOL DISTRICT NO. 2170
COMBINING BALANCE SHEET
DEBT SERVICE FUND
JUNE 30, 2021

	Debt Service	OPEB Debt Service	Total Nonmajor Debt Service Fund
ASSETS			
Cash and Temporary Investments	$ 346,268	$ 39,085	$ 385,353
Property Taxes Receivable:			
Current	154,593	-	154,593
Delinquent	7,963	1,811	9,774
Due from Minnesota Department of Education	9,956	2,242	12,198
TOTAL ASSETS	$ 518,780	$ 43,138	$ 561,918
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue:			
Delinquent Property Taxes	$ 7,963	$ 1,811	$ 9,774
Property Taxes Levied for Subsequent Years	304,211	-	304,211
Total Deferred Inflows of Resources	312,174	1,811	313,985
FUND BALANCE			
Restricted for:			
Debt Service	206,606	-	206,606
OPEB Debt Service	-	41,327	41,327
Total Fund Balance	206,606	41,327	247,933
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$ 518,780	$ 43,138	$ 561,918

INDEPENDENT SCHOOL DISTRICT NO. 2170
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Debt Service	OPEB Debt Service	Total Nonmajor Debt Service Fund
REVENUES			
Local Property Tax Levies	$ 250,571	$ 2,188	$ 252,759
State Sources	107,268	5,243	112,511
TOTAL REVENUES	357,839	7,431	365,270
EXPENDITURES			
Debt Service:			
Principal	260,000	-	260,000
Interest and Other Charges	97,975	-	97,975
TOTAL EXPENDITURES	357,975	-	357,975
NET CHANGE IN FUND BALANCE	(136)	7,431	7,295
FUND BALANCE - BEGINNING	206,742	33,896	240,638
FUND BALANCE - ENDING	$ 206,606	$ 41,327	$ 247,933

INDEPENDENT SCHOOL DISTRICT NO. 2170
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2021

01 GENERAL FUND	Audited	UFARS	Difference
Total Revenue	14,082,921	14,082,916	5
Total Expenditures	13,749,941	13,749,939	2
Non Spendable:			
460 Non Spendable Fund Balance	107,448	107,448	-
Restricted/Reserve:			
401 Student Activities	67,029	67,029	-
402 Scholarships	-	-	-
403 Staff Development	53,126	53,126	-
407 Capital Projects Levy	-	-	-
408 Cooperative Revenue	-	-	-
413 Project Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maint	-	-	-
424 Operating Capital	118,196	118,196	-
426 $25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 St. Approved Alt. Program	-	-	-
438 Gifted & Talented	62,744	62,744	-
440 Teacher Development & Eval	-	-	-
441 Basic Skills Programs	-	-	-
448 Achievement & Integration	-	-	-
449 Safe Schools Levy	56,503	56,503	-
451 QZAB Payments	-	-	-
452 OPEB Liab Not in Trust	-	-	-
453 Unfunded Sev. & Retirement	-	-	-
459 Basic Skills Ext Time	-	-	-
467 LTFM	853,838	853,838	-
472 Medical Assistance	156,609	156,609	-
473 PPP Loans	-	-	-
474 EIDL Loans	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
475 Title VII - Impact Aid	-	-	-
476 PILT	-	-	-
Committed:			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	10,450	10,450	-
Assigned:			
462 Assigned Fund Balance	109,092	109,092	-
Unassigned:			
422 Unassigned Fund Balance	3,011,108	3,011,105	3
02 FOOD SERVICE			
Total Revenue	895,196	895,198	(2)
Total Expenditures	759,133	759,134	(1)
Non Spendable:			
460 Non Spendable Fund Balance	20,331	20,331	-
Restricted/Reserve:			
452 OPEB Liab. Not in Trust	-	-	-
474 EIDL Loans	-	-	-
Restricted:			
464 Restricted Fund Balance	273,632	273,630	2
Unassigned:			
463 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE			
Total Revenue	759,451	759,447	4
Total Expenditures	548,101	548,102	(1)
Non Spendable:			
460 Non Spendable Fund Balance	2,176	2,176	-
Restricted/Reserve:			
426 $25 Taconite	-	-	-
431 Community Education	161,687	161,687	-
432 E.C.F.E.	(54,480)	(54,480)	-
440 Teacher Development & Eval	-	-	-
444 School Readiness	79,356	79,356	-
447 Adult Basic Education	5,786	5,786	-
452 OPEB Liab. Not in Trust	-	-	-
473 PPP Loans	-	-	-
474 EIDL Loans	-	-	-
Restricted:			
464 Restricted Fund Balance	173,251	173,249	2
Unassigned:			
463 Unassigned Fund Balance	-	-	-

06 BUILDING CONSTRUCTION	Audited	UFARS	Difference
Total Revenue	13,747	13,747	-
Total Expenditures	1,441,331	1,441,331	-
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
407 Capital Projects Levy	-	-	-
413 Projects Funded by COP	-	-	-
467 LTFM	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	(340,122)	(340,122)	-
07 DEBT SERVICE			
Total Revenue	357,839	357,837	2
Total Expenditures	357,975	357,974	1
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
425 Bond Refundings	-	-	-
433 Max Effort Loan	-	-	-
451 QZAB Payments	-	-	-
467 LTFM	-	-	-
Restricted:			
464 Restricted Fund Balance	206,606	206,605	1
Unassigned:			
463 Unassigned Fund Balance	-	-	-
08 TRUST			
Total Revenue	-	-	-
Total Expenditures	-	-	-
401 Student Activities	-	-	-
402 Scholarships	-	-	-
422 Net Assets	-	-	-
18 CUSTODIAL FUND			
Total Revenue	-	-	-
Total Expenditures	-	-	-
401 Student Activities	-	-	-
402 Scholarships	-	-	-
448 Achievement & Integration	-	-	-
464 Restricted Fund Balance	-	-	-
20 INTERNAL SERVICE			
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-
25 OPEB REVOCABLE TRUST FUND			
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-
45 OPEB IRREVOCABLE TRUST FUND			
Total Revenue	51,755	51,755	-
Total Expenditures	110,543	110,544	(1)
422 Net Assets	575,751	575,750	1
47 OPEB DEBT SERVICE FUND			
Total Revenue	7,431	7,431	-
Total Expenditures	-	-	-
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted:			
425 Bond Refundings	-	-	-
464 Restricted Fund Balance	41,327	41,327	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

INDEPENDENT SCHOOL DISTRICT NO. 2170
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal ALN	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Pass-through Programs from Minnesota Department of Education		
Child Nutrition Cluster:		
National School Lunch Program	10.555	
Cash Assistance		$ 51,781
Non-Cash Assistance (Commodities)		41,136
National Summer Food Service Program for Children	10.559	
Cash Assistance		768,570
Child Nutrition Cluster Subtotal - 10.555, 10.559		861,487
Total U.S. DEPARTMENT OF AGRICULTURE		$ 861,487
U.S. DEPARTMENT OF EDUCATION		
Pass-through Programs from Minnesota Department of Education		
Title I, Part A - Grants to Local Education Agencies	84.010	$ 269,387
Title II, Part A - Improving Teacher Quality	84.367	43,672
Title IV, Part A - Student Support and Academic Enrichment	84.424	21,753
Education Stabilization Fund:		
Governor's Emergency Education Relief (GEER) Fund	84.425C	36,121
Elementary and Secondary School Education Relief (ESSER) Fund	84.425D	297,303
Education Stabilization Fund Subtotal		333,424
Pass-through Programs from Freshwater Education District		
Special Education Cluster:		
Grants to States (IDEA, Part B)	84.027	46,410
Carl Perkins Vocational and Applied Technology	84.048	1,140
Total U.S. DEPARTMENT OF EDUCATION		$ 715,786
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Pass-through Programs from Minnesota Department of Human Services		
Child Care and Development Block Grant	93.575	$ 71,250

INDEPENDENT SCHOOL DISTRICT NO. 2170
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal ALN	Federal Expenditures
U.S. DEPARTMENT OF THE TREASURY		
Pass-through Programs from Minnesota Department of Human Services		
Coronavirus Relief Fund	21.019	$ 46,000
Pass-through Programs from Minnesota Department of Education		
Coronavirus Relief Fund	21.019	293,897
Pass-through Programs from Morrison County		
Coronavirus Relief Fund	21.019	27,750
Pass-through Programs from Todd County		
Coronavirus Relief Fund	21.019	10,000
Pass-through Programs from Wadena County		
Coronavirus Relief Fund	21.019	41,624
Coronavirus Relief Fund Subtotal		419,271
Total U.S. DEPARTMENT OF THE TREASURY		$ 419,271
TOTAL FEDERAL EXPENDITURES		$ 2,067,794

INDEPENDENT SCHOOL DISTRICT NO. 2170
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Independent School District No. 2170 (the District) under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of the Single Audit Act; Subpart F of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of Independent School District No. 2170, it is not intended to and does not present the financial position or changes in financial position of Independent School District No. 2170.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 INDIRECT COST RATE

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 SUBRECIPIENTS

The District did not pass any federal funds to subrecipients during the year ended June 30, 2021.

NOTE 5 PASS-THROUGH IDENTIFIER

The District's pass-through identifying numbers assigned by each pass-through entity above are unknown.

NOTE 6 INVENTORY

Nonmonetary assistance is reported in this schedule at the fair market value of commodities received and disbursed for the USDA National School Lunch Program Commodities (ALN # 10.555). Revenue and expenditures are recorded when commodities are received.

OTHER REQUIRED REPORTS

SCHLENNER WENNER & CO.
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

Professional Association

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*

Members of the School Board
Independent School District No. 2170
Staples, 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. 2170 (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Independent School District No. 2170's basic financial statements, and have issued our report thereon dated December 28, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent School District No. 2170's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* to be material weaknesses: 2021-001 and 2021-003.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying *Schedule of Findings and Questioned Costs* to be a significant deficiency: 2021-002.

St. Cloud 320.251.0286 | Little Falls 320.632.6311 | Albany 320.845.2940 | Maple Lake 320.963.5414 | Monticello 763.295.5070

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*.

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 2170 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 Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

District's Response to Findings

Independent School District No. 2170's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 communication is not suitable for any other purpose.

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
December 28, 2021

SCHLENNER WENNER & CO.
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

Professional Association

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

Members of the School Board
Independent School District No. 2170
Staples, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 2170's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs.*

Management's Responsibility

Management is responsible for compliance with 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 Independent School District No. 2170'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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 2170 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

St. Cloud 320.251.0286 | **Little Falls** 320.632.6311 | **Albany** 320.845.2940 | **Maple Lake** 320.963.5414 | **Monticello** 763.295.5070

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Independent School District No. 2170's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as item 2021-004 that we consider to be a significant deficiency.

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.

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
December 28, 2021

INDEPENDENT SCHOOL DISTRICT NO. 2170
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

* Material weakness(es) identified? X Yes ____ No

* Significant deficiencies identified that are not considered to be material weaknesses? X Yes ____ No

Noncompliance material to financial statements noted? ____ Yes X No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? ____ Yes X No

* Significant deficiencies identified that are not considered to be material weakness(es)? X Yes ____ No

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? ____ Yes X No

Identification of major programs:

ALN(s)	Name of Federal Program or Cluster
10.555, 10.559	Child Nutrition Cluster
21.019	Coronavirus Relief Fund

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

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

SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Finding 2021-001 Limited Segregation of Duties

Condition: During our audit we reviewed procedures over cash receipts, cash disbursements, payroll and financial reporting and found the District to have limited segregation of duties over those transaction cycles.

Criteria: Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties. In other words, no one person had control over two or more of these responsibilities.

Cause: Limited number of staff members.

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

Recommendation: We recommend the District evaluate current procedures, segregate functions where possible, and implement compensating controls. It is important that the Board is aware of this condition and monitor all financial information.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the recommendation. See corresponding Corrective Action Plan.

Finding 2021-002 Financial Statement Preparation

Condition: Schlenner Wenner & Co. drafted the audited financial statements and related footnote disclosures for the District. It is management's responsibility to provide for the preparation of financial statements and the auditor's responsibility to determine the fairness of the presentation. This deficiency could result in a misstatement that could have been prevented or detected by management.

Criteria: Internal controls over financial reporting should be in place to provide for the preparation of financial statements on an annual basis.

Cause: The District's staff does not possess the expertise to prepare financial statements internally. This is not unusual for a District of your size.

Effect: The inability to internally prepare the District's financial statements can result in undetected errors in financial reporting.

Recommendation: We recommend that management review a draft of the financial statements in detail for accuracy. During review we recommend a disclosure checklist be utilized to ensure all required disclosures are presented and the District should agree the financial statement numbers to their accounting software. The District may not have the ability to eliminate this finding.

SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Continued)

Finding 2021-002 Financial Statement Preparation (Continued)

Views of Responsible Officials and Planned Corrective Actions: The District will continue to have the auditor assist in preparation of the financial statements. The District will continue to document an annual review of the audited financial statements by having the auditor meet with the District personnel to review the financial statements and related footnote disclosures.

Finding 2021-003 Material Audit Adjustments

Condition: Audit adjustments were required to correct material misstatements identified in the trial balance presented for the audit.

Criteria: The District is required to report financial information under the basis of accounting prescribed by Generally Accepted Accounting Principles.

Cause: The District failed to adjust various accounts to their proper year-end balances.

Effect: The misstatement in the trial balance presented for the audit resulted in the need to record audit adjustments to achieve fair financial statement presentation under accounting principles generally accepted in the United States of America.

Recommendation: We recommend management perform a thorough review of the trial balance prior to the audit and ensure all transactions have been properly recorded.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the recommendation. See corresponding Corrective Action Plan.

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2021-004 Internal Controls Over Cash Management

Federal Program: Child Nutrition (ALN 10.559)

Condition: Independent School District No. 2170 (the District) failed to obtain a signature on the Minnesota Department of Education daily meal count forms required under the Seamless Summer Option of the Child Nutrition program.

Criteria: The District is required to maintain a clear audit trail evidencing the specific expenditures applied to the Federal Program and controls in place to verify the accuracy of such expenditures.

Cause: Because the Seamless Summer Option and the daily meal count forms were new for the current fiscal year, the District was not fully aware of the program's requirements.

Effect: The failure to obtain noted signatures caused the District to not be in compliance with the program's requirements.

INDEPENDENT SCHOOL DISTRICT NO. 2170
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2021-004 Internal Controls Over Cash Management (Continued)

Context: This is a control requirement required by the Minnesota Department of Education to assure that expenditures submitted under the program are complete and accurate.

Questioned Costs: None identified.

Recommendation: We recommend the District assess internal controls related to the Child Nutrition program and implement signatures on all required forms to assure submitted information is complete and accurate.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the recommendation. See corresponding Corrective Action Plan.

SECTION IV: MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

Staples-Motley School District
905 4th St. NE
Staples, MN 56479
(218) 894-5400
isd2170.k12.mn.us

CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL STATEMENT FINDINGS

Finding 2021-001 Limited Segregation of Duties

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

2. Actions Planned in Response to Finding
   The District currently has the following procedures in place:
   - The Board of Education reviews the monthly invoices and approves the expenditures.
   - The District utilizes purchase orders which are approved by the Superintendent.

   The District will review current procedures and implement additional controls where possible.

3. Official Responsible
   Mr. Shane Tappe, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   The Corrective Action Plan will be reviewed on an ongoing basis, with no anticipated completion date.

5. Plan to Monitor Completion
   The Board of Education will be monitoring the Corrective Action Plan.

Finding 2021-002 Financial Statement Preparation

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

2. Actions Planned in Response to Finding
   The District will continue to have the auditor prepare the financial statements; however, the District will implement an internal control policy to document the annual review of the financial statements and related footnote disclosures.

3. Official Responsible
   Mr. Shane Tappe, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   The Corrective Action Plan will be reviewed on an ongoing basis, with no anticipated completion date.

5. Plan to Monitor Completion
   The Board of Education will be monitoring the Corrective Action Plan.

Staples-Motley School District
905 4th St. NE
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CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2021-003 Material Audit Adjustments

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

2. Actions Planned in Response to Finding
   The District will perform a thorough review of the trial balance and year-end adjustments to ensure their accuracy and completeness prior to the audit.

3. Official Responsible
   Mr. Shane Tappe, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   June 30, 2022.

5. Plan to Monitor Completion
   The Board of Education will be monitoring the Corrective Action Plan.

FEDERAL AWARDS FINDINGS

Finding 2021-004 Internal Controls Over Cash Management

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

2. Actions Planned in Response to Finding
   The District will assess internal controls over its Federal programs and make changes in order to be compliant with the requirements.

3. Official Responsible
   Mr. Shane Tappe, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   June 30, 2022.

5. Plan to Monitor Completion
   The Board of Education will be monitoring the Corrective Action Plan.

Staples-Motley School District
905 4th St. NE
Staples, MN 56479
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

No federal awards findings were reported in the prior year.

Financial statement findings in accordance with *Government Auditing Standards* that were reported in the prior year have been reported again in the current year as finding 2021-001.

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

Kennedy & Graven
CHARTERED

Offices in
Minneapolis
Saint Paul
St. Cloud

Fifth Street Towers
150 South Fifth Street, Suite 700
Minneapolis, MN 55402
(612) 337-9300 telephone
(612) 337-9310 fax
kennedy-graven.com
Affirmative Action, Equal Opportunity Employer

$________
INDEPENDENT SCHOOL DISTRICT NO. 2170 (STAPLES-MOTLEY)
CASS, MORRISON, TODD, AND WADENA COUNTIES, MINNESOTA
GENERAL OBLIGATION FACILITIES MAINTENANCE AND
CAPITAL FACILITIES BONDS
SERIES 2022A

We have acted as bond counsel to Independent School District No. 2170 (Staples-Motley), Cass, Morrison, Todd, and Wadena Counties, Minnesota (the "Issuer") in connection with the issuance by the Issuer of its General Obligation Facilities Maintenance and Capital Facilities Bonds, Series 2022A (the "Bonds"), originally dated July ___, 2022, and issued in the original aggregate principal amount of $________. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings, and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

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

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

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

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

5. The resolution adopted by the School Board of the Issuer on May 23, 2022, obligates the Issuer to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of that law against the State of Minnesota (the "State") in the absence of appropiated and available funds to pay the obligations of the State thereunder.

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

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

Dated ______________, 2022, at Minneapolis, Minnesota.

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

$\$$_______
INDEPENDENT SCHOOL DISTRICT NO. 2170 (STAPLES-MOTLEY)
CASS, MORRISON, TODD, AND WADENA COUNTIES, MINNESOTA
GENERAL OBLIGATION FACILITIES MAINTENANCE AND
CAPITAL FACILITIES BONDS
SERIES 2022A

CONTINUING DISCLOSURE CERTIFICATE

__________, 2022

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 2170 (Staples-Motley), Cass, Morrison, Todd, and Wadena Counties, Minnesota (the "District"), in connection with the issuance of its General Obligation Facilities Maintenance and Capital Facilities Bonds, Series 2022A (the "Bonds"), in the original aggregate principal amount of $_______. The Bonds are being issued pursuant to a resolution adopted by the School Board of the District (collectively, the "Resolution"). The Bonds are being delivered to_____________ [, as syndicate manager] (the "Purchaser"), on the date hereof. Pursuant to the Resolution, the District has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The District hereby covenants and agrees as follows:

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

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

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

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

"Bonds" means the General Obligation Facilities Maintenance and Capital Facilities Bonds, Series 2022A, issued by the District in the original aggregate principal amount of $_______.

"Disclosure Certificate" means this Continuing Disclosure Certificate.

"District" means Independent School District No. 2170 (Staples-Motley), Cass, Morrison, Todd, and Wadena Counties, Minnesota, which is the obligated person with respect to the Bonds.

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

"Final Official Statement" means the Final Official Statement, dated __________, 2022, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

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

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

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

"GASB" means the Governmental Accounting Standards Board.

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

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

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

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

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

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

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

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

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

(a) The District shall provide to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends June 30, 2022, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate, provided that the Audited Financial Statements of the District may be submitted separately from the balance of the Annual Report.

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

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

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

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

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

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

Section 5. Reporting of Material Events.

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

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 2170 (STAPLES-MOTLEY), CASS, MORRISON, TODD, AND WADENA COUNTIES, MINNESOTA

____

Board Chair

____

Clerk

APPENDIX E

TERMS OF PROPOSAL

$3,745,000* GENERAL OBLIGATION FACILITIES MAINTENANCE AND CAPITAL FACILITIES BONDS, SERIES 2022A INDEPENDENT SCHOOL DISTRICT NO. 2170 (STAPLES-MOTLEY), MINNESOTA

Proposals for the purchase of $3,745,000* General Obligation Facilities Maintenance and Capital Facilities Bonds, Series 2022A (the "Bonds") of Independent School District No. 2170 (Staples-Motley), 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 11:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 11:00 A.M. Central Time, on June 27, 2022, at which time they will be opened, read and tabulated. The proposals will be presented to the School Board for consideration for award by resolution at a meeting to be held at 6:00 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, as amended, Minnesota Statutes, Section 123B.595 (long-term facilities maintenance revenue), as amended, and Minnesota Statutes, Section 123B.62, as amended, by the District to finance deferred maintenance projects included in the District's ten-year facilities plan and capital projects approved by the Commissioner of Education. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated July 21, 2022, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2023	$115,000	2028	$235,000	2033	$280,000
2024	200,000	2029	245,000	2034	290,000
2025	205,000	2030	255,000	2035	305,000
2026	215,000	2031	260,000	2036	315,000
2027	225,000	2032	275,000	2037	325,000

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 February 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 2023 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 or any date thereafter, at a price of par plus accrued interest 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 July 21, 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 as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the District, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the District; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than $3,745,000 plus accrued interest on the principal sum of $3,745,000 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 11:00 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 $74,900 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PRELIMINARY OFFICIAL STATEMENT

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

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

By Order of the School Board

Independent School District No. 2170 (Staples-Motley), Minnesota

PROPOSAL FORM

The School Board **June 27, 2022**
Independent School District No. 2170 (Staples-Motley), Minnesota (the "District")

RE: $3,745,000* General Obligation Facilities Maintenance and Capital Facilities Bonds, Series 2022A (the "Bonds")
DATED: July 21, 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 $3,745,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

________	% due	2023	________	% due	2028	________	% due	2033
________	% due	2024	________	% due	2029	________	% due	2034
________	% due	2025	________	% due	2030	________	% due	2035
________	% due	2026	________	% due	2031	________	% due	2036
________	% due	2027	________	% due	2032	________	% due	2037

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

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

A good faith deposit ("Deposit") in the amount of $74,900 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about July 21, 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 July 21, 2022 of the above proposal is $_______________and the true interest cost (TIC) is __________%.

The foregoing offer is hereby accepted by and on behalf of the School Board of Independent School District No. 2170 (Staples-Motley), Minnesota, on June 27, 2022.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________