PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 15, 2022

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 set forth in the resolutions approving the issuance of the Bonds, interest to be paid on the Bonds is not includable in gross income for federal income tax purposes and, to the same extent, is not includable in taxable net income of individuals, trusts, and estates 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. However, such interest is included in determining the adjusted financial statement income of applicable corporations for purposes of computing the alternative minimum tax imposed on such applicable corporations for tax years beginning after December 31, 2022 and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding the 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: S&P Global Ratings**

INDEPENDENT SCHOOL DISTRICT NO. 2143 (WATERVILLE-ELYSIAN-MORRISTOWN), MINNESOTA

(Le Sueur, Blue Earth, Rice, and Waseca Counties)

(Minnesota School District Credit Enhancement Program)

$800,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2022A

PROPOSAL OPENING: September 26, 2022, 10:00 A.M., C.T.
CONSIDERATION: September 26, 2022, 6:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $800,000* General Obligation School Building Bonds, Series 2022A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held November 6, 2018 by Independent School District No. 2143 (Waterville-Elysian-Morristown), Le Sueur, Blue Earth, rice, and Waseca Counties, Minnesota (the "District") for the purpose of financing the acquisition and betterment of school sites and facilities in the District. 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: October 20, 2022

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2024	$105,000	2026	$160,000	2028	$195,000
2025	145,000	2027	195,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2023 and semiannually thereafter.

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

MINIMUM PROPOSAL: $800,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $16,000 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Kennedy & Graven, Chartered

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

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

		Term Expires
Gary Michael	Board Chair	January 2023
Jon Velishek	Vice Chair	January 2023
Jay Schneider	Clerk	January 2025
Travis Bowman	Treasurer	January 2023
Jon Bakken	Member	January 2023
June Rezac	Member	January 2025
Jeff Stangler	Member	January 2025

ADMINISTRATION

Ryan Jensen, Superintendent of Schools

Margaret Jewison, 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. 2143 (Waterville-Elysian-Morristown), Le Sueur, Blue Earth, Rice, and Waseca Counties, Minnesota (the "District") and the issuance of its $800,000* General Obligation School Building 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 September 26, 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 October 20, 2022. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2023, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB").All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

OPTIONAL REDEMPTION

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

*Preliminary, subject to change.

AUTHORITY; PURPOSE

The Bonds are being issued by the District pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held November 6, 2018, at which voters approved a building program by a vote of 1,955 - 1,154. Proceeds of the Bonds will be used to provide funds for the acquisition and betterment of school sites and facilities, including the construction and installation of security, health and safety, fire protection and ADA accessibility improvements; the construction and installation of mechanical, HVAC and electrical infrastructure improvements; the construction of various space improvements at the elementary school including the construction and equipping of a classroom addition; and the construction of various space improvement at the high school including the renovation, repair, remodeling, refurbishing and upgrading of science, career and tech classrooms.

The referendum approved by the voters authorised the issuance of general obligation bonds in an amount not to exceed $19,300,000. On February 2, 2019 the District issued General Obligation School Building Bonds, Series 2019A, Totaling $18500,000, Leaving a Remaining unused authority of $800,000. The District plans to issue the remainder of the bonds authorized with this issue.

ESTIMATED SOURCES AND USES*

Sources			
	Par Amount of Bonds	$800,000	
	Reoffering Premium	10,451	
	Total Sources		**$810,451**
Uses			
	Total Underwriter's Discount (1.800%)	$14,400	
	Costs of Issuance	31,260	
	Deposit to Project Construction Fund	764,791	
	Total Uses		**$810,451**

*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. In the event funds on hand for payment of principal and interest are at any time insufficient, the District is required to levy additional taxes upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

RATING

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

The District currently has an "A+" underlying rating from S&P and will be requesting an underlying rating on this issue. Such rating, if any, 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.

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on August 22, 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 from the commissioner, the commissioner of management and budget shall issue a payment and authorize the commissioner of education to pay to the paying agent for the debt obligation the specified amount on or before the date due. The amounts needed for the purposes of this subdivision are annually appropriated to the [Department of Education] from the state general fund."

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

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

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

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

CONTINUING DISCLOSURE

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

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

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

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

LEGAL OPINION

An opinion 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 certain corporations, including financial institutions. Interest on the Certificates is included in determining the annual adjusted financial statement income (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) of applicable corporations (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such applicable corporations for tax years beginning after December 31, 2022.

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 (for federal tax purposes) and taxable net income (for State of Minnesota tax purposes) of the owners thereof. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation.

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

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

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

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

Legislative proposals

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2021 have been audited by Abdo, Mankato, 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 $1,383,035,538[1]

2021/22 Assessor's Estimated Market Value

	Le Sueur County	Blue Earth County	Rice County	Waseca County	Total
Real Estate	$812,778,100	$4,338,400	$326,118,500	$87,652,100	$1,230,887,100
Personal Property	7,204,300	0	6,145,400	2,721,700	16,071,400
Total Valuation	$819,982,400	$4,338,400	$332,263,900	$90,373,800	$1,246,958,500

2021/22 Net Tax Capacity

	Le Sueur County	Blue Earth County	Rice County	Waseca County	Total
Real Estate	$7,320,030	$36,466	$2,794,262	$753,656	$10,904,414
Personal Property	142,991	0	122,908	54,434	320,333
Net Tax Capacity	$7,463,021	$36,466	$2,917,170	$808,090	$11,224,747
Less: Captured Tax Increment Tax Capacity[2]	(11,355)	0	0	0	(11,355)
Taxable Net Tax Capacity	$7,451,666	$36,466	$2,917,170	$808,090	$11,213,392

1 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 90.29% 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 $1,383,035,538.

2 The captured tax increment value shown above represents the captured net tax capacity of a tax increment financing district(s) located in the District.

2021/22 NET TAX CAPACITY BY CLASSIFICATION

	2021/22 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$4,587,014	40.87%
Agricultural	3,532,638	31.47%
Commercial/industrial	408,556	3.64%
Public utility	131,852	1.17%
Non-homestead residential	791,015	7.05%
Commercial & residential seasonal/rec.	1,453,339	12.95%
Personal property	320,333	2.85%
Total	$11,224,747	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	$1,061,760,200	$1,006,886,450	$9,144,310	$9,125,135	1.60%
2018/19	1,105,397,700	1,050,758,350	9,617,004	9,604,038	4.11%
2019/20	1,158,114,500	1,104,317,250	10,144,272	10,132,917	4.77%
2020/21	1,185,067,200	1,133,111,800	10,503,600	10,492,245	2.33%
2021/22	1,246,958,500	1,196,637,800	11,224,747	11,213,392	5.22%

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
Xcel Energy	Utility	$228,610	2.04%
Centerpoint Energy Resource	Utility	150,814	1.34%
Individual	Agriculture	102,381	0.91%
H F Trust	Agriculture	51,344	0.46%
Individual	Agriculture	43,173	0.38%
Individual	Agriculture	40,736	0.36%
Individual	Agriculture	34,598	0.31%
Hwy Ag Services	Agriculture	30,616	0.27%
Individual	Agriculture	30,208	0.27%
Individual	Agriculture	28,284	0.25%
Total		$740,764	6.60%

District's Total 2021/22 Net Tax Capacity $11,224,747

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Le Sueur, Blue Earth, Rice, and Waseca Counties.

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids[2] (includes the Bonds)*	$17,385,000

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 (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 17.0% 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 agricultural land valuation and current statistics, the District anticipates a poriton of this debt will be paid by the state of Minnesota

Independent School District No. 2143 (Waterville-Elysian-Morristown), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 10/20/2022)

	School Building Bonds Series 2019A		School Building Bonds Series 2022A							
Dated	02/21/2019		10/20/2022							
Amount	$18,500,000		$800,000*							
Maturity	02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2023	700,000	306,911	0	0	700,000	306,911	1,006,911	16,685,000	4.03%	**2023**
2024	725,000	585,823	105,000	30,733	830,000	616,556	1,446,556	15,855,000	8.80%	**2024**
2025	755,000	556,823	145,000	20,850	900,000	577,673	1,477,673	14,955,000	13.98%	**2025**
2026	795,000	519,073	160,000	16,500	955,000	535,573	1,490,573	14,000,000	19.47%	**2026**
2027	830,000	479,323	195,000	11,700	1,025,000	491,023	1,516,023	12,975,000	25.37%	**2027**
2028	875,000	437,823	195,000	5,850	1,070,000	443,673	1,513,673	11,905,000	31.52%	**2028**
2029	920,000	394,073			920,000	394,073	1,314,073	10,985,000	36.81%	**2029**
2030	945,000	366,473			945,000	366,473	1,311,473	10,040,000	42.25%	**2030**
2031	985,000	328,673			985,000	328,673	1,313,673	9,055,000	47.91%	**2031**
2032	1,010,000	299,123			1,010,000	299,123	1,309,123	8,045,000	53.72%	**2032**
2033	1,040,000	268,823			1,040,000	268,823	1,308,823	7,005,000	59.71%	**2033**
2034	1,075,000	237,623			1,075,000	237,623	1,312,623	5,930,000	65.89%	**2034**
2035	1,105,000	205,373			1,105,000	205,373	1,310,373	4,825,000	72.25%	**2035**
2036	1,145,000	168,079			1,145,000	168,079	1,313,079	3,680,000	78.83%	**2036**
2037	1,185,000	129,435			1,185,000	129,435	1,314,435	2,495,000	85.65%	**2037**
2038	1,225,000	87,960			1,225,000	87,960	1,312,960	1,270,000	92.69%	**2038**
2039	1,270,000	45,085			1,270,000	45,085	1,315,085	0	100.00%	**2039**
	16,585,000	5,416,490	800,000	85,633	17,385,000	5,502,123	22,887,123			

* Preliminary, subject to change.

BONDED DEBT LIMIT (includes the Bonds)*

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	$1,383,035,538
Multiply by 15%	0.15
Statutory Debt Limit	$207,455,331
Less:Long-Term Debt Outstanding Being Paid Solely from Taxes	(17,385,000)
Unused Debt Limit*	$190,070,331

*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:				
Le Sueur	$44,720,074	16.6629%	$38,272,000	$6,377,225
Blue Earth	95,806,838	0.0381%	17,925,000	6,829
Rice	77,724,192	3.7532%	63,150,000	2,370,146
Waseca	26,572,758	3.0410%	5,060,000	153,875
Cities of:				
Elysian	1,215,542	100.0000%	3,635,000	3,635,000
Morristown	575,298	100.0000%	3,235,000	3,235,000
Waterville	1,635,520	100.0000%	1,040,000	1,040,000
District's Share of Total Overlapping Debt				$16,818,075

DEBT PAYMENT HISTORY

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

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value $1,383,035,538	Debt/ Per Capita 6,400[1]
Direct G.O. Debt Secured By Taxes and State Aids*	$17,385,000		
Less: Agricultural Credit[2]	(2,955,450)		
Tax Supported General Obligation Debt*	$14,429,550	1.04%	$2,254.62
District's Share of Total Overlapping Debt	$16,682,186	1.21%	$2,606.59
Total*	$31,111,736	2.25%	$4,861.21

*Preliminary, subject to change.

FUTURE FINANCING

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

LEVY LIMITS

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

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

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1 Estimated 2021 population.

2 Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 17.0% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is $2,955,450.

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	$1,974,308	$1,948,904	$1,973,960	99.98%
2018/19	3,282,538	3,231,307	3,281,070	99.96%
2019/20	3,110,088	3,070,586	3,106,958	99.90%
2020/21	3,197,174	3,171,495	3,189,452	99.76%
2021/22	3,223,997	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 May 16, 2022 for Le Sueur County, through May 31, 2022 for Blue Earth County, through July 31, 2022 for Rice County, and through May 17, 2022 for Waseca 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. 2143 (Waterville-Elysian-Morristown)	5.427%	19.514%	17.561%	17.324%	16.739%
Le Sueur County	52.501%	53.097%	54.325%	54.584%	54.465%
Blue Earth County	39.990%	41.645%	42.096%	42.490%	42.321%
Rice County	41.810%	40.979%	40.920%	41.190%	40.597%
Waseca County	63.384%	64.337%	64.706%	66.101%	65.467%
City of Elysian	61.297%	66.133%	65.256%	65.144%	62.642%
City of Kilkenny	78.352%	77.402%	76.961%	75.909%	73.046%
City of Morristown	90.421%	82.365%	80.613%	76.801%	80.356%
City of Waterville	64.964%	62.880%	63.718%	62.524%	59.562%
Town of Waterville[2]	12.897%	12.232%	11.799%	11.678%	11.125%
Region 9	0.177%	0.177%	0.172%	0.177%	0.176%
Rice County HRA	0.124%	0.218%	0.212%	0.266%	0.256%
Waseca-Le Sueur Reg Library	1.781%	1.791%	1.776%	1.742%	1.730%

Referendum Market Value Rates:

I.S.D. No. 2143 (Waterville-Elysian-Morristown)	0.28593%	0.29128%	0.25781%	0.25246%	0.22843%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Le Sueur, Blue Earth, Rice, and Waseca Counties.

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

2 Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 137, including 60 non-licensed employees and 77 licensed employees (66 of whom are teachers). The District provides education for 777 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
Paraprofessionals	June 30, 2022
Custodial	June 30, 2023
Food Service	June 30, 2023

Status of Contracts

The Paraprofessionals ontract which expired on June 30, 2022 is currently in negotiations.

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent Financial Statement (Audit) shows a total OPEB liability of $1,098,491 as of June 30, 2021. The District has been funding these obligations on a pay-as-you-go basis.

Source: The District's most recent Audit.

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2017/18	59	382	344	785
2018/19	52	368	358	778
2019/20	46	312	371	729
2020/21	54	308	380	742
2021/22	60	331	386	777

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2022/23	57	331	372	760
2023/24	54	332	360	746
2024/25	52	330	357	739

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Morrist wn Building	1954	1961, 1979
Elysian Building	1962	--
Wateville Building	1932	1954, 1971, 2020

FUNDS ON HAND (as of July 31, 2022)

Fund	Total Cash and Investments
General	$3,596,550
Food Service	189,173
Community Service	134,685
Debt Service	534,042
Building/Construction	1,184,940
Trust & Agency	34,737
Total Funds on Hand	$5,674,127

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				
	2019 Audited	2020 Audited	2021 Audited	2021-22 Revised Budget[1]	2022-23 Adopted Budget[2]
Revenues					
Local property taxes	$1,946,673	$2,063,706	$2,028,385	$2,069,320	$2,026,436
Other local and county revenues	642,220	545,503	434,534	391,941	391,976
Revenue from state sources	6,935,825	7,247,626	7,203,822	7,011,728	7,052,941
Revenue from federal sources	392,135	351,403	745,872	605,209	702,540
Sales and other conversion of assets	10,155	14,938	9,483	18,800	18,800
Earnings on investments	54,146	42,532	43,836	45,000	45,000
Total Revenues	$9,981,154	$10,265,708	$10,465,932	$10,141,998	$10,237,693
Expenditures					
Current:					
Adminitstration	$797,699	$630,428	$616,049	$725,274	$683,464
District support services	333,403	348,611	310,693	315,946	314,327
Elementary and secondary regular instruction	4,473,562	4,579,250	4,391,257	4,957,350	4,838,397
Vocational education instruction	120,195	151,150	86,259	93,112	118,792
Special education instruction	1,638,803	1,530,570	1,511,024	1,641,866	1,471,376
Instructional support services	418,289	504,116	565,948	190,173	494,994
Pupil support services	726,300	776,815	795,324	797,104	815,515
Sites and buildings	1,305,842	1,083,209	1,243,187	1,395,044	1,272,250
Fiscal and other fixed cost programs	52,852	62,001	80,028	57,112	57,112
Capital outlay	284,070	218,689	323,855	151,001	191,655
Debt service	6,671	6,671	6,238	6,670	6,670
Total Expenditures	$10,157,686	$9,891,510	$9,929,862	$10,330,652	$10,264,552
Excess of revenues over (under) expenditures	($176,532)	$374,198	$536,070	($188,654)	($26,859)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	$0	$300	$0	$0	$0
Proceeds from issuance of capital leases	0	0	31,090	0	0
Operating transfers in	0	0	50,304	0	0
Operating transfers out	0	0	0	0	(94,982)
Total Other Financing Sources (Uses)	0	300	81,394	0	(94,982)
Net changes in Fund Balances	($176,532)	$374,498	$617,464	($188,654)	($121,841)
General Fund Balance July 1	$2,271,097	$2,094,565	$2,570,539	$3,188,003	$2,999,349
Prior Period Adjustment	0	101,476	0	0	0
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance June 30	$2,094,565	$2,570,539	$3,188,003	$2,999,349	$2,877,508
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$5,568	$7,893	$18,640	$0	$0
Restricted	225,804	462,535	490,514	252,757	166,605
Assigned	114,000	114,000	114,000	114,000	114,000
Unassigned	1,749,193	1,986,111	2,564,849	2,632,592	2,596,903
Total	$2,094,565	$2,570,539	$3,188,003	$2,999,349	$2,877,508

1 The 2021-22 Revised budget was adopted on February 28, 2022.

2 The 2022-23 budget was adopted on June 27, 2022.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 6,685 and a current population estimate of 6,400, and comprising an area of 144,313 acres, is located approximately 60 miles southwest of the Minneapolis-St/ Paul metropolitan area. The District is comprised of the Cities of Waterville, Elysian and Morristown, and all or a portion of ten townships.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 2143 (Waterville-Elysian-Morristown)	Elementary and secondary education	137
Camp Omega	Lutheran camp and retreat center	70
Gear & Broach, Inc.	Gear cutting and broaching	50
LCS Precision Molding	Plastics-mold-manufacturers	50
Waterville Auto Center	Automobile repair & service	36
Traditions of Waterville	Residential care homes	34
Xcel Energy	Electric companies	30
James Brothers Construction	Construction services	27
KAMP Dels	Campground-recreational park	23
Phil-Mart	Convenience store	20

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

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

U.S. CENSUS DATA

Population Trend: The District

2010 U.S. Census population	6,685
2020 U.S. Census population	6,466
2021 State Demographer Estimate	6,400
Percent of Change 2010 - 2020	-3.28%

Income and Age Statistics

	The District	Le Sueur County	State of Minnesota	United States
2020 per capita income	$35,409	$34,904	$38,881	$35,384
2020 median household income	$74,535	$75,925	$73,382	$64,994
2020 median family income	$89,342	$91,275	$92,692	$80,069
2020 median gross rent	$783	$784	$1,010	$1,096
2020 median value owner occupied units	$212,100	$226,400	$235,700	$229,800
2020 median age	44.0 yrs.	41.0 yrs.	38.1 yrs.	38.2 yrs.

	State of Minnesota	United States
District % of 2020 per capita income	91.07%	100.07%
District % of 2020 median family income	96.39%	111.58%

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	**Le Sueur County**	**Le Sueur County**	**State of Minnesota**
2018	15,445	4.4%	3.1%
2019	15,755	4.7%	3.4%
2020	15,077	7.0%	6.3%
2021	14,995	4.1%	3.4%
2022, July	15,724	1.9%	2.1%

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.

Annual Financial Report

Independent School District No. 2143

Waterville, Minnesota

For the year ended June 30, 2021

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Edina, MN 55436
P 952.835.9090
F 952.835.3261

Mankato Office

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Mankato, MN 56001
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Lighting the path forward

Independent School District No. 2143
Waterville, Minnesota
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Waterville, Minnesota
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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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Independent School District No. 2143
Waterville, Minnesota
School District Officials
For the Year Ended June 30, 2021

BOARD OF EDUCATION

Name	Term on Board Expires	Position
Gary Michael	January 2023	Chairman
Jon Velishek	January 2023	Vice-Chairman
Travis Bowman	January 2023	Treasurer
Jay Schneider	January 2025	Clerk
Jeff Stangler	January 2025	Member
June Rezac	January 2025	Member
Jon Bakken	January 2023	Member

ADMINISTRATION

Joel Whitehurst	Superintendent
Margaret Jewison	Business Manager

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FINANCIAL SECTION

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2143
Waterville, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2143, Waterville, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 financial statement presentation.

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

Opinions

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

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and the Changes in the District's OPEB Liability and Related Ratios starting on page 70 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and table and the statistical section 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 the purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 and individual fund statements, schedules and 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 and individual fund statements, schedules and table and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A-9

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 16, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Abdo
Mankato, Minnesota
December 16, 2021

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Management's Discussion and Analysis

As management of the Independent School District No. 2143, Waterville, Minnesota (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 liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $4,193,701 (*net position deficit*). Of this amount, a deficit of $7,620,550 (*unrestricted net position*) now exists due to the recognition of long-term pension liabilities and other postemployment benefits liability in accordance with GASB Statements No. 68 and No. 75.

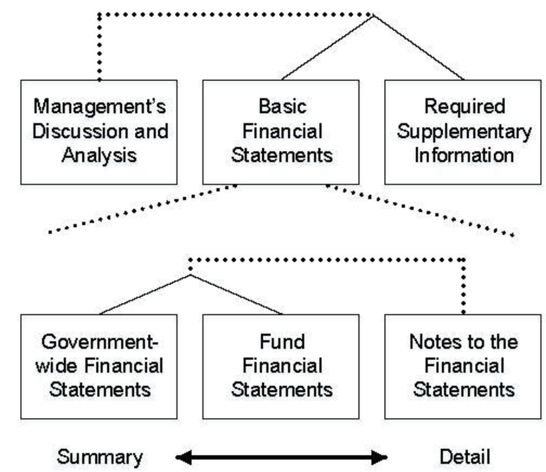
- The District's total net position increased by $1,216,908, compared to the prior year's increase of $1,425,882. The increase is due to the general fund having a positive difference in budget to actual of about one million dollars.

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $6,746,394, a decrease of $9,786,482 in comparison with the prior year. This is mainly due to the ongoing construction for the School Building Project. Within the General Fund, the District plans to continue to use the available fund balance to maintain the integrity of District programs as long as it remains above the minimum fund balance as established in the District's board policy. Unassigned fund balance represents amounts that are available for spending at the District's discretion. Of the total fund balance, $2,564,849 is *available for spending* at the District's discretion (*unassigned fund balance*).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of Independent School District No. 2143
Annual Financial Report



The following chart summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements:

Major Features of the District-wide and Fund Financial Statements

		Fund Financial Statements	
	District-wide Statements	**Governmental Funds**	**Fiduciary Funds**
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balance	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, 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; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Financial Statements. The *District-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 and deferred outflows of resources and liabilities and deferred inflows of resources, with the 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. To assess the District's overall health, you need to consider additional non-financial indicators such as changes in the District's property tax base and condition of school buildings and other facilities.

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 earned but unused vacation leave).

In the district-wide financial statements, the District activities are shown in one category titled "governmental activities":

- *Governmental activities*: The District's basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and State aids finance most of these activities.

The District-wide financial statements can be found starting on page 28 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 can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-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 District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-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 five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service and Building Construction funds, which are considered to be major funds. Data from the other two 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 can be found starting on page 32 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of student scholarships within the District. 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 District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those whom the assets belong. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 37 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found starting on page 39 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Independent School District No. 2143's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 70 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements, schedules and table can be found starting on page 78 of this report.

District-wide Financial Analysis

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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $4,193,701 at the close of the most recent fiscal year.

A portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is 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 its 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. These funds are to be used for the construction of school facilities. Another large portion of the District's net position reflects amounts restricted for specific purposes. These restrictions consist of $416,551 for State-mandated reserves, $73,963 for operating capital purchases, $74,753 for community service and $31,320 for food service. The remaining deficit of $7,620,550 is unrestricted net position due to the recognition of long-term pension liabilities and other postemployment benefits liability in accordance with GASB Statements No. 68 and No. 75.

Independent School District No. 2143's Net Position

	Governmental Activities		Increase (Decrease)	
	2021	2020	Amount	Percent
Current and Other Assets	$ 13,172,165	$ 25,180,718	$(12,008,553)	(47.7) %
Capital Assets	17,524,100	7,132,386	10,391,714	145.7
Total Assets	30,696,265	32,313,104	(1,616,839)	(5.0)
Deferred Outflows of Resources	3,100,584	5,146,744	(2,046,160)	(39.8)
Long-term Liabilities Outstanding	24,980,808	25,679,151	(698,343)	(2.7)
Other Liabilities	3,978,735	5,607,053	(1,628,318)	(29.0)
Total Liabilities	28,959,543	31,286,204	(2,326,661)	(7.4)
Deferred Inflows of Resources	9,031,007	11,583,706	(2,552,699)	(22.0)
Net Position				
Net investment in capital assets	2,830,262	2,252,048	578,214	25.7
Restricted	596,587	602,718	(6,131)	(1.0)
Unrestricted	(7,620,550)	(8,264,828)	644,278	7.8
Total Net Position	$ (4,193,701)	$ (5,410,062)	$ 1,216,361	22.5 %

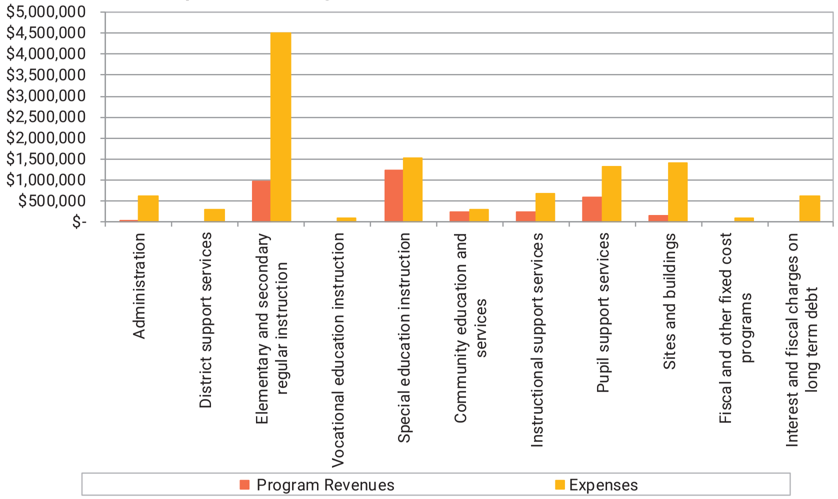
The balance of unrestricted net position is a deficit due to recognition of long-term pension liabilities and other postemployment benefits liability in accordance with GASB Statements No. 68 and No. 75.

Governmental Activities. Governmental activities increased the District's net position by $1,216,908. Key elements of this increase are as follows:

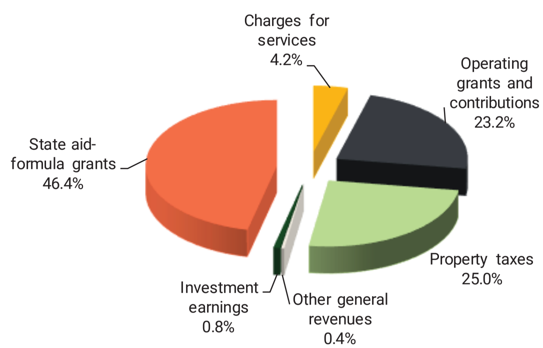
Independent School District No. 2143's Changes in Net Position

	Governmental Activities		Increase (Decrease)	
	2021	2020	Amounts	Percent
Revenues				
Program revenues				
Charges for services	$ 526,557	$ 776,023	$ (249,466)	(32.1) %
Operating grants and contributions	2,940,314	2,290,234	650,080	28.4
General revenues				
Property taxes	3,167,298	3,326,271	(158,973)	(4.8)
State aid-formula grants and other contributions	5,856,149	5,931,662	(75,513)	(1.3)
Other general revenues	53,712	19,713	33,999	172.5
Investment earnings	102,873	625,645	(522,772)	(83.6)
Gain on sale of assets	-	8,800	(8,800)	(100.0)
Total Revenues	12,646,903	12,978,348	(331,445)	(2.6)
Expenses				
Administration	623,062	670,712	(47,650)	(7.1)
District support services	304,311	349,983	(45,672)	(13.0)
Elementary and secondary regular instruction	4,515,975	4,778,973	(262,998)	(5.5)
Vocational education instruction	96,576	153,083	(56,507)	(36.9)
Special education instruction	1,513,472	1,574,432	(60,960)	(3.9)
Community education and services	286,778	261,634	25,144	9.6
Instructional support services	689,234	534,473	154,761	29.0
Pupil support services	1,316,872	1,349,338	(32,466)	(2.4)
Sites and buildings	1,394,270	1,178,244	216,026	18.3
Fiscal and other fixed cost programs	80,028	62,001	18,027	29.1
Interest and fiscal charges on long-term debt	609,417	639,593	(30,176)	(4.7)
Total Expenses	11,429,995	11,552,466	(122,471)	(1.1)
Change in Net Position	1,216,908	1,425,882	(208,974)	(14.7)
Net Position, July 1	(5,410,609)	(6,835,944)	1,425,335	20.9
Net Position, June 30	$ (4,193,701)	$ (5,410,062)	$ 1,216,361	22.5 %

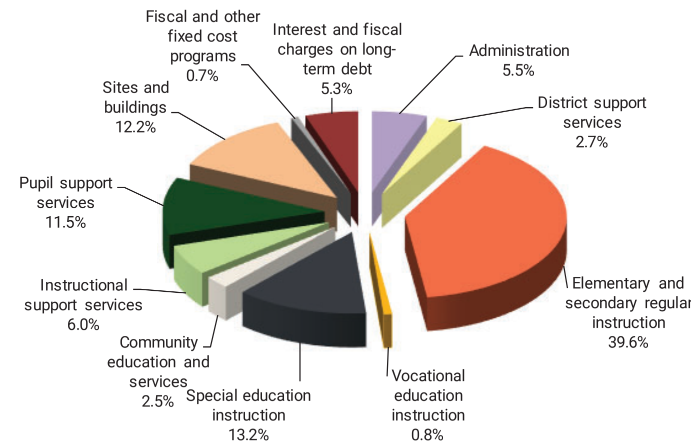
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Expenses by Program - Governmental Activities



Financial Analysis of the District's Funds

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 $6,746,394, a decrease of $9,786,482 in comparison with the prior year. Unassigned fund balance represents amounts that are available for spending at the District's discretion. Unassigned fund balance at the close of 2021 had a balance of $2,564,849, compared to a balance of $1,986,111 in the prior year.

The General fund is the chief operating fund of the District. At the end of the current year, unassigned fund balance of the General fund had a balance of $2,564,849, while total fund balance reached $3,188,003. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 25.8 percent of total General fund expenditures, while total fund balance represents 32.1 percent of that same amount.

The fund balance of the District's General fund increased by $617,464 during the current fiscal year. This increase in the General fund was due to expenditures coming in $685,311 under budget while revenues came in $251,317 over budget. The District had budgeted a decrease in fund balance of $400,558 in comparison to the actual increase of $617,464 resulting in a positive variance of $1,018,022.

The fund balance of the District's Debt Service fund increased by $62,418 during the current fiscal year. This increase was due property tax and state grant revenues exceeding scheduled debt payments.

The Building Construction fund balance decreased by $10,432,329 during the current fiscal year. This decrease was due to ongoing construction for the School Building Project.

General Fund Budgetary Highlights

Actual revenues in the General fund exceeded the final budget by $251,317. The primary cause of this positive variance is receiving more other local and county revenue than expected.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2021, amounts to $17,524,100 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements and machinery and equipment. The total increase in the District's investment in capital assets for the current fiscal year was 145.7 percent mainly due to building construction in progress of 10,991,946. The total depreciation expense for the year was $305,824. The following is a schedule of capital assets as of June 30, 2021:

Independent School District No. 2143's Capital Assets
(Net of Depreciation)

	Governmental Activities		
	2021	2020	Increase (Decrease)
Land	$ 31,400	$ 31,400	$ -
Construction in progress	5,552,222	6,052,885	(500,663)
Buildings	11,210,874	377,108	10,833,766
Equipment	705,734	644,669	61,065
Land Improvements	23,870	26,324	(2,454)
Total	$ 17,524,100	$ 7,132,386	$ 10,391,714

Additional information on the District's capital assets can be found in Note 3C on page 50 of this report.

Long-term Debt. At the end of the current fiscal year, the District had total long-term debt outstanding of $17,234,737. This is related to general obligation bonds and capital leases for copiers.

Independent School District No. 2143's Outstanding Debt

	Governmental Activities		
	2021	2020	Increase (Decrease)
General Obligation Bonds	$ 17,205,000	$ 17,805,000	$ (600,000)
Capital Lease	29,737	4,899	24,838
Total Debt Outstanding	$ 17,234,737	$ 17,809,899	$ (575,162)

The District's total debt decreased by $575,162 during the current fiscal year due to scheduled debt payments. This was offset by a new capital lease for copiers of $31,090.

Additional information on the District's long-term debt can be found in Note 3F on page 51 of this report.

Factors Bearing on the District's Future

The District had seen a stabilization of enrollment prior to the COVID-19 pandemic, which has a significant impact on the future financial position as funding is driven by enrollment. The District will focus on utilizing COVID-19 Grants to maintain the integrity of the programs provided to students, while placing the District at a positive financial position when enrollment normalizes.

In November of 2015, voters renewed the existing operating referendum at $677 per pupil unit, with the remaining renewal of $300 authorized by the School Board. Taxpayers authorized an additional $450. The operating levy applies to tax levies from 2016-2025. The District must closely monitor expenditures to ensure they will stay in line with revenues.

In November of 2018, voters approved a building referendum of $19,300,000. General Obligation School Building Bonds were sold in January of 2019 and much of the remodeling was completed in the fall of 2021. Due to material shortages, some projects are expected to extend through the summer of 2022.

The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, Independent School District No. 2143, 500 East Paquin Street Waterville, Minnesota 56906.

DISTRICT-WIDE FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Independent School District No. 2143
Waterville, Minnesota
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash and temporary investments	$ 9,942,830
Receivables	
Taxes	1,759,685
Accounts	32,089
Interest	138,258
Due from other school districts	15,362
Intergovernmental	1,240,693
Inventories	24,608
Prepaid items	18,640
Capital assets not being depreciated	5,583,622
Capital assets net of accumulated depreciation	11,940,478
Total Assets	30,696,265
Deferred Outflows of Resources	
Deferred pension resources	2,915,903
Deferred other postemployment benefit resources	184,681
Total Deferred Outflows of Resources	3,100,584
Liabilities	
Salaries and wages payable	383,553
Accounts and other payables	2,063,076
Accrued interest payable	266,093
Due to other school districts	98,717
Due to other governments	106
Accrued expenses	480,928
Unearned revenue	21,906
Unamortized premiums	
Noncurrent liabilities	
Due within one year	
Long-term liabilities	664,356
Due in more than one year	
Long-term liabilities	17,395,139
Net pension liability	6,487,178
Other postemployment benefits liability	1,098,491
Total Liabilities	28,959,543
Deferred Inflows of Resources	
Property taxes levied for subsequent year	3,350,388
Deferred pension resources	5,538,697
Deferred other postemployment benefit resources	141,922
Total Deferred Inflows of Resources	9,031,007
Net Position	
Net investment in capital assets	2,830,262
Restricted for	
Operating capital purposes	73,963
State-mandated reserves	416,551
Community service	74,753
Food service	31,320
Unrestricted	(7,620,550)
Total Net Position	$ (4,193,701)

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
Administration	$ 623,062	$ -	$ 43,920	$ -	$ (579,142)
District support services	304,311	-	-	-	(304,311)
Elementary and secondary regular instruction	4,515,975	164,036	813,697	-	(3,538,242)
Vocational education instruction	96,576	-	-	-	(96,576)
Special education instruction	1,513,472	74,517	1,169,478	-	(269,477)
Community education and services	286,778	151,879	88,306	-	(46,593)
Instructional support services	689,234	11,650	224,295	-	(453,289)
Pupil support services	1,316,872	35,083	541,174	-	(740,615)
Sites and buildings	1,394,270	89,392	59,444	-	(1,245,434)
Fiscal and other fixed cost programs	80,028	-	-	-	(80,028)
Interest and fiscal charges on long term debt	609,417	-	-	-	(609,417)
Total Governmental Activities	$ 11,429,995	$ 526,557	$ 2,940,314	$ -	(7,963,124)
General Revenues					
Taxes					
Property taxes, levied for general purposes					2,022,189
Property taxes, levied for community service					61,714
Property taxes, levied for debt service					1,083,395
State aid-formula grants and other contributions					5,856,149
Other general revenues					53,712
Investment earnings					102,873
Total General Revenues					9,180,032
Change in Net Position					1,216,908
Net Position, July 1					(5,410,609)
Net Position, June 30					$ (4,193,701)

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Independent School District No. 2143
Waterville, Minnesota
Balance Sheet
Governmental Funds
June 30, 2021

	General	Debt Service	Building Construction	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	$ 4,015,466	$ 690,419	$ 5,137,369	$ 99,576	$ 9,942,830
Receivables					
Taxes					
Current	966,007	737,682	-	28,899	1,732,588
Delinquent	22,972	2,810	-	1,315	27,097
Accounts	31,833	-	-	256	32,089
Interest	-	-	138,258	-	138,258
Due from other school districts	15,362	-	-	-	15,362
Intergovernmental	1,147,857	23,920	-	68,916	1,240,693
Inventories	-	-	-	24,608	24,608
Prepaid items	18,640	-	-	-	18,640
Total Assets	$ 6,218,137	$ 1,454,831	$ 5,275,627	$ 223,570	$ 13,172,165
Liabilities					
Salaries and wages payable	$ 367,705	$ -	$ -	$ 15,848	$ 383,553
Accounts and other payables	99,324	-	1,948,717	15,035	2,063,076
Due to other school districts	98,717	-	-	-	98,717
Due to other governments	106	-	-	-	106
Accrued expenses	480,928	-	-	-	480,928
Unearned revenue	-	-	-	21,906	21,906
Total Liabilities	1,046,780	-	1,948,717	52,789	3,048,286
Deferred Inflows of Resources					
Property taxes levied for subsequent year	1,960,382	1,325,298	-	64,708	3,350,388
Unavailable revenue - delinquent property taxes	22,972	2,810	-	1,315	27,097
Total Deferred Inflows of Resources	1,983,354	1,328,108	-	66,023	3,377,485
Fund Balances					
Nonspendable	18,640	-	-	24,608	43,248
Restricted	490,514	126,723	3,326,910	80,150	4,024,297
Assigned	114,000	-	-	-	114,000
Unassigned	2,564,849	-	-	-	2,564,849
Total Fund Balances	3,188,003	126,723	3,326,910	104,758	6,746,394
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 6,218,137	$ 1,454,831	$ 5,275,627	$ 223,570	$ 13,172,165

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143

Waterville, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2021

Amounts reported for governmental activities in the statement of net position are different because	
Total Fund Balances - Governmental Funds	$ 6,746,394
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	17,524,100
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, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Bonds payable	(17,205,000)
Capital lease payable	(29,737)
Bond premiums, net of accumulated amortization	(786,011)
Compensated absences payable	(38,747)
Net pension liability	(6,487,178)
Other postemployment benefits liability	(1,098,491)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	27,097
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	2,915,903
Deferred inflows of pension resources	(5,538,697)
Governmental funds do not report long-term amounts related other postemployment benefits.	
Deferred outflows of other postemployment benefit resources	184,681
Deferred inflows of other postemployment benefit resources	(141,922)
Governmental funds do not report a liability for accrued interest until due and payable.	(266,093)
Total Net Position - Governmental Activities	$ (4,193,701)

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143

Waterville, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General	Debt Service	Building Construction	Other Governmental Funds	Total
Revenues					
Local property tax levies	$ 2,028,385	$ 1,086,322	$ -	$ 61,789	$ 3,176,496
Other local and county revenue	434,534	-	-	150,731	585,265
Interest earned on investments	43,836	-	58,955	82	102,873
Revenue from state sources	7,203,822	239,194	-	54,015	7,497,031
Revenue from federal sources	745,872	-	-	475,240	1,221,112
Sales and other conversion of assets	9,483	-	-	19,921	29,404
Total Revenues	10,465,932	1,325,516	58,955	761,778	12,612,181
Expenditures					
Current					
Administration	616,049	-	-	-	616,049
District support services	310,693	-	-	-	310,693
Elementary and secondary regular instruction	4,391,257	-	-	-	4,391,257
Vocational education instruction	86,259	-	-	-	86,259
Special education instruction	1,511,024	-	-	-	1,511,024
Community education and services	-	-	-	288,023	288,023
Instructional support services	565,948	-	-	-	565,948
Pupil support services	795,324	-	-	457,486	1,252,810
Sites and buildings	1,243,187	-	-	-	1,243,187
Fiscal and other fixed cost programs	80,028	-	-	-	80,028
Capital outlay	323,855	-	10,491,284	-	10,815,139
Debt service					
Principal	5,708	600,000	-	-	605,708
Interest and other charges	530	663,098	-	-	663,628
Total Expenditures	9,929,862	1,263,098	10,491,284	745,509	22,429,753
Excess (Deficiency) of Revenues Over (Under) Expenditures	536,070	62,418	(10,432,329)	16,269	(9,817,572)
Other Financing Sources (Uses)					
Capital leases issued	31,090	-	-	-	31,090
Transfers in	50,304	-	-	-	50,304
Transfers out	-	-	-	(50,304)	(50,304)
Total Other Financing Sources (Uses)	81,394	-	-	(50,304)	31,090
Net Change in Fund Balances	617,464	62,418	(10,432,329)	(34,035)	(9,786,482)
Fund Balances, July 1	2,570,539	64,305	13,759,239	138,793	16,532,876
Fund Balances, June 30	$ 3,188,003	$ 126,723	$ 3,326,910	$ 104,758	$ 6,746,394

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to Statement of Activities
Governmental Funds
For the Year Ended June 30, 2021

Amounts reported for governmental activities in the statement of activities are different because	
Total Net Change in Fund Balances - Governmental Funds	$ (9,786,482)
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	10,697,538
Depreciation expense	(305,824)
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 issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Issuance of long-term debt	(31,090)
Principal repayments	606,252
Amoritization of premium	43,667
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.	10,000
Long-term pension activity is not reported in governmental funds.	
Pension expense	(170,564)
Direct aid contributions	43,920
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	(9,198)
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 governmental funds.	
Severance costs	7,077
Other postemployment benefits costs	111,612
Change in Net Position - Governmental Activities	$ 1,216,908

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	$ 2,003,333	$ 1,980,833	$ 2,028,385	$ 47,552
Other local and county revenue	450,363	327,662	434,534	106,872
Interest earned on investments	40,000	40,000	43,836	3,836
Revenue from state sources	7,309,840	7,177,580	7,203,822	26,242
Revenue from federal sources	488,334	683,240	745,872	62,632
Sales and other conversion of assets	7,150	5,300	9,483	4,183
Total Revenues	10,299,020	10,214,615	10,465,932	251,317
Expenditures				
Current				
Administration	731,614	648,579	616,049	32,530
District support services	335,621	334,461	310,693	23,768
Elementary and secondary regular instruction	4,926,304	4,862,222	4,391,257	470,965
Vocational education instruction	99,841	92,049	86,259	5,790
Special education instruction	1,760,513	1,618,575	1,511,024	107,551
Instructional support services	328,379	432,282	565,948	(133,666)
Pupil support services	752,471	777,531	795,324	(17,793)
Sites and buildings	1,209,479	1,468,141	1,243,187	224,954
Fiscal and other fixed cost programs	57,112	57,112	80,028	(22,916)
Capital outlay				
District support services	500	500	-	500
Elementary and secondary regular instruction	30,325	38,400	22,642	15,758
Special education instruction	10,962	10,962	-	10,962
Instructional support services	106,039	121,189	141,040	(19,851)
Pupil support services	72,000	139,000	152,485	(13,485)
Sites and buildings	7,500	7,500	7,688	(188)
Debt service				
Principal	5,490	5,490	5,708	(218)
Interest and other charges	1,180	1,180	530	650
Total Expenditures	10,435,330	10,615,173	9,929,862	685,311
Excess (Deficiency) of Revenues Over (Under) Expenditures	(136,310)	(400,558)	536,070	936,628
Other Financing Sources (Uses)				
Capital leases issued	-	-	31,090	31,090
Transfers in	-	-	50,304	50,304
Total Other Financing Sources (Uses)	-	-	81,394	81,394
Net Change in Fund Balances	(136,310)	(400,558)	617,464	1,018,022
Fund Balances, July 1	2,570,539	2,570,539	2,570,539	-
Fund Balances, June 30	$ 2,434,229	$ 2,169,981	$ 3,188,003	$ 1,018,022

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	Custodial Fund Scholarships
Assets	
Cash and Temporary Investments	$ 36,324
Net Position	
Held in Trust for Scholarships	$ 36,324

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	Custodial Fund Scholarships
Additions	
Gifts and donations	$ 26,723
Deductions	
Other expenditures	8,000
Change in Net Position	18,723
Net Position, July 1	17,601
Net Position, June 30	$ 36,324

The notes to the financial statements are an integral part of this statement.

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 2143, (the District) was incorporated under the laws of the State of Minnesota, (the State). The District operates under a School Board form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected School Board of seven members. 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. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements.

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

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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 District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. 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. General capital asset acquisitions are reported as expenditures in governmental funds.

Note 1: Summary of Significant Accounting Policies (Continued)

Property taxes and interest associated with the current fiscal period are all 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, entitlement 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. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have been reported as unavailable revenue.

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

Description of Funds

The various District funds have been established by the State of Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

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

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* accounts for all resources used for the acquisition and/or construction of major capital facilities.

Non-major Governmental Funds

The *Food Service special revenue fund* is used to account for food service revenue and expenditures.

The *Community Service special revenue fund* accounts for services provided to residents in the areas of recreation, civic activities, non-public pupils, adult or early childhood programs, or other similar services.

Fiduciary Funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The District's scholarship custodial fund accounts for activities held to be used by various third parties devoted to awarding student scholarships. All resources of the fund, including any earnings on invested resources, may be used to support the activities.

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The District may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers acceptances of Unites States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase 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.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Minnesota School District Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate Minnesota laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule §2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's recurring fair value measurements are listed in detail on page 48 and are valued using quoted market prices (Level 1 inputs).

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The School Board annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in May and October of each year. The taxes are collected by the County Treasurer and tax settlements are made to the District three or four times throughout the year.

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The remaining portion of taxes collectible in 2021 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

Taxes payable on qualifying property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credits are paid to the District by the State in lieu of taxes levied against the property.

Current property taxes receivable is the uncollected portion of the taxes levied in 2020 and collectible in 2021. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year. Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. No allowance for uncollectible accounts has been recorded. The only receivable not expected to be collected within one year are delinquent property taxes receivable.

Inventories and Prepaid Items

Food Service fund inventories include items purchased by the District and commodities donated by the U.S. Department of Agriculture (USDA). Commodities are valued using a standard price list furnished by the USDA and purchased inventory is valued at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets

Capital assets include property, plant and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than $1,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Note 1: Summary of Significant Accounting Policies (Continued)

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	20 - 50
Land Improvements	20 - 50
Equipment and Machinery	5 - 15

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualifies for reporting in this category. Accordingly, the items, deferred pension resources and deferred OPEB resources, are reported only in the statement of net position. The pension resources results from actuarial calculations and current year pension contributions made subsequent to the measurement date. The OPEB resources are current year OPEB contributions made subsequent to the measurement date.

Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for school lunch balances for students in the Food Service fund.

Compensated Absences

The District has employee union contracts with several different employee groups. Employee benefits under the contracts vary, but generally include provisions for both sick and vacation leave. The District accounts for the employee benefits as follows:

Vacation Pay- The District compensates administrative and support staff employees for vacation benefits at various rates based on their respective agreements. The expenditures for vacation pay is recognized when payment is made.

Sick Pay- Substantially all District employees are entitled to sick leave at various rates based on length of service to the District. The expenditure for sick leave is recognized when payment is made. Teachers electing to retire on June 30, who have at least 20 years of service and are at least 55 years of age shall be eligible to have 25% of their unused sick leave (not to exceed 20 days) paid out at June 30 with the proper notification to the District in advance.

At June 30, 2021, compensated absences totaling $38,747 are recorded in the financial statements.

Postemployment Benefits Other than Pensions

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during open enrollment period or qualifying life event prior to retirement. All premiums are funded on a pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, at July 1, 2020 The General fund is typically used to liquidate governmental other postemployment benefits payable.

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

In the district-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 amortized over the life of the bonds using the straight line method. Bond issuance costs are reported as an expense in the period incurred.

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

Pensions

Teachers Retirement Association (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. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. The General fund is typically used to liquidate the governmental net pension liability. Additional information can be found in Note 4.

Public Employees Retirement Association (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 except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the General Employee Plan (GERP) and TRA is as follows:

	GERP	TRA	Expense
Pension Expense	$ 408	$ 626,335	$ 626,743

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, one of the items, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are the deferred pension and deferred other post-employment benefit resources reported in the statement of net position of the government-wide statements. These items result from the difference between expected and actual experience, the net difference between projected and actual investments earnings on pension and OPEB plan investments, changes in assumptions and changes in proportion and differences between entity contributions and proportionate share of contributions.

Note 1: Summary of Significant Accounting Policies (Continued)

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 - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

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 School Board (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 constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority. The Board has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Board or the Budget Committee.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made.

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unassigned General fund balance of 45-60 days of operating expenditures.

Net Position

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

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. 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.

c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are prepared for District governmental funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds.

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

1. Prior to July 1, the budget is prepared by the Superintendent to be adopted by the School Board.
2. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year.
3. Budgets for General, Debt Service, Building Construction, Food Service and Community Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
4. Budgeted amounts are as originally adopted, or as amended.
5. Budget appropriations lapse at year end.
6. The legal level of budgetary control is the department level.
7. The District does not use encumbrance accounting.

B. Excess of Actual Expenditures Over Appropriations

For the year ended June 30, 2021, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess
Building Construction	8,950,000	10,491,284	1,541,284

The excess expenditures were funded by available fund balance.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the School Board, the District maintains deposits at those depository banks which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Note 3: Detailed Notes on All Funds (Continued)

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;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully 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 year end, the District's carrying amount of deposits was $1,353,434 and the bank balance was $1,461,333. Of the bank balance, $425,931 was covered by federal depository insurance and the remaining amount was covered by bonds or collateral held by the District's agent in the District's name.

Investment Policy

The funds of the District shall be deposited or invested in accordance with Minnesota statutes, chapter 118A and any other applicable law or written administrative procedures. The primary criteria for the investment of the funds of the District, in priority order are as follows:

1. Safety and Security. Safety of principal is the first priority. The investments of the District shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall investment portfolio.
2. Liquidity. The funds shall be invested to assure that funds are available to meet immediate payment requirements, including payroll, accounts payable and debt service.
3. Return and Yield. The investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Limitations on instruments, diversification and maturity scheduling shall depend on whether the funds being invested are considered short-term or long-term funds. All funds shall normally be considered short-term except those reserved for building construction projects or specific future projects and any unreserved funds used to provide financial-related managerial flexibility for future fiscal years. The District shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

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Note 3: Detailed Notes on All Funds (Continued)

All investment securities purchased by the District shall be held in third-party safekeeping by an institution designated as custodial agent. The custodial agent may be any Federal Reserve Bank, any bank authorized under the laws of the United States or any state to exercise corporate trust powers, a primary reporting dealer in United States Government securities to the Federal Reserve Bank of New York, or a securities broker-dealer defined in Minnesota statutes 118A.06. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information.

Deposit-type securities shall be collateralized as required by Minnesota statute 118A.03 for any amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage.

Repurchase agreements shall be secured by the physical delivery or transfer against payment of the collateral securities to a third party or custodial agent for safekeeping. The school district may accept a safekeeping receipt instead of requiring physical delivery or third-party safekeeping of collateral on overnight repurchase agreements of less than $1,000,000.

As of June 30, 2021 the District had the following investments:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Balance	Fair Value Measurement Using Level 1
Pooled Investments at Amortized Costs				
Minnesota School District Liquid Asset Fund (MSDLAF)	AAAm	less than 6 months	$ 3,159,437	
Minnesota School District MAX Fund (MSDMAX)	AAAm	less than 6 months	3,371,283	
Non-pooled Investments at Fair Value				
Negotiable certificates of deposit	N/A	less than 6 months	2,095,000	$ 2,095,000
Total investments			$ 8,625,720	$ 2,095,000

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.

The Minnesota School District Liquid Asset Fund (MSDLAF) is a trust organized and existing under the laws of the State of Minnesota and the Minnesota Joint Powers Act, as amended. The trust was established for the purpose of allowing Minnesota school districts to pool their investment funds to obtain a competitive investment yield, while maintaining liquidity and preserving capital. The credit rating for the MSDLAF is AAAm. The weighted average days to maturity are not greater than six months. The District's investment in the MSDLAF is equal to the value of pool shares.

Note 3: Detailed Notes on All Funds (Continued)

A reconciliation of cash and temporary investments as shown on the statement of net position for the District follows:

Deposits	$ 1,353,434
Investments	8,625,720
Total	9,979,154
Less Fiduciary Fund Cash and Temporary Investments	(36,324)
Cash and Temporary Investments	$ 9,942,830

B. Property Taxes

Current property taxes receivable is recorded for taxes levied in 2020 and payable in 2021. A portion of the current property taxes receivable is recognized as revenue in the fiscal year ended June 30, 2021 in accordance with Minnesota statutes and the remaining balance is recorded as a deferred inflow of resources for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies.

Taxes receivable is comprised of the following components:

	General	Debt Service	Nonmajor Governmental	Total
Current Taxes	$ 966,007	$ 737,682	$ 28,899	$ 1,732,588
Delinquent Taxes	22,972	2,810	1,315	27,097
Total Taxes Receivable	$ 988,979	$ 740,492	$ 30,214	$ 1,759,685
Property Taxes Levied for Subsequent Year	$ 1,960,382	$ 1,325,298	$ 64,708	$ 3,350,388

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

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

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities				
Capital Assets not Being Depreciated				
Land	$ 31,400	$ -	$ -	$ 31,400
Construction in progress	6,052,885	10,491,284	(10,991,947)	5,552,222
Total capital assets not being depreciated	6,084,285	10,491,284	(10,991,947)	5,583,622
Capital Assets Being Depreciated				
Land improvements	304,084	-	-	304,084
Buildings	5,104,248	10,991,946	(4,193)	16,092,001
Equipment	2,134,935	206,255	(162,148)	2,179,042
Total Capital Assets Being Depreciated	7,543,267	11,198,201	(166,341)	18,575,127
Less Accumulated Depreciation				
Land improvements	(277,760)	(2,454)	-	(280,214)
Buildings	(4,727,140)	(158,180)	4,193	(4,881,127)
Equipment	(1,490,266)	(145,190)	162,148	(1,473,308)
Total Accumulated Depreciation	(6,495,166)	(305,824)	166,341	(6,634,649)
Total Capital Assets Being Depreciated, Net	1,048,101	10,892,377	-	11,940,478
Governmental Activities Capital Assets, Net	$ 7,132,386	$ 21,383,661	$ (10,991,947)	$ 17,524,100

Depreciation expense was charged to governmental activities as follows:

Administration	$ 58
District Support Services	1,423
Elementary and Secondary Regular Instruction	17,362
Vocational Education Instruction	1,251
Community Education	143
Instructional Support Services	7,763
Pupil Support Services	98,749
Sites, Buildings and Equipment	177,384
Special Education Instruction	1,691
Total Depreciation Expense	$ 305,824

Note 3: Detailed Notes on All Funds (Continued)

D. Construction Commitments

The District has an active construction project as of June 30, 2021. At year end, the District's commitment with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
School Building Project	$ 16,602,168	$ 2,695,091

E. Interfund Receivables, Payables and Transfers

During the year ended June 30, 2021, the District transferred $50,304 from the Community Service fund to the General fund due to COVID-19.

F. Long-term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.
General obligation bonds have been issued for governmental activities.

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	Interest Rate	Issue Date	Final Maturity	Principal Outstanding Due Within One Year	Principal Outstanding Total
G.O. School Building Bonds, Series 2019A	$ 18,500,000	3.00 - 5.00 %	02/01/19	02/01/39	$ 620,000	$ 17,205,000

Note 3: Detailed Notes on All Funds (Continued)

The annual requirements to amortize all bonds outstanding at June 30, 2021 are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2022	$ 620,000	$ 638,623	$ 1,258,623
2023	700,000	613,823	1,313,823
2024	725,000	585,823	1,310,823
2025	755,000	556,823	1,311,823
2026	795,000	519,073	1,314,073
2027 - 2031	4,555,000	2,006,363	6,561,363
2032 - 2036	5,375,000	1,179,019	6,554,019
2037 - 2039	3,680,000	262,477	3,942,477
Total	$ 17,205,000	$ 6,362,024	$ 23,567,024

Capital Leases

The District had a capital lease for copiers. The copiers had a total cost of $31,090 and accumulated depreciation of $3,109 as of June 30, 2021. The details are as follows:

	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding Due Within One Year	Principal Outstanding Total
Copiers	03/17/21	5.00 %	$ 31,090	03/16/26	$ 5,609	$ 29,737

The future minimum lease obligations of these minimum lease payments as of June 30, 2021 are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	$ 5,609	$ 1,554	$ 7,163
2023	5,938	1,225	7,163
2024	6,287	876	7,163
2025	6,656	508	7,164
2026	5,247	125	5,372
Total	$ 29,737	$ 4,288	$ 34,025

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	$ 17,805,000	$ -	$ (600,000)	$ 17,205,000	$ 620,000
Bond premiums	829,678	-	(43,667)	786,011	-
Total bonds payable	18,634,678	-	(643,667)	17,991,011	620,000
Other Liabilities					
Capital leases payable	4,899	31,090	(6,252)	29,737	5,609
Compensated absences payable	45,277	30,828	(37,358)	38,747	38,747
Total Long-term Liabilities	$ 18,684,854	$ 61,918	$ (687,277)	$ 18,059,495	$ 664,356

Note 3: Detailed Notes on All Funds (Continued)

G. Components of Fund Balance

At June 30, 2021, portions of the District's fund balance are not available for appropriation due to legal restrictions (Restricted) and policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Building Construction	Nonmajor Governmental	Total
Nonspendable For					
Inventories	$ -	$ -	$ -	$ 24,608	$ 24,608
Prepaid items	18,640	-	-	-	18,640
Total Nonspendable	$ 18,640	$ -	$ -	$ 24,608	$ 43,248
Restricted for					
Student activities	$ 95,786	$ -	$ -	$ -	$ 95,786
Staff development	55,819	-	-	-	55,819
Operating capital	73,963	-	-	-	73,963
Learning and development	19,619	-	-	-	19,619
Gifted and talented	6,709	-	-	-	6,709
Basic skills	27,605	-	-	-	27,605
Safe schools	32,015	-	-	-	32,015
Long-term facilities maintenance	112,395	-	-	-	112,395
Medical assistance	66,603	-	-	-	66,603
Community education	-	-	-	31,694	31,694
Early childhood and family education	-	-	-	26,108	26,108
School readiness	-	-	-	14,942	14,942
Food service	-	-	-	6,712	6,712
Community service	-	-	-	694	694
Building construction	-	-	3,326,910	-	3,326,910
Debt service	-	126,723	-	-	126,723
Total Restricted	$ 490,514	$ 126,723	$ 3,326,910	$ 80,150	$ 4,024,297
Assigned for					
Separation/retirement benefits	$ 114,000	$ -	$ -	$ -	$ 114,000
Unassigned	$ 2,564,849	$ -	$ -	$ -	$ 2,564,849

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Note 3: Detailed Notes on All Funds (Continued)

Restricted for Student Activities - This amount represents available resources for various student activities.

Restricted for Staff Development - This amount represents available resources for staff development. Revenues are derived from state aids and expenditures are for staff development at each site.

Restricted for Operating Capital - This amount represents available resources dedicated for capital expenditure building projects, equipment purchases, vehicles and computer hardware and software. Revenues are derived from tax levies and State aids and expenditures are for repair and restoration of existing facilities and construction of new facilities, purchase of equipment, computers, software, textbooks and library books.

Restricted for Learning and Development - This amount represents accumulated resources available to provide for learning and development programming in accordance with funding made available for that purpose.

Restricted for Gifted and Talented - This amount represents accumulated resources made available through a portion of the District's general education aid for gifted and talented programs.

Restricted for Basic Skills Programs - This amount represents accumulated resources available to provide for basic skills programming in accordance with funding made available for that purpose.

Restricted for Safe Schools - This amount represents resources restricted for crime prevention and making schools safe for students and staff.

Restricted for Long-Term Facilities Maintenance - This amount represents available resources for larger maintenance projects. Revenues are derived from State aids and expenditures are for maintenance.

Restricted for Medical Assistance - This amount represents available resources for medical assistance expenditures. Revenues are derived from State or Federal aids.

Restricted for Community Education - This amount represents available resources for community education classes. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

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.

Restricted for School Readiness - This amount represents available resources to provide for services for school readiness programs. Revenues are derived from State aids, fees and grants and expenditures are for salaries, benefits and supplies.

Restricted for Food Service - This amount represents available resources available for Food Service. Revenues are derived from state, federal, local and county sources along with sales and other conversion of assets and expenditures are primarily for salaries, benefits, supplies and materials.

Restricted for Community Service - This amount represents available resources available for community services. Revenues are derived from tax levies and local and county sources and expenditures are primarily for salaries, benefits, purchased services, supplies and materials.

Restricted for Building Construction - This amount represents available resources dedicated exclusively for building construction projects. Revenues are derived from the issuance of bonds and expenditures are for building construction costs.

Restricted for Debt Service - This amount represents available resources dedicated exclusively for debt service payments. Revenues are derived from tax levies and expenditures are for principal, interest and paying agent fees.

Assigned for Separation/Retirement Benefits -This amount represents resources segregated from the unassigned fund balance for retirement benefits, including severance, pensions, other post-employment benefits and termination benefits.

Unassigned amounts represent resources available to meet current and future years' expenditures.

Note 4: Defined Benefit Pension Plans - Statewide

Substantially all employees of the District are required by State Law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

A. Teachers Retirement Association (TRA)

1. 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 member, one retired member and three statutory officials.

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

2. 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 as described:

Tier I:	Step Rate Formula	Percentage
Basic	1st ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	1st ten years if service years are prior to July 1, 2006	1.2 percent per year
	1st 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 prior 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

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

With these provisions:

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

or

Tier II: For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 percent 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 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 or 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 also eligible for a refund of their employee contributions plus interest.

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

3. Contribution Rates

Per Minnesota statutes, chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

	Ending June 30, 2019		Ending June 30, 2020		Ending June 30, 2021	
Plan	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 District's contributions to TRA for the years ending June 30, 2021, 2020 and 2019 were $351,488, $331,088 and $333,626, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

Employer contributions reported in TRA'S Comprehensive Annual Financial Report Financial Report Statement of Changes in Fiduciary Net Position	$ 425,223,000
Add employer contributions not related to future contribution efforts	(56,000)
Deduct TRA'S contributions not included in allocation	(508,000)
Total employer contributions	424,659,000
Total non-employer contributions	35,587,000
Total contributions reported in schedule ofemployer and non-employer pension allocations	$ 460,246,000

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

4. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation date	July 1, 2020
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected salary increase	2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% thereafter
Cost of living adjustment	1.0% for January 2020 through January 2023. then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumption	
Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back seven 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.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35.50 %	5.10 %
International Equity	17.50	5.30
Private Markets	25.00	5.90
Fixed Income	20.00	0.75
Unallocated Cash	2.00	-
Total	100.00 %	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2020 is 6.00 years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions" and "Changes in Proportion" use the amortization period of 6.00 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is 5.00 years as required by GASB 68.

Changes in actuarial assumptions since the 2019 valuation:

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

5. *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).

6. *Net Pension Liability*

At June 30, 2021, Independent School District No. 2143 (the District) reported a liability of $5,312,068 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 proportionate share was 0.0719 percent at the end of the measurement period and 0.0731 percent for the beginning of the year.

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

District's Proportionate Share of Net Pension Liability	$ 5,312,068
State's Proportionate Share of Net Pension Liability Associated with the District	445,021

For the year ended June 30, 2021, the District recognized pension expense of $585,568. It also recognized $40,767 as an increase to pension expense for the support provided by direct aid.

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 Economic Experience	$ 110,230	$ 89,643
Changes in Actuarial Assumptions	2,204,648	4,872,638
Net Difference Between Projected and Actual Earnings on Plan Investments	67,497	-
Changes in Proportion	45,222	413,423
Contributions to TRA Subsequent to the Measurement Date	351,488	-
Total	$ 2,779,085	$ 5,375,704

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Deferred outflows of resources totaling $351,488 related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2022	$ (74,599)
2023	(1,906,591)
2024	(1,093,106)
2025	104,083
2026	22,106

7. *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.

District Proportionate Share of NPL		
1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
$ 8,132,720	$ 5,312,068	$ 2,987,994

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.

8. *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.

B. Public Employees Retirement Association (PERA)

1. *Plan Description*

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (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

All full-time and certain part-time employees of the District are covered by the General Employees Plan. 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)

2. *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 Employee 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 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

3. *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 7.5 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the years ending June 30, 2021, 2020 and 2019 were $113,596, $104,824 and $112,677, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

4. *Pension Costs*

General Employees Fund Pension Costs

At June 30, 2021, the District reported a liability of $1,175,110 or its proportionate share of the General Employee 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 $36,228. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The District's proportion was 0.0196 percent which was a decrease of 0.0017 percent from its proportion measured as of June 30, 2019.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

For the year ended June 30, 2021, the District recognized negative pension expense of $2,745 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $3,153 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 11,642	$ 4,444
Changes in Actuarial Assumptions	-	45,636
Net Difference Between Projected and Actual Earnings on Plan Investments	8,467	-
Changes in Proportion	3,112	112,913
Contributions to PERA Subsequent to the Measurement Date	113,597	-
Total	$ 136,818	$ 162,993

The $113,597 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 inflows of resources related to pensions will be recognized in pension expense as follows:

2022	$ (136,614)
2023	(27,676)
2024	(3,875)
2025	28,393

5. *Actuarial Assumptions*

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

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

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employee Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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 Stocks	36.00 %	5.10 %
Alternative Assets (Private Markets)	25.00	5.90
Bonds (Fixed Income)	20.00	0.75
International Stocks	17.00	5.30
Cash	2.00	-
Total	100.00 %	

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

6. *Discount Rate*

The discount rate used to measure the total pension liability in 2021 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.

7. *Pension Liability Sensitivity*

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

	District Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
General Employees Funds	$ 1,883,293	$ 1,175,110	$ 590,915

8. *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.

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

The District operates a single-employer retiree benefit plan ("the Plan") that provides health, life and dental insurance to eligible employees and their families through the District's health insurance plan. The full cost of the benefits is covered by the plan. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available report.

At June 30, 2021, the following employees were covered by the benefit terms:

Active Plan Members	99
Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	26
Total Plan Members	125

Note 5: Postemployment Benefits Other Than Pensions (Continued)

B. Funding Policy

The District has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives on a per contract basis. At the present time, no retiree benefits are provided except the allowance to continue health insurance that is mandated by Minnesota Law. The District does not contribute any of the cost of current-year premiums for eligible retired plan members or their spouses. For the year ended June 30, 2021, the District's average contribution rate was 2.0 percent of covered-employee payroll. For fiscal year 2021, the District directly contributed $36,083 to the Plan, while implicit contributions totaled $166,663.

C. Actuarial Methods and Assumptions

The District's total OPEB liability of $1,098,491 was measured as of July 1, 2020 and OPEB liability was determined by an actuarial valuation as of July 1, 2019. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date and the Plan's fiscal year end.

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.40%
20-Year Municpal Bond Yeild	2.40%
Inflation Rate	2.50%
Salary Increases	Service graded table
Medical Trend Rate	6.25% as of July 1, 2020 grading to 5.00% over 6 year

The discount rate used to measure the total OPEB liability was 2.40 percent. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.

Note 6: Postemployment Benefits Other Than Pensions

The actuarial assumptions used in the July 1, 2019 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at June 30, 2020	$ 1,157,259
Changes for the Year:	
Service cost	51,484
Interest	34,894
Assumption changes	22,409
Benefit payments	(167,555)
Net Changes	(58,768)
Balances at June 30, 2021	$ 1,098,491

Since the prior measurement date, the following assumptions changed:

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

Since the prior measurement date, the following plan changes occurred:

- No changes since prior measurement.

Note 6: Postemployment Benefits Other Than Pensions (Continued)

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.40 percent) or 1-percentage-point higher (3.40percent) than the current discount rate:

1 Percent Decrease (2.10%)	Current (2.40%)	1 Percent Increase (4.10%)
$ 1,138,192	$ 1,098,491	$ 1,059,120

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (5.25 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.25 percent increasing to 6.00 percent) than the current Healthcare Cost Trend Rate:

1 Percent Decrease (5.25% decreasing to 4.00%)	Healthcare Cost Trend Rates (6.25% decreasing to 5.00%)	1 Percent Increase (7.25% decreasing to 6.00%)
$ 1,044,469	$ 1,098,491	$ 1,161,075

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

For the year ended June 30, 2021, the District recognized OPEB expense of $111,612. 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
Investment (gain)/loss	$ -	$ 38,617
Changes in actuarial assumptions	18,674	103,305
Contributions Subsequent to the Measurement Date	166,007	-
Total	$ 184,681	$ 141,922

Deferred outflows of resources totaling $166,007 related to the OPEB resulting from the District's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	$ (31,985)
2023	(31,985)
2024	(31,985)
2025	(31,028)
2026	3,735

Note 7: Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries insurance. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

The Southcentral Services Cooperative Gross Self-Insured Health Insurance Plan was formed under a joint powers agreement. This is a public entity risk pool that is currently operating as common risk management and insurance program for member districts. The District pays an annual premium to this plan for its health and insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators to the plan believe assessment to participating districts for future losses sustained is extremely remote. The District's non-teacher employees are eligible for the plan.

The District continues to carry commercial insurance for all other risk of loss. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. In addition, there have been no settlements in excess of the District's insurance coverage in any of the prior three years.

B. Commitments and Contingencies

Federal and State Receivables

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

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Independent School District No. 2143
Waterville, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2021

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/20	0.0719 %	$ 5,312,068	$ 445,021	$ 5,757,089	$ 4,180,408	127.1 %	75.5 %
06/30/19	0.0731	4,659,409	412,504	5,071,913	4,327,183	107.7	78.2
06/30/18	0.0719	4,517,463	424,532	4,941,995	3,798,893	118.9	78.1
06/30/17	0.0785	15,670,024	1,514,976	17,185,000	4,225,227	370.9	51.6
06/30/16	0.0804	19,177,318	1,925,554	21,102,872	4,352,387	440.6	44.9
06/30/15	0.0840	5,196,231	637,344	5,833,575	4,295,696	121.0	76.8
06/30/14	0.0919	4,234,685	298,010	4,532,695	4,169,560	101.6	81.1

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's TRA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/21	$ 351,488	$ 351,488	$ -	$ 4,323,345	8.1 %
06/30/20	331,088	331,088	-	4,180,408	7.9
06/30/19	333,626	333,626	-	4,327,183	7.7
06/30/18	284,917	284,917	-	3,798,893	7.5
06/30/17	316,892	316,892	-	4,225,227	7.5
06/30/16	326,429	326,429	-	4,352,387	7.5
06/30/15	322,253	322,253	-	4,295,696	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2020 - Assumed termination rates were changed to more closely reflect actual experience. The pre-retirement mortality assumption was changed to RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 - No changes noted.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

2014 - The cost of living adjustment was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2034.

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2020 - No changes noted.

2019 - No changes noted.

2018 - The 2018 Omnibus Pension Bill contained a number of changes:

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

2017 – No changes noted.

2016 – No changes noted.

2015 - On June 30, 2015, the Duluth Teachers Retirement Fund Association was merged into TRA. This also resulted in a state-provided contribution stream of $14.377 million until the System becomes fully funded.

2014 - The increase in the post-retirement benefit adjustment (COLA) will be made once the plan is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/20	0.0196 %	$ 1,175,110	$ 36,228	$ 1,211,338	$ 1,397,655	84.1 %	79.0 %
06/30/19	0.0213	1,177,629	36,665	1,214,294	1,502,363	78.4	80.2
06/30/18	0.0212	1,176,089	38,586	1,214,675	1,418,920	82.9	79.5
06/30/17	0.0233	1,487,457	18,692	1,506,149	1,493,787	99.6	75.9
06/30/16	0.0230	1,867,486	24,390	1,891,876	1,415,533	131.9	68.9
06/30/15	0.0254	1,316,360	-	1,316,360	1,474,414	89.3	78.2
06/30/14	0.0256	1,202,560	-	1,202,560	1,346,110	89.3	78.7

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/21	$ 113,596	$ 113,596	$ -	$ 1,514,614	7.5 %
06/30/20	104,824	104,824	-	1,397,655	7.5
06/30/19	112,677	112,677	-	1,502,363	7.5
06/30/18	106,419	106,419	-	1,418,920	7.5
06/30/17	112,034	112,034	-	1,493,787	7.5
06/30/16	106,165	106,165	-	1,415,533	7.5
06/30/15	106,895	106,895	-	1,474,414	7.3

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

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

2019 - 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 - 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. Postretirement 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 - 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 – No changes noted.

2015 - 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.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	$ 51,484	$ 45,083	$ 62,775	$ 61,457
Interest	34,894	49,840	53,193	57,913
Changes in assumptions	22,409	(150,653)	(5,740)	-
Plan changes	-	14,039	-	-
Differences between expected and actual experien	-	(57,925)	-	-
Changes in benefit terms	-	-	15,869	-
Benefit payments	(167,555)	(242,022)	(255,717)	(263,238)
Net Change in Total OPEB Liability	(58,768)	(341,638)	(129,620)	(143,868)
Total OPEB Liability - Beginning	1,157,259	1,498,897	1,628,517	1,772,385
Total OPEB Liability - Ending	$ 1,098,491	$ 1,157,259	$ 1,498,897	$ 1,628,517
Covered - Employee Payroll	$ 4,595,148	$ 4,292,693	$ 4,421,474	$ 4,292,693
District's Total OPEB Liability As a Percentage of Covered Employee Payroll	23.91 %	26.96 %	33.90 %	37.94 %

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Changes in Benefits

2021 – No changes noted.

2020 – The subsidy for the superintendent was changed from $7,100 per year towards medical coverage for 11 years to $7,810 per year towards medical coverage for 10 years. The subsidy for eligible teachers was extended to cover retirement through June 30,2022.

2019 - The subsidy for eligible teachers retiring before June 30, 2021 was changed to be paid over eight years instead of seven years and the subsidy for the individual principal was changed from $6,000 per year to $8,000 per year.

2018 - The teacher's subsidized post-retirement benefit was changed to $6,000 per year toward medical coverage for seven years if retiring before the 2020-2021 school year.

Changes in Assumptions

2021 – The discount rate was changed from 3.10% to 2.40%.

2020- The health care trend rates, mortality tables, election rates, and salary increase rates were updated along with the discount rate changing from 3.50% to 3.10%.

2019 - The discount rate was changed from 3.40% to 3.50%

2018 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality table was updated from RP-2017 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale. The prior valuation assumed an implicit rate subsidy for dental insurance valued to age 85. Based on plan experience, the implicit rate liability is not significant for dental insurance and has not been included in this valuation. The discount rate was changed from 3.50% to 3.40%

Changes in Method

2021 – No changes noted.

2020 - No changes noted.

2019 – No changes noted.

2018 - The actuarial cost method was changed from projected unit credit entry age as prescribed by GASB 75.

COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Independent School District No. 2143

Waterville, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021
(With Comparative Totals for June 30, 2020)

	Special Revenue		Totals	
	Food Service	Community Service	2021	2020
Assets				
Cash and temporary investments	$ (22,796)	$ 122,372	$ 99,576	$ 126,415
Receivables				
Taxes				
Current	-	28,899	28,899	31,474
Delinquent	-	1,315	1,315	1,390
Accounts and interest	-	256	256	4,208
Intergovernmental	63,574	5,342	68,916	57,954
Inventories	24,608	-	24,608	29,819
Total Assets	$ 65,386	$ 158,184	$ 223,570	$ 251,260
Liabilities				
Salaries and wages payable	$ 3,054	$ 12,794	$ 15,848	$ 22,778
Accounts and other payables	10,081	4,954	15,035	1,959
Unearned revenue	20,931	975	21,906	22,423
Total Liabilities	34,066	18,723	52,789	47,160
Deferred Inflows of Resources				
Property taxes levied for subsequent year	-	64,708	64,708	63,917
Unavailable revenue - delinquent property taxes	-	1,315	1,315	1,390
Total Deferred Inflows of Resources	-	66,023	66,023	65,307
Fund Balances				
Nonspendable for				
Inventories	24,608	-	24,608	29,819
Restricted for				
Community education	-	31,694	31,694	-
Early childhood family education	-	26,108	26,108	48,339
School readiness	-	14,942	14,942	51,943
Community service	-	694	694	8,690
Food service	6,712	-	6,712	2
Total Fund Balances	31,320	73,438	104,758	138,793
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 65,386	$ 158,184	$ 223,570	$ 251,260

Independent School District No. 2143
Waterville, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Special Revenue		Totals	
	Food Service	Community Service	2021	2020
Revenues				
Local property tax levies	$ -	$ 61,789	$ 61,789	$ 61,311
Other local and county revenue	-	150,731	150,731	122,456
Interest earned on investments	-	82	82	2,811
Revenue from state sources	649	53,366	54,015	74,975
Revenue from federal sources	438,415	36,825	475,240	222,758
Sales and other conversion of assets	19,921	-	19,921	183,220
Total Revenues	458,985	302,793	761,778	667,531
Expenditures				
Current				
Community education and services	-	288,023	288,023	257,276
Pupil support services	457,486	-	457,486	465,289
Capital outlay	-	-	-	2,664
Total Expenditures	457,486	288,023	745,509	725,229
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,499	14,770	16,269	(57,698)
Other Financing Sources				
Transfers in	-	-	-	70,044
Transfers out	-	(50,304)	(50,304)	(70,044)
Total Other Financing Sources (Uses)	-	(50,304)	(50,304)	-
Net Change in Fund Balances	1,499	(35,534)	(34,035)	(57,698)
Fund Balances, July 1	29,821	108,972	138,793	196,491
Fund Balances, June 30	$ 31,320	$ 73,438	$ 104,758	$ 138,793

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Independent School District No. 2143
Waterville, Minnesota
General Fund
Comparative Balance Sheets
June 30, 2021 and 2020

	2021	2020
Assets		
Cash and temporary investments	$ 4,015,466	$ 3,523,560
Receivables		
Taxes		
Current	966,007	941,097
Delinquent	22,972	29,168
Accounts	31,833	30,222
Due from other school districts	15,362	15,676
Intergovernmental	1,147,857	970,329
Prepaid items	18,640	7,893
Total Assets	$ 6,218,137	$ 5,517,945
Liabilities		
Salaries and wages payable	$ 367,705	$ 372,575
Accounts and other payables	99,324	64,899
Due to other school districts	98,717	62,412
Due to other governments	106	647
Accrued expenses	480,928	530,745
Total Liabilities	1,046,780	1,031,278
Deferred Inflows of Resources		
Property taxes levied for subsequent year	1,960,382	1,886,960
Unavailable revenue - delinquent property taxes	22,972	29,168
Total Deferred Inflows of Resources	1,983,354	1,916,128
Fund Balances		
Nonspendable for		
Prepaid items	18,640	7,893
Restricted for		
Student activities	95,786	96,118
Staff development	55,819	40,244
Operating capital	73,963	40,026
Learning and development	19,619	23,040
Gifted and talented	6,709	15,841
Basic skills	27,605	35,552
Safe schools	32,015	20,207
Long-term facilities maintenance	112,395	148,795
Medical assistance	66,603	42,712
Assigned		
Separation/retirement benefits	114,000	114,000
Unassigned	2,564,849	1,986,111
Total Fund Balances	3,188,003	2,570,539
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 6,218,137	$ 5,517,945

Independent School District No. 2143
Waterville, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	$ 2,003,333	$ 1,980,833	$ 2,028,385	$ 47,552	$ 2,063,706
Other local and county revenue	450,363	327,662	434,534	106,872	545,503
Interest earned on investments	40,000	40,000	43,836	3,836	42,532
Revenue from state sources	7,309,840	7,177,580	7,203,822	26,242	7,247,626
Revenue from federal sources	488,334	683,240	745,872	62,632	351,403
Sales and other conversion of assets	7,150	5,300	9,483	4,183	14,938
Total Revenues	10,299,020	10,214,615	10,465,932	251,317	10,265,708
Expenditures					
Current					
Administration					
Salaries	500,169	453,212	448,875	4,337	449,647
Employee benefits	198,153	157,075	160,516	(3,441)	162,634
Purchased services	22,015	22,015	3,068	18,947	10,078
Supplies and materials	1,025	6,025	944	5,081	183
Other expenditures	10,252	10,252	2,646	7,606	7,886
Total administration	731,614	648,579	616,049	32,530	630,428
District support services					
Salaries	116,510	114,932	118,068	(3,136)	136,232
Employee benefits	45,919	46,422	46,728	(306)	54,497
Purchased services	150,437	150,352	128,089	22,263	141,084
Supplies and materials	7,485	7,485	2,600	4,885	6,494
Other expenditures	15,270	15,270	15,208	62	10,304
Total district support services	335,621	334,461	310,693	23,768	348,611
Elementary and secondary regular instruction					
Salaries	2,941,940	3,001,424	2,812,389	189,035	2,803,709
Employee benefits	1,441,732	1,389,142	1,293,812	95,330	1,309,407
Purchased services	180,783	178,053	94,168	83,885	129,161
Supplies and materials	348,755	276,184	173,624	102,560	317,435
Other expenditures	13,094	17,419	17,264	155	19,538
Total elementary and secondary regular instruction	4,926,304	4,862,222	4,391,257	470,965	4,579,250
Vocational education instruction					
Salaries	58,426	58,801	58,711	90	94,504
Employee benefits	34,306	25,917	24,967	950	52,843
Purchased services	1,435	1,657	36	1,621	407
Supplies and materials	5,674	5,674	2,545	3,129	3,396
Total vocational education instruction	99,841	92,049	86,259	5,790	151,150
Special education instruction					
Salaries	1,078,802	982,088	977,921	4,167	924,162
Employee benefits	407,426	359,089	354,234	4,855	351,709
Purchased services	262,127	261,953	172,977	88,976	245,866
Supplies and materials	11,548	14,835	5,667	9,168	8,833
Other expenditures	610	610	225	385	-
Total special education instruction	1,760,513	1,618,575	1,511,024	107,551	1,530,570

Independent School District No. 2143
Waterville, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Instructional support services					
Salaries	$ 183,457	$ 221,376	$ 303,778	$ (82,402)	$ 279,569
Employee benefits	62,141	83,426	92,907	(9,481)	91,114
Purchased services	51,588	51,710	53,652	(1,942)	56,704
Supplies and materials	27,588	72,165	100,253	(28,088)	68,731
Other expenditures	3,605	3,605	15,358	(11,753)	7,998
Total instructional support services	328,379	432,282	565,948	(133,666)	504,116
Pupil support services					
Salaries	502,622	510,434	494,662	15,772	464,930
Employee benefits	151,461	156,858	144,484	12,374	143,120
Purchased services	134	12,285	43,015	(30,730)	97,560
Supplies and materials	98,254	97,954	113,163	(15,209)	71,205
Total pupil support services	752,471	777,531	795,324	(17,793)	776,815
Sites and buildings					
Salaries	270,705	319,488	284,803	34,685	239,963
Employee benefits	119,603	121,972	116,583	5,389	107,949
Purchased services	646,009	818,738	638,218	180,520	588,705
Supplies and materials	173,032	207,813	203,583	4,230	146,462
Other expenditures	130	130	-	130	130
Total sites and buildings	1,209,479	1,468,141	1,243,187	224,954	1,083,209
Fiscal and other fixed cost programs					
Purchased services	57,112	57,112	80,028	(22,916)	62,001
Total current	10,201,334	10,290,952	9,599,769	691,183	9,666,150
Capital outlay					
District support services	500	500	-	500	-
Elementary and secondary regular instruction	30,325	38,400	22,642	15,758	51,448
Special education instruction	10,962	10,962	-	10,962	15,661
Instructional support services	106,039	121,189	141,040	(19,851)	9,506
Pupil support services	72,000	139,000	152,485	(13,485)	99,237
Sites and buildings	7,500	7,500	7,688	(188)	42,837
Total capital outlay	227,326	317,551	323,855	(6,304)	218,689
Debt service					
Principal	5,490	5,490	5,708	(218)	6,181
Interest and other charges	1,180	1,180	530	650	490
Total debt service	6,670	6,670	6,238	432	6,671
Total Expenditures	10,435,330	10,615,173	9,929,862	685,311	9,891,510
Excess (Deficiency) of Revenues Over (Under) Expenditures	(136,310)	(400,558)	536,070	936,628	374,198
Other Financing Sources (Uses)					
Sale of assets	-	-	-	-	300
Capital leases issued	-	-	31,090	31,090	-
Transfers in	-	-	50,304	50,304	-
Total Other Financing Sources (Uses)	-	-	81,394	81,394	300
Net Change in Fund Balances	(136,310)	(400,558)	617,464	1,018,022	374,498
Fund Balances, July 1	2,570,539	2,570,539	2,570,539	-	2,196,041
Fund Balances, June 30	$ 2,434,229	$ 2,169,981	$ 3,188,003	$ 1,018,022	$ 2,570,539

Independent School District No. 2143
Waterville, Minnesota
Food Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Other local and county revenues	$ 100	$ -	$ -	$ -	$ 150
Interest earned on investments	20	-	-	-	176
Revenue from state sources	28,866	1,326	649	(677)	20,555
Revenue from federal sources	224,854	416,900	438,415	21,515	222,758
Sales and other conversion of assets	243,390	8,275	19,921	11,646	183,220
Total Revenues	497,230	426,501	458,985	32,484	426,859
Expenditures					
Current					
Pupil support services					
Salaries	193,494	168,740	162,020	6,720	168,188
Employee benefits	98,516	98,311	94,891	3,420	96,231
Purchased services	1,465	1,866	690	1,176	2,030
Supplies and materials	227,390	227,390	197,995	29,395	198,350
Other expenditures	1,082	1,082	1,890	(808)	490
Total current	521,947	497,389	457,486	39,903	465,289
Capital outlay					
Pupil support services	10,000	10,000	-	10,000	2,664
Total Expenditures	531,947	507,389	457,486	49,903	467,953
Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,717)	(80,888)	1,499	82,387	(41,094)
Other Financing Sources					
Transfers in	-	-	-	-	40,917
Net Change in Fund Balances	(34,717)	(80,888)	1,499	82,387	(177)
Fund Balances, July 1	29,821	29,821	29,821	-	29,998
Fund Balances, June 30	$ (4,896)	$ (51,067)	$ 31,320	$ 82,387	$ 29,821

Independent School District No. 2143
Waterville, Minnesota
Community Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	$ 63,735	$ 63,735	$ 61,789	$ (1,946)	$ 61,311
Other local and county revenue	161,900	154,500	150,731	(3,769)	122,306
Interest earned on investments	1,000	1,000	82	(918)	2,635
Revenue from state sources	58,528	58,528	53,366	(5,162)	54,420
Revenue from Federal sources	-	21,200	36,825	15,625	-
Total Revenues	285,163	298,963	302,793	3,830	240,672
Expenditures					
Current					
Community education and services					
Salaries	182,264	185,491	199,803	(14,312)	165,422
Employee benefits	60,854	55,523	68,414	(12,891)	51,278
Purchased services	27,563	35,277	10,048	25,229	31,686
Supplies and materials	21,441	21,441	9,114	12,327	8,344
Other expenditures	834	834	644	190	546
Total community education and services	292,956	298,566	288,023	10,543	257,276
Capital outlay					
Community education and services	3,427	3,427	-	3,427	-
Total Expenditures	296,383	301,993	288,023	13,970	257,276
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,220)	(3,030)	14,770	17,800	(16,604)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	29,127
Transfers out	-	-	(50,304)	(50,304)	(70,044)
Total Other Financing Sources (Uses)	-	-	(50,304)	(50,304)	(40,917)
Net Change in Fund Balances	(11,220)	(3,030)	(35,534)	(32,504)	(57,521)
Fund Balances, July 1	108,972	108,972	108,972	-	166,493
Fund Balances, June 30	$ 97,752	$ 105,942	$ 73,438	$ (32,504)	$ 108,972

Independent School District No. 2143
Waterville, Minnesota
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	$ 1,325,754	$ 1,105,103	$ 1,086,322	$ (18,781)	$ 1,190,479
Revenue from state sources	-	220,651	239,194	18,543	220,652
Total Revenues	1,325,754	1,325,754	1,325,516	(238)	1,411,131
Expenditures					
Current					
Debt service					
Principal	1,325,754	1,325,754	600,000	725,754	695,000
Interest and other charges	-	-	663,098	(663,098)	652,542
Total Expenditures	1,325,754	1,325,754	1,263,098	62,656	1,347,542
Net Change in Fund Balances	-	-	62,418	62,418	63,589
Fund Balances, July 1	64,305	64,305	64,305	-	716
Fund Balances, June 30	$ 64,305	$ 64,305	$ 126,723	$ 62,418	$ 64,305

Independent School District No. 2143
Waterville, Minnesota
Building Construction Fund
Scheudle of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Interest earned on investments	$ 260,000	$ 260,000	$ 58,955	$ (201,045)	$ 580,302
Expenditures					
Capital outlay					
Sites and buildings	8,100,000	8,950,000	10,491,284	(1,541,284)	6,054,681
Net Change in Fund Balances	(7,840,000)	(8,690,000)	(10,432,329)	(1,742,329)	(5,474,379)
Fund Balances, July 1	13,759,239	13,759,239	13,759,239	-	19,233,618
Fund Balances, June 30	$ 5,919,239	$ 5,069,239	$ 3,326,910	$ (1,742,329)	$ 13,759,239

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Independent School District No. 2143
Waterville, Minnesota
Schedules of Tax Capacity, Tax Levy and Tax Rates
For the Years Ended June 30, 2021 and 2020

	2021	2020
Tax Capacity		
Agricultural	$ 3,439,604	$ 3,496,394
Nonagricultural	7,052,641	6,662,461
Total	$ 10,492,245	$ 10,158,855
Tax Levy		
General	$ 2,069,368	$ 1,974,243
Community Service	64,527	63,696
Debt Service	1,321,603	1,325,121
Total	$ 3,455,498	$ 3,363,060
Tax Capacity Rates		
General	5.000	4.809
Community Service	0.615	0.627
Debt Service	12.596	13.044
Total	18.211	18.480

DEPARTMENT OF EDUCATION

Fiscal Compliance

Fiscal Compliance Report - 6/30/2021
District: WATERVILLE-ELYSIAN-MORRI (2143-1)

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$10,465,932	$10,465,908	$24
Total Expenditures	$9,929,862	$9,929,839	$23
Non Spendable:			
4.60 Non Spendable Fund Balance	$18,640	$18,640	$0
Restricted / Reserved:			
4.01 Student Activities	$95,786	$95,785	$1
4.02 Scholarships	$0	$0	$0
4.03 Staff Development	$55,819	$55,820	($1)
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$73,963	$73,962	$1
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$19,619	$19,620	($1)
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$6,709	$6,710	($1)
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$27,605	$27,606	($1)
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$32,015	$32,015	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$112,395	$112,396	($1)
4.72 Medical Assistance	$66,603	$66,602	$1
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$114,000	$114,000	$0
Unassigned:			
4.22 Unassigned Fund Balance	$2,564,849	$2,564,846	$3
02 FOOD SERVICES			
Total Revenue	$458,985	$458,986	($1)
Total Expenditures	$457,486	$457,485	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$24,608	$24,608	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust			

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$58,955	$58,956	($1)
Total Expenditures	$10,491,284	$10,491,284	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$3,326,911	$3,326,910	$1
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$1,325,516	$1,325,515	$1
Total Expenditures	$1,263,098	$1,263,098	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$126,723	$126,723	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
18 CUSTODIAL			
Total Revenue	$26,723	$26,723	$0
Total Expenditures	$8,000	$8,000	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$36,324	$36,324	$0
20 INTERNAL SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures			

	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$6,712	$6,712	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$302,793	$302,793	$0
Total Expenditures	$288,023	$288,025	($2)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$31,694	$31,693	$1
4.32 E.C.F.E	$26,108	$26,108	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$14,942	$14,942	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$694	$693	$1
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the School Board
Independent School District No. 2143
Waterville, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2143, Waterville, Minnesota, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2021.

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

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the Minnesota Legal Compliance Audit Guide for School District, except as described in the Schedule of Findings, Responses and Questioned Costs as item 2021-002. 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.

This report is intended solely for the information and use of those charged with governance and management of the District and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

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Mankato, Minnesota
December 16, 2021

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. 2143
Waterville, 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 the Independent School District No. 2143, Waterville, 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, and have issued our report thereon dated December 16, 2021.

Internal Control Over Financial Reporting

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

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 were not identified.

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 deficiency described in the accompanying Schedule of Findings, Responses and Questioned Costs as item(s) 2021-001 to be a material weakness.

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.

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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* or statutes set forth by the State of Minnesota.

The District's Responses Findings

The District's responses to the finding identified in our audit are described in the accompanying Findings, Responses 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.

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Mankato, Minnesota
December 16, 2021

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FEDERAL AWARD PROGRAMS

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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

Members of the School Board
Independent School District No. 2143
Waterville, Minnesota

Compliance

We have audited the compliance of Independent School District No. 2143, Waterville, Minnesota 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 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 the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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.

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Mankato, Minnesota
December 16, 2021

Independent School District No. 2143
Waterville, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Funding Source	Administering Department	Program Name	Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Program Clusters	Total Federal Expenditures	
U.S. Department of Agriculture	Minnesota Department of Education	Summer Food Service Program for Children	10.559	1000003850	$ 407,078		
U.S. Department of Agriculture	Minnesota Department of Education	National Lunch Program - Commodities - Noncash	10.555	N/A	31,337		*
		Total Child Nutrition Cluster				$ 438,415	
U.S. Department of Education	SW/WC Service Cooperatives Flow through payments	Special Education Grants to States	84.027	N/A	227,126		
U.S. Department of Education	SW/WC Service Cooperatives Flow through payments	Special Education Preschool Grants	84.173	N/A	14,965		
		Total Special Education cluster				242,091	
U.S. Department of Education	Minnesota Department of Education	Title I Grants to Local Educational Agencies	84.010	N/A		124,392	
U.S. Department of Education	Minnesota Department of Education	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	N/A		17,913	
U.S. Department of Education	Minnesota Department of Education	Education Stabilization Fund Under The Coronavirus Aid, Relief,And Economic Security Act	84.425	N/A		177,164	
		Total U.S. Department of Education				319,469	
U.S. Department of Treasury		Coronavirus Relief Fund	21.019			236,952	
		Total Expenditures of Federal Awards				$ 1,236,927	

* This represents noncash assistance comprised of the value of commodities issued to the District for the year.

Independent School District No. 2143
Waterville, Minnesota
Notes to 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 presents the activity of all federal awards programs of the Independent School District No. 2143, Waterville, Minnesota (the District). The District's reporting entity is defined in Note 1A to the District's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). All federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit-Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Pass-Through Entity Identifying Numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended June 30, 2021, the District did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Independent School District No. 2143
Waterville, Minnesota
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
Internal control over financial reporting	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
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 the Uniform Guidance?	No

Identification of Major Programs/Clusters	**CFDA No.**
Child Nutrition Cluster	
School Breakfast Program	10.559
National Lunch Program - Commodities - Noncash	10.555
Coronavirus Relief Fund	21.019
Dollar threshold used to distinguish between Type A and Type B Programs	$ 750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

A material weakenss relating to the audit of the financial statements is reported in the 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* as Finding 2021-001.

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

Section IV - Schedule of Prior Year Audit Findings

There were prior year audit findings that are attached.

Independent School District No. 2143
Waterville, Minnesota
Schedule of Findings, Responses, and Questioned Costs
For the Year Ended June 30, 2021

2021-001 **Material Audit Adjustments**

Condition: During our audit, adjustments were needed adjust capital assets.

Criteria: The financial statements are the responsibility of the District's management.

Cause: District staff has not prepared a year end trial balance reflecting all necessary accounting entries.

Effect: It is likely that if a misstatement were to occur, it would not be detected by the District's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.

Recommendation: We recommend the business manager review each journal entry, obtain an understanding of why the entry was necessary, and modify current procedures to ensure that future corrections are not needed.

Management Response:

There is no disagreement with this finding. The District will take action to avoid similar occurrences in the future.

2021-002 **Unclaimed Checks Over Three Years Old**

Condition: During our audit procedures, it came to our attention that the District had unclaimed checks outside of the three year period and unpaid compensation outside of the one year period.

Criteria: Minnesota statutes §345.41 and §345.43 required that the District report property and pay or deliver to the State Commissioner of Commerce any unclaimed or uncashed checks or other intangible property held for more than three years.

Cause: District staff did not properly account for the unclaimed checks over the three year period or one year period for unpaid compensation.

Effect: The District is out of compliance with Minnesota statute.

Recommendation: We recommend the business manager review monthly bank reconciliation for unclaimed checks beyond the three year period and unpaid compensation beyond the one year period. If items beyond three years exist (or one year for unpaid compensation), we commend the business manager take the corrective action to clean up these items.

Management Response:

There is no disagreement with this finding. The District will take action to avoid similar occurrences in the future.

Waterville-Elysian-Morristown Public School

I.S.D. #2143
District Office/Secondary/Elementary
500 East Paquin Street
Waterville, MN 56096

District-507-362-4432
(Fax 507-362-4561)
Secondary-507-362-4431
Elementary-507-362-4439
Community Service-507-362-4403

2021-001 **Material Audit Adjustments**

Corrective Action Plan (CAP)

1. **Explanation of Disagreement with Audit Finding**:

   There is no disagreement with the audit finding

2. **Actions Planned in Response to the Finding:**

   The Business Manager continues training dealing with UFARS financial/accounting practices.

3. **Official Responsible for ensuring Corrective Action Plan:**

   Joel Whitehurst, Superintendent, is the official responsible for ensuring corrective action.

4. **Planned Completion Date for Corrective Action Plan:**

   The planned completion date is June 30, 2022.

5. **Plan to Monitor Completion of Corrective Action Plan:**

   The Business Manager will monitor this corrective action.

Joel Whitehurst
Superintendent

Waterville-Elysian-Morristown Public School

I.S.D. #2143
District Office/Secondary/Elementary
500 East Paquin Street
Waterville, MN 56096

District-507-362-4432
(Fax 507-362-4561)
Secondary-507-362-4431
Elementary-507-362-4439
Community Service-507-362-4403

2021-002 Unclaimed Checks Over Three Years Old

Corrective Action Plan (CAP)

6. **Explanation of Disagreement with Audit Finding**:

   There is no disagreement with the audit finding

7. **Actions Planned in Response to the Finding:**

   The Business Manager will review monthly bank reconciliations for unclaimed checks beyond the three year period (or one year period for unpaid compensation) and clean up any items that extend beyond this period. The District will take action to avoid similar occurrences in the future.

8. **Official Responsible for ensuring Corrective Action Plan:**

   Joel Whitehurst, Superintendent, is the official responsible for ensuring corrective action.

9. **Planned Completion Date for Corrective Action Plan:**

   The planned completion date is June 30, 2022.

10. **Plan to Monitor Completion of Corrective Action Plan:**

    The Business Manager will monitor this corrective action.

Joel Whitehurst
Superintendent

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Independent School District No. 2143
Madelia, Minnesota
Schedule of Prior Year Findings, Responses and Questioned Costs
For the Year Ended June 30, 2021

Finding	Description
2020-001	**Student Activities**
Condition:	Auditing of legal compliance requires review of the District's student activities. Our study indicated an instance of noncompliance that we believe is required to be remedied.
Criteria:	In accordance with Minnesota Statute, section 123B.49 and Minnesota Rules, part 3545.0800, the District is required to have specific procedures in place around student activities..
Cause:	The District did not follow the MAFA manual.
Effect:	At year end, the District was out of compliance with various statutes and rules.
Recommendation:	We recommend the District established enhances procedures around student activities..

Management Response:

There is no disagreement with this finding. The District will take action to avoid similar occurrences in the future.

Updated Progress Since Prior Year:

Finding was corrected in the current year.

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. 2143
(WATERVILLE-ELYSIAN-MORRISTOWN)
BLUE EARTH, LE SUEUR, RICE AND WASECA COUNTIES, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2022A

We have acted as bond counsel to Independent School District No. 2143 (Waterville-Elysian-Morristown), Blue Earth, Le Sueur, Rice and Waseca Counties, Minnesota (the "Issuer"), in connection with the issuance by the Issuer of its General Obligation School Building Bonds, Series 2022A (the "Bonds"), originally dated October ___, 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 included in determining the annual adjusted financial statement income (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) of applicable corporations (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such applicable corporations for tax years beginning after December 31, 2022, and is subject to Minnesota franchise taxes on certain 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 Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income

tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

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

5. The resolution adopted by the School Board of the Issuer on August 22, 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 appropriated 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. 2143
(WATERVILLE-ELYSIAN-MORRISTOWN)
BLUE EARTH, LE SUEUR, RICE AND WASECA COUNTIES, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2022A

CONTINUING DISCLOSURE CERTIFICATE

___________, 2022

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 2143 (Waterville-Elysian-Morristown), Blue Earth, Le Sueur, Rice and Waseca Counties, Minnesota (the "District"), in connection with the issuance of its General Obligation School Building 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 (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 School Building 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. 2143 (Waterville-Elysian-Morristown), Blue Earth, Le Sueur, Rice and Waseca 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. 2143 (WATERVILLE-ELYSIAN-MORRISTOWN), BLUE EARTH, LE SUEUR, RICE AND WASECA COUNTIES, MINNESOTA

____
Board Chair

____
Clerk

APPENDIX E

TERMS OF PROPOSAL

$800,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2022A INDEPENDENT SCHOOL DISTRICT NO. 2143 (WATERVILLE-ELYSIAN-MORRISTOWN), LE SUEUR, BLUE EARTH, RICE, ANS WASECA COUNTIES, MINNESOTA

Proposals for the purchase of $800,000* General Obligation School Building Bonds, Series 2022A (the "Bonds") of Independent School District No. 2143 (Waterville-Elysian-Morristown), Le Sueur, Blue Earth, Rice, and Waseca Counties, Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on September 26, 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 6:30 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, and a special election held November 6, 2018 by the District for the purpose of financing the acquisition and betterment of school sites and facilities in the District. 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 October 20, 2022, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2024	$105,000	2026	$160,000	2028	$195,000
2025	145,000	2027	195,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2023, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

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

DELIVERY

On or about October 20, 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 $800,000 plus accrued interest on the principal sum of $800,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

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

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

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

A good faith deposit ("Deposit") in the amount of $16,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

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

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

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

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

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

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

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

(1) the close of the fifth (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) <u>If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test</u>, 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. 2143
(Waterville-Elysian-Morristown), Le Sueur, Blue Earth,
Rice, and Waseca Counties, Minnesota

PROPOSAL FORM

The School Board **September 26, 2022**
Independent School District No. 2143 (Waterville-Elysian-Morristown), Le Sueur, Blue Earth, Rice, and Waseca Counties, Minnesota (the "District")

RE: $800,000* General Obligation School Building Bonds, Series 2022A (the "Bonds")
DATED: October 20, 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 $800,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

________	% due	2024	________	% due	2026	________	% due	2028
________	% due	2025	________	% due	2027			

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

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

A good faith deposit ("Deposit") in the amount of $16,000 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 October 20, 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 October 20, 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. 2143 (Waterville-Elysian-Morristown), Le Sueur, Blue Earth, Rice, and Waseca Counties, Minnesota, on September 26, 2022.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________