PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 4, 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 **Non-Rated**

INDEPENDENT SCHOOL DISTRICT NO. 777 (BENSON PUBLIC SCHOOLS), MINNESOTA

(Swift, Chippewa, and Pope Counties)

(Minnesota School District Credit Enhancement Program)

$990,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2022A

PROPOSAL OPENING: November 16, 2022, 10:00 A.M., C.T.
CONSIDERATION: November 16, 2022, 5:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $990,000* General Obligation School Building Bonds, Series 2022A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and special elections held August 14, 2018 and April 14, 2020 by Independent School District No. 777 (Benson Public Schools), 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: December 8, 2022

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2024	$100,000	2027	$150,000	2030	$170,000
2025	130,000	2028	155,000		
2026	130,000	2029	155,000		

MATURITY ADJUSTMENTS: * The District reserves the right to 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: $990,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $19,800 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Kennedy & Graven, Chartered

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

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BENSON PUBLIC SCHOOLS
SCHOOL BOARD

		Term Expires
Brian Samuelson	Board Chair	January 2023
Gary Williams	Vice Chair	January 2025
Mary Langan	Clerk	January 2025
Bill McGeary	Treasurer	January 2025
Jim Berens	Member	January 2023
Paul Carruth	Member	January 2023
Eric Peterson	Member	January 2025

ADMINISTRATION

Dennis Laumeyer, Superintendent of Schools

Katie Foley, Director of Finance

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. 777 (Benson Public Schools), Minnesota (the "District") and the issuance of its $990,000* 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 November 16, 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 December 8, 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 pursuant to Minnesota Statutes, Chapter 475, as amended, and the special elections as detailed below. Proceeds of the bonds will be used to provide funds for the acquisition and betterment of school sites and facilities.

A special election was held August 14, 2018, at which voters approved a building program by a vote of 1,356 - 620. At the time, the voters of the District approved the issuance and sale by the District of general obligation bonds for the acquisition and betterment of school sites and facilities in the maximum principal amount of $26,300,000. On December 6, 2018, the District issued its General Obligation School Building Bonds, Series 2018A, in the principal amount of $25,365,000, leaving a remaining unused voter-approved authority of $935,000.

A special election was held April 14, 2020, at which voters approved a building program by a vote of 671 - 191. At the time, the voters of the District approved the issuance and sale by the district of general obligation bonds for the acquisition and betterment of school sites and facilities in the maximum principal amount of $1,500,000. On July 1, 2020, the District issued its General Obligation School Building Bonds, Series 2020A, in the principal amount of 1,445,000, leaving a remaining unused voter-approved authority of $55,000.

The District plans to utilize the remaining aggregate authorized amount of $990,000 from the above-referenced elections to issue the Bonds.

ESTIMATED SOURCES AND USES*

Sources			
	Par Amount of Bonds	$990,000	
	Reoffering Premium	9,105	
	Total Sources		**$999,105**
Uses			
	Total Underwriter's Discount (1.500%)	$14,850	
	Costs of Issuance	34,025	
	Deposit to Project Construction Fund	950,230	
	Total Uses		**$999,105**

*Preliminary, subject to change.

SECURITY

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

RATING

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

The District currently has an "A" underlying rating from S&P. However, it will not be requesting an underlying rating on this issue. *A rating for the Bonds may not be requested without contacting Ehlers and receiving the permission of the District.*

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on October 10, 2022 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

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

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

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

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

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

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

CONTINUING DISCLOSURE

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

On the date of issue and delivery of the Bonds, 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 Bonds 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 Brian D. Koehn, CPA, PLLC, Parkers Prairie, 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	$1,750,895,818[1]

2021/22 Assessor's Estimated Market Value

	Swift County	Chippewa County	Pope County	Total
Real Estate	$1,240,441,600	$72,206,900	$134,609,900	$1,447,258,400
Personal Property	29,535,500	0	174,700	29,710,200
Total Valuation	$1,269,977,100	$72,206,900	$134,784,600	$1,476,968,600

2021/22 Net Tax Capacity

	Swift County	Chippewa County	Pope County	Total
Real Estate	$10,954,369	$625,099	$1,063,102	$12,642,570
Personal Property	586,877	0	3,494	590,371
Net Tax Capacity	$11,541,246	$625,099	$1,066,596	$13,232,941

2021/22 NET TAX CAPACITY BY CLASSIFICATION

	2021/22 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$1,298,801	9.81%
Agricultural	9,419,240	71.18%
Commercial/industrial	1,083,090	8.18%
Public utility	239,313	1.81%
Railroad operating property	226,638	1.71%
Non-homestead residential	355,880	2.69%
Commercial & residential seasonal/rec.	19,608	0.15%
Personal property	590,371	4.46%
Total	$13,232,941	100.00%

1 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 84.64% 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 $1,750,895,818.

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	$1,554,705,300	$1,510,735,766	$13,938,120	$13,869,740	0.32%
2018/19	1,553,415,400	1,509,284,385	14,031,410	13,963,030	-0.08%
2019/20	1,522,874,800	1,478,421,717	13,812,848	13,744,468	-1.97%
2020/21	1,524,497,400	1,479,897,194	13,644,298	13,575,918	0.11%
2021/22	1,476,968,600	1,431,678,261	13,232,941	13,232,941	-3.12%

LARGER TAXPAYERS

Taxpayer	Type of Property	2021/22 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Dome Pipeline Corp	Commercial	$312,824	2.36%
Alliance Pipeline	Utility	255,249	1.93%
Liquid Capital, LLC	Industrial	226,605	1.71%
Burlington Northern Railroad, LLC	Railroad	218,574	1.65%
Case Corporation	Commercial	162,280	1.23%
Glacial Plains Cooperative	Commercial	161,710	1.22%
Individual	Agriculture	132,140	1.00%
Riverview, LLP	Agriculture	131,943	1.00%
Great River Energy	Utility	95,694	0.72%
Individual	Agriculture	77,740	0.59%
Total		$1,774,759	13.41%

District's Total 2021/22 Net Tax Capacity $13,232,941

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Swift, Chippewa, and Pope Counties.

1 Net Tax Capacity includes tax increment values, if any.

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

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids[2] (includes the Bonds)*	$28,315,000

*Preliminary, subject to change.

STATE AID FOR DEBT SERVICE

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

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

In addition to debt service equalization aid, some school districts will qualify for state Long Term Facilities Maintenance Aid to finance a portion of the payments on Alternative Facilities Bonds and Facilities Maintenance Bonds, pursuant to the Long Term Facilities Maintenance Revenue (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 percentage is 70% for taxes payable in 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 2023 is approximately 48.17% of total annual debt service levies, based on the District's 2021/22 qualifying agricultural land valuation.

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

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

Independent School District No. 777 (Benson Public Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 12/08/2022)

	School Building Bonds Series 2018A		Facilities Maintenance Bonds Series 2019A		School Building Bonds Series 2020A		School Building Bonds Series 2022A							
Dated Amount	12/06/2018 $25,365,000		11/14/2019 $3,070,000		07/01/2020 $1,445,000		12/08/2022 $990,000*							
Maturity	02/01		02/01		02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2023	940,000	473,053	165,000	40,008	130,000	16,175	0	0	1,235,000	529,236	1,764,236	27,080,000	4.36%	**2023**
2024	985,000	899,106	185,000	73,415	70,000	28,450	100,000	45,430	1,340,000	1,046,401	2,386,401	25,740,000	9.09%	**2024**
2025	1,035,000	849,856	190,000	66,015	85,000	26,350	130,000	35,600	1,440,000	977,821	2,417,821	24,300,000	14.18%	**2025**
2026	1,090,000	798,106	195,000	58,415	90,000	23,800	130,000	30,400	1,505,000	910,721	2,415,721	22,795,000	19.49%	**2026**
2027	1,140,000	743,606	205,000	50,615	90,000	21,100	150,000	25,200	1,585,000	840,521	2,425,521	21,210,000	25.09%	**2027**
2028	1,200,000	686,606	210,000	42,415	95,000	18,400	155,000	19,200	1,660,000	766,621	2,426,621	19,550,000	30.96%	**2028**
2029	1,260,000	626,606	220,000	34,015	100,000	16,500	155,000	13,000	1,735,000	690,121	2,425,121	17,815,000	37.08%	**2029**
2030	1,300,000	587,231	225,000	29,615	90,000	14,500	170,000	6,800	1,785,000	638,146	2,423,146	16,030,000	43.39%	**2030**
2031	1,350,000	535,231	230,000	25,115	95,000	12,700			1,675,000	573,046	2,248,046	14,355,000	49.30%	**2031**
2032	1,405,000	481,231	235,000	20,515	105,000	10,800			1,745,000	512,546	2,257,546	12,610,000	55.47%	**2032**
2033	1,460,000	425,031	240,000	15,698	105,000	8,700			1,805,000	449,429	2,254,429	10,805,000	61.84%	**2033**
2034	1,520,000	366,631	245,000	10,658	110,000	6,600			1,875,000	383,889	2,258,889	8,930,000	68.46%	**2034**
2035	1,575,000	313,431	245,000	5,390	110,000	4,400			1,930,000	323,221	2,253,221	7,000,000	75.28%	**2035**
2036	1,630,000	256,338			110,000	2,200			1,740,000	258,538	1,998,538	5,260,000	81.42%	**2036**
2037	1,690,000	197,250							1,690,000	197,250	1,887,250	3,570,000	87.39%	**2037**
2038	1,750,000	133,875							1,750,000	133,875	1,883,875	1,820,000	93.57%	**2038**
2039	1,820,000	68,250							1,820,000	68,250	1,888,250	0	100.00%	**2039**
	23,150,000	8,441,441	2,790,000	471,888	1,385,000	210,675	990,000	175,630	28,315,000	9,299,633	37,614,633			

* Preliminary, subject to change.

BONDED DEBT LIMIT

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

2021/22 Economic Market Value	$1,750,895,818
Multiply by 15%	0.15
Statutory Debt Limit	$262,634,373
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(28,315,000)
Unused Debt Limit*	$234,319,373

*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:				
Swift	$23,839,388	48.4125%	$10,820,000	$5,238,233
Pope	23,941,582	4.4550%	1,740,000	77,517
Cities of:				
Benson	1,476,033	100.0000%	1,070,000	1,070,000
Clontarf	118,132	100.0000%	394,817	394,817
DeGraff	59,476	100.0000%	661,459	661,459
District's Share of Total Overlapping Debt				$7,442,026

DEBT PAYMENT HISTORY

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

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value 1,750,895,818	Debt/ Per Capita 5,743[1]
Direct G.O. Debt Secured By Taxes and State Aids (includes the Bonds)*	$28,315,000		
Less: Agricultural Credit[2]	(13,639,336)		
Tax Supported General Obligation Debt*	$14,675,665	0.84%	$2,555.40
District's Share of Total Overlapping Debt	$7,442,026	0.43%	$1,295.84
Total*	$22,117,691	1.26%	$3,851.24

*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 Minnesota 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 48.17% 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 $13,639,335.50.

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	$1,382,688	$1,370,165	$1,382,260	99.97%
2018/19	2,816,179	2,795,527	2,814,395	99.94%
2019/20	3,143,838	3,119,150	3,139,942	99.88%
2020/21	2,771,918	2,744,423	2,744,423	99.01%
2021/22	2,699,655	In process of collection		

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

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

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

2 Collections are through December 31, 2021 for Swift and Pope Counties and through August 31, 2022 for Chippewa 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. 777 (Benson Public Schools)	4.497%	18.587%	22.543%	21.077%	21.851%
Swift County	41.653%	42.864%	45.936%	46.667%	49.097%
Chippewa County	40.185%	43.696%	45.138%	45.451%	48.817%
Pope County	45.537%	45.176%	43.980%	39.391%	39.472%
City of Benson	85.563%	92.898%	92.187%	88.514%	99.354%
City of Clontarf	40.778%	43.068%	43.459%	43.739%	46.304%
City of Danvers	59.367%	52.612%	67.935%	65.698%	86.699%
City of Degraff	31.175%	32.177%	32.993%	32.254%	34.469%
Town of Camp Lake[2]	14.807%	15.393%	14.972%	15.030%	15.672%
Benson Fire District	1.103%	1.160%	1.147%	1.149%	1.160%
Chippewa County HRA	0.301%	0.300%	0.317%	0.315%	0.335%
Danvers Fire District	1.210%	1.302%	1.435%	1.502%	1.965%
Pope County HRA	1.717%	1.717%	1.747%	1.608%	1.642%
Region 6-W	0.300%	0.316%	0.317%	0.315%	0.335%
Referendum Market Value Rates:					
I.S.D. No. 777 (Benson Public Schools)	0.22464%	0.22572%	0.23357%	0.23004%	0.23709%
City of Benson	0.04396%	0.04299%	0.04158%	0.05024%	N/A

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Swift, Chippewa, and Pope 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 235, including 166 non-licensed employees and 69 licensed employees (65 of whom are teachers). The District provides education for 742 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
Benson Education Association	June 30, 2023
Benson Principal's Association	June 30, 2023

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent financial statements (Audit) shows a total OPEB liability of $541,761 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
2018/19	36	359	369	764
2019/20	70	339	381	790
2020/21	55	334	342	731
2021/22	69	325	308	702
2022/23	57	378	307	742

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2023/24	55	343	369	767
2024/25	58	335	357	750
2025/26	50	353	355	758

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Northside Elementary	1958-1959	1994, 2020
Benson Secondary	1964	1984, 1992, 1994, 2020
Benson Activity Center	2021	-

FUNDS ON HAND (as of October 31, 2022)

Fund	Total Cash and Investments
General	$3,650,525
Food Service	291,440
Community ervice	308,996
Debt Service	1,031,729
Building/Construction	(124,645)
Trust & Agency	338,697
Total Funds on Hand	$5,496,742

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

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

SUMMARY GENERAL FUND INFORMATION

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

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				
	2019 Audited	2020 Audited	2021 Audited	2021-22 Revised Budget 1)	2022-23 Budget 2)
Revenues					
Local property taxes	$1,330,668	$1,564,487	$1,775,482	$1,336,927	$1,358,430
Other local and county revenues	521,265	746,077	595,223	678,661	342,772
Revenues from state sources	8,344,758	8,625,584	8,552,390	8,699,612	8,628,577
Revenues from federal sources	297,140	314,112	740,975	1,265,271	332,510
Sales and other conversion of assets	138,474	54,960	81,266	44,295	156,468
Total Revenues	$10,632,305	$11,305,220	$11,745,336	$12,024,766	$10,818,757
Expenditures					
Current:					
Administration	$720,392	$785,461	$793,037	$798,071	$783,774
District support services	353,646	360,396	398,892	380,041	388,522
Elementary & secondary regular instruction	5,037,697	5,064,963	5,132,977	5,553,835	5,397,114
Vocational education instruction	512,661	227,711	264,537	280,754	395,448
Special education instruction	1,848,542	1,664,828	1,799,727	1,838,824	1,737,914
Community Education and Services	0	0	699	0	0
Instructional support services	223,952	156,018	334,249	114,003	178,158
Pupil support services	681,529	580,536	792,158	1,110,602	778,642
Sites and buildings	1,708,803	1,151,679	1,519,347	1,194,908	1,018,808
Fiscal and other fixed cost programs	49,307	39,830	51,720	58,801	62,306
Capital outlay	0	0	0		
Debt service	0	0	0		
Total Expenditures	$11,136,529	$10,031,422	$11,087,343	$11,329,839	$10,740,686
Excess of revenues over (under) expenditures	($504,224)	$1,273,798	$657,993	$694,927	$78,071
Other Financing Sources (Uses)					
Sale of real property and equipment	$0	$0	$0	$0	$0
Proceeds from capital lease	0	0	0	0	0
Operating transfers in	0	863,299	503,298	0	0
Operating transfers out	0	(1,104,007)	(503,298)	0	0
Total Other Financing Sources (Uses)	$0	($240,708)	$0	$0	$0
Net changes in Fund Balances	($504,224)	$1,033,090	$657,993	$694,927	$78,071
General Fund Balance July 1	3,156,812	2,839,588	3,873,492		
Prior Period Adjustment	0	0	0		
Residual Equity Transfer in (out)	0	0	0		
General Fund Balance June 30	$2,652,588	$3,872,678	$4,531,485		
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$82,179	$82,179	$82,179		
Restricted	1,344,870	793,539	616,404		
Committed	550,000	550,000	695,000		
Assigned	100,000	173,203	198,607		
Unassigned	575,539	2,273,757	2,939,295		
Total	$2,652,588	$3,872,678	$4,531,485		

1) 2021-22 Revised Budged was adobted on February 14,2022.

2) the 2022-23 Budget was adopted on June 13, 2022.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 5,684 and a 2021 population estimate of 5,743 and comprising an area of 397 square miles, is located approximately 133 miles west of the Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	**Type of Business/Product**	**Estimated No. of Employees**
CNH America	Farm equipment manufacturers	475
The District	Elementary and secondary education	235
Swift County	County government and services	138
City of Benson	Municipal government and services	135
Swift County-Benson Hospital	Hospital	100
Meadow Lane	Rehabilitation & healthcare center	80
Glacial Grain Spirits	Distillers	50
Agralite Electric Co-Op	Electric Companies	40
Darold's SUPERVALU Foods	Grocers-retail	36
Willmar Fabrication, LLC	Assembly & fabricating manufacturers	27

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.

U.S. CENSUS DATA

Population Trend: The District

2010 U.S. Census population	5,684
2020 U.S. Census population	5,668
2021 State Demographer Estimate	5,743
Percent of Change 2010 - 2020	-0.28%

Income and Age Statistics

	The District	**Swift County**	**State of Minnesota**	**United States**
2020 per capita income	$35,185	$33,416	$38,881	$35,384
2020 median household income	$57,670	$53,457	$73,382	$64,994
2020 median family income	$73,529	$71,327	$92,692	$80,069
2020 median gross rent	$730	$684	$1,010	$1,096
2020 median value owner occupied units	$129,000	$113,000	$235,700	$229,800
2020 median age	44.5 yrs.	43.8 yrs.	38.1 yrs.	38.2 yrs.

	State of Minnesota	**United States**
District % of 2020 per capita income	90.49%	99.44%
District % of 2020 median family income	79.33%	91.83%

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	**Swift County**	**Swift County**	**State of Minnesota**
2018	4,843	3.9%	3.1%
2019	4,727	4.6%	3.4%
2020	4,612	6.0%	6.3%
2021	4,470	3.7%	3.4%
2022, September	4,401	1.8%	1.8%

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

APPENDIX A

FINANCIAL STATEMENTS

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

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

INDEPENDENT SCHOOL DISTRICT #777
BENSON, MINNESOTA

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2021

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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT #777
SCHOOL BOARD AND ADMINISTRATION OFFICIALS
YEAR ENDED JUNE 30, 2021

School Board

Position	Name	Term Expires
Chairperson	Brian Samuelson	December 31, 2022
Vice Chairperson	Gary Williams	December 31, 2024
Treasurer	Bill McGeary	December 31, 2024
Clerk	Mary Langan	December 31, 2024
Board Member	Paul Carruth	December 31, 2022
Board Member	Eric Peterson	December 31, 2024
Board Member	Jim Berens	December 31, 2022

Administration

Superintendent	Dennis Laumeyer
Director of Finance	Katie Foley

BRIAN D. KOEHN, CPA, PLLC

CPA America Counts on CPAs

MAIL: 210 South Clayborn Avenue
Parkers Prairie, Minnesota 56361
E-MAIL: bdkcpa@arvig.net

OFFICE/FAX: 218-338-4235
CELL: 320-808-6848
WEBSITE: www.koehncpa.com

INDEPENDENT AUDITOR'S REPORT

To the School Board of
Independent School District #777
Benson, Minnesota

Report on the Financial Statements
I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #777 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
My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #777, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, General Fund budgetary comparison information, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Employer Contributions – OPEB, and schedules of Proportionate Share of Net Pension Liability and Employer Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District #777's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, supplementary information and additional supplementary information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the schedule of expenditures of federal awards, and the Uniform Financial Accounting and Reporting Standards Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain 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 my opinion, the combining nonmajor fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* I have also issued my report dated December 29, 2021, on my consideration of the Independent School District #777's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Independent School District #777's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements
In accordance with Minnesota Statutes, I have also issued my report dated December 29, 2021, on my consideration of Independent School District #777's compliance with provisions of the Minnesota Legal Compliance Audit Guide for Schools promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65. The purpose of the report is to determine if the District has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

Brian D Koehn, CPA, PLLC
Brian D. Koehn, CPA, PLLC
Parkers Prairie, Minnesota
December 29, 2021

This section of Independent School District #777's annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

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

- General Fund: - The overall revenues were $11,745,336 while the overall expenditures were $11,087,343 and transfers within the fund totaling $503,298 increasing fund balance by $657,993.
- Food Service Fund: -The revenues were $753,779 and the expenditures were $637,423 increasing fund balance by $116,356.
- Community Service Fund: - The revenues were $928,649, while the expenditures were $852,546, and other financing sources of $101,000, increasing fund balance by $177,103.
- Building Construction Fund: - The revenues were $11,722, while the expenditures were $11,946,498, with other financing sources of $1,530,628 decreasing fund balance by $10,404,148.
- Debt Service Fund: - The revenues were $2,157,765 while the expenditures were $2,079,428 increasing fund balance by $78,337.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The following outline shows how the various parts of this annual report are arranged and related to one another.

A. Management's Discussion and Analysis
B. Basic Financial Statements
    a. District-Wide Financial Statements
    b. Fund Financial Statements

Footnote 1 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.

INDEPENDENT SCHOOL DISTRICT #777
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

DISTRICT-WIDE STATEMENTS

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

The two district-wide statements report the District's *net position* and how they have changed. Net position- the difference between the District's assets and liabilities- is one way to measure the District's financial health or position.

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The District has the following type of funds:

• Governmental funds- Most of the District's basic services are included in governmental funds, which generally focus on:

- how *cash and other financial assets* that can readily be converted to cash flow in and out and
- the balances left at year-end that are available for spending.

Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.

NET POSITION

A summary of assets, liabilities, and net position is presented in the table below.

SUMMARY STATEMENT OF NET POSITION
JUNE 30, 2021 AND 2020

	2021	2020	Percentage Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES(DOR)			
Current and Other Assets	$ 11,055,460	$ 23,246,089	-52%
Capital assets	35,990,115	24,119,081	49%
Deferred Outflows of Resources	4,090,116	6,070,276	-33%
Total assets and DOR	51,135,691	53,435,446	-4%
LIABILITIES AND NET POSITION			
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES(DIR)			
Other liabilities	$ 2,457,554	$ 5,196,900	-53%
Long-term liabilities	37,510,916	36,675,280	2%
Deferred inflows of resources	9,994,689	12,236,176	-18%
Total liabilities and DIR	49,963,159	54,108,356	-8%
NET POSITION			
Net Investment in capital assets	5,892,652	(5,471,664)	208%
Restricted for specific purposes	1,430,407	1,638,980	-13%
Unrestricted	(6,150,527)	3,159,754	-295%
Total Net Position	1,172,532	(672,930)	-274%
Total Liabilities and Net Position	$ 51,135,691	$ 53,435,426	-4%

Changes in Net Position. The District's total revenues were $15,725,123 for the year ended June 30, 2021.

The total cost of all programs and services was $13,879,681. The District's expenses are predominantly related to educating and caring for students.

Total revenues surpassed expenses, increasing net position $1,845,442.

CHANGE IN NET POSITION

A summary of revenues and expenses is presented in the table below.

SUMMARY STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020	Percentage Change
REVENUES			
Program Revenues			
Charges for Service	$ 1,155,433	$ 1,424,378	-19%
Operating Grants and Contributions	3,807,242	2,454,819	55%
Capital Grants and Contributions	312,295	209,134	49%
General			
Property Taxes	3,242,800	2,986,360	9%
Aids and Payments from State and Other	7,128,763	7,656,120	-7%
Other	78,590	562,465	-86%
Total Revenues	15,725,123	15,293,276	3%
EXPENSES			
Administration	804,552	841,961	-4%
District Support Services	398,003	385,455	3%
Regular Instruction	5,181,112	5,519,919	-6%
Vocational Educational Instruction	273,113	246,195	11%
Special Education Instruction	1,818,902	1,802,728	1%
Community Education and Services	849,277	900,948	-6%
Instructional Support Services	335,114	163,472	105%
Pupil Support Services	1,243,477	1,326,998	-6%
Sites and Buildings	1,832,974	1,328,557	38%
Fiscal and other Fixed-Cost Programs	1,143,157	1,079,369	6%
Total Expenses	13,879,681	13,595,602	2%
CHANGE IN NET POSITION	1,845,442	1,697,674	9%
NET POSITION - BEGINNING	(672,910)	(2,370,584)	-72%
NET POSITION - END	$ 1,172,532	$ (672,910)	-274%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of $5,504,192 This was down from $14,878,551 at the end of the prior year, a decrease of $9,374,359. The majority of the decrease is related to spending the bond proceeds on a building project. See discussion on each governmental fund below for change.

2021

	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
General Fund	$ 11,745,336	$ 11,087,343	$ -	$ 657,993
Food Service Fund	753,779	637,423	-	116,356
Community Service Fund	928,649	852,546	101,000	177,103
Capital Projects Fund	11,722	11,946,498	1,530,628	(10,404,148)
Debt Service Fund	2,157,765	2,079,428	-	78,337
Total	$ 15,597,251	$ 26,603,238	$ 1,631,628	$ (9,374,359)

2020

	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
General Fund	$ 11,305,220	$ 10,031,422	$ (240,708)	$ 1,033,090
Food Service Fund	774,336	674,584	-	99,752
Community Service Fund	863,302	835,687	333,208	360,823
Capital Projects Fund	438,667	18,830,706	3,240,425	(15,151,614)
Debt Service Fund	1,910,082	1,808,796	2,878	104,164
Total	$ 15,291,607	$ 32,181,195	$ 3,335,803	$ (13,553,785)

GENERAL FUND

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

The following table presents a summary of General Fund revenues.

	Year Ended June 30, 2021	Year Ended June 30, 2020	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Property Taxes	$ 1,775,482	$ 1,564,487	$ 210,995	13.5%
Other Local Sources	595,223	746,077	(150,854)	-20.2%
State Sources	8,552,390	8,625,584	(73,194)	-0.8%
Federal Sources	740,975	314,112	426,863	135.9%
Sales and Other Conversion of Assets	81,266	54,960	26,306	47.9%
Total General Fund Revenues	$ 11,745,336	$ 11,305,220	$ 440,116	3.9%

Total General Fund revenue increased by $440,116 or 3.9% from the previous year. This increase can largely be credited to an increase in property taxes, federal funding, and state funding formula increases.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30, 2021	Year Ended June 30, 2020	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 5,973,145	$ 5,811,154	$ 161,991	2.8%
Employee Benefits	1,776,462	1,784,501	(8,039)	-0.5%
Purchased Services	1,474,697	1,386,915	87,782	6.3%
Supplies and Materials	862,259	531,923	330,336	62.1%
Capital Expenditures	850,244	420,365	429,879	102.3%
Other Expenditures	150,536	96,564	53,972	55.9%
Total General Fund Expenditures	$ 11,087,343	$ 10,031,422	$ 1,055,921	10.5%

Total General Fund expenditures increased by $1,055,921 or 10.5% from the previous year. This increase is primarily due to changes in programming.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. A majority of the budget amendments relate to changes in appropriations and revising budgets to reflect salary adjustments.

OTHER NON-MAJOR FUNDS

Revenues exceeded expenditures in the other non-major funds by $192,459 due to changes in the food service and community service operations.

CAPITAL ASSETS

By the end of 2021, the District had a net investment of $35,990,106 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and school vehicles. Total depreciation expense for the year was $390,930. See note 3 to the financial statements for additional information on capital assets.

INDEPENDENT SCHOOL DISTRICT #777
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	$ 51,560	$ -	$ -	$ 51,560
Construction in Process	18,994,474	12,035,606	-	31,030,080
Total Capital Assets, Not Being Depreciated	19,046,034	12,035,606	-	31,081,640
Capital Assets, Being Depreciated:				
Land Improvements	1,915,179	118,718	621,599	1,412,298
Buildings and Improvements	10,565,480	63,848	1,212,122	9,417,206
Equipment	3,935,915	440,547	1,410,173	2,966,289
Total Capital Assets, Being Depreciated	16,416,574	623,113	3,243,894	13,795,793
Less: Accumulated Depreciation				
Buildings and Improvements	1,223,725	197,928	1,020,564	401,089
Land Improvements	6,801,850	62,925	481,297	6,383,478
Equipment	3,317,953	130,077	1,345,270	2,102,760
Total Accumulated Depreciation	11,343,528	390,930	2,847,131	8,887,327
Total Capital Assets being Depreciated, Net	5,073,046	232,183	396,763	4,908,466
Capital Assets, Net	$ 24,119,080	$ 12,267,789	$ 396,763	$ 35,990,106

LONG-TERM LIABILITIES
The District's long-term liabilities relate to bonded indebtedness and pensions and detailed information is presented in Notes 4, 6, and 7 to the financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE
Funding sources and student enrollment will have the largest bearing on the future of the school district as state and federal funding levels, tied to enrollment numbers, continue to fail to keep up with inflation. The District's enrollment is projected to increase over the next two school years which will result in an increase in formula revenues.

Additional factors include future facility needs as the buildings age, the demand of changing technologies and the divergence of the student population.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT
This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact the District Office, Independent School District No. 777, 1400 Montana Ave, Benson, Minnesota 56215.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT #777
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS	
Cash and Cash Equivalents	$ 7,081,543
Receivables	
Current Property Taxes	2,084,124
Delinquent Property Taxes	12,602
Accounts	87,592
Due from Other Governments	1,635,738
Prepaid Items	134,567
Inventories	19,294
Capital Assets	
Non-Depreciable	31,081,640
Depreciable, Net of Accumulated Depreciation	4,908,475
Total Assets	47,045,575
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pensions	4,036,259
Other Post Employment Benefit Plan (OPEB)	53,857
Total Deferred Outflows of Resources	4,090,116
Total Assets and Deferred Outflows of Resources	51,135,691
LIABILITIES	
Account Payable	923,034
Salaries and Benefits Payable	1,031,572
Due to Other Governments	38,585
Accrued Interest Payable	456,502
Unearned Revenue	7,861
Long Term Liabilities	
Bonds Payable	
Due Within one Year	1,045,000
Noncurrent Portion	27,325,000
Bonds Premium	1,270,961
PPP Loan Program	101,000
Compensated Absences Payable	31,536
Post-Employment Severance Payable	38,382
Net OPEB Obligation	541,761
Pension Benefits Payable	7,157,276
Total Liabilities	39,968,470
DEFERRED INFLOWS OF RESOURCES	
Pensions	6,410,215
OPEB	46,859
Property Taxes Levied for	3,537,615
Total Deferred Inflows of Resources	9,994,689
NET POSITION	
Net Investment in Capital Assets	5,892,652
Restricted for Specific Purposes	1,430,407
Unrestricted	(6,150,527)
Total Net Position	$ 1,172,532

See accompanying notes to financial statements

INDEPENDENT SCHOOL DISTRICT #777
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Administration	804,552	$ -	$ -	$ 15,093	$ (789,459)
District Support Services	398,003	-	-	-	(398,003)
Regular Instruction	5,181,112	421,473	1,376,020	117,773	(3,265,846)
Vocational Instruction	273,113	61,472	-	-	(211,641)
Special Education Instruction	1,818,902	43,412	1,585,896	-	(189,594)
Community Education and Services	849,277	553,874	92,422	171,707	(31,274)
Instructional Support Services	335,114	-	-	-	(335,114)
Pupil Support Services	1,243,477	75,202	678,401	-	(489,874)
Sites and Buildings	1,832,974	-	74,503	7,722	(1,750,749)
Fiscal and Other Fixed-Cost Programs	1,143,157	-	-	-	(1,143,157)
Total Governmental Activities	$ 13,879,681	$ 1,155,433	$ 3,807,242	$ 312,295	(8,604,711)
	GENERAL REVENUES				
	Property Taxes				
	General Purposes				1,775,482
	Community Education				86,663
	Debt Service				1,380,655
	Aids and Payments from the State				7,128,763
	Unrestricted Investment Earnings				15,491
	Miscellaneous Revenues				63,099
	Total General Revenues				10,450,153
	CHANGE IN NET POSITION				1,845,442
	Net Position - Beginning of Year				(672,910)
	NET POSITION - END OF YEAR				$ 1,172,532

See accompanying notes to financial statements

FUND FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT #777
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	General	Building Construction	Debt Service	Other Governmental Funds	Totals
ASSETS					
Cash and Temporary Investments	$ 4,815,844	$ 679,858	$ 876,223	$ 709,618	$ 7,081,543
Receivables					
Current Property Taxes	575,563	-	1,478,614	29,947	2,084,124
Delinquent Property Taxes	11,879	-	-	723	12,602
Accounts	32,171	1,589	-	53,831	87,591
Due from Other Governments	1,492,099	-	76,963	66,676	1,635,738
Prepaid Items	134,567	-	-	-	134,567
Inventories	-	-	-	19,294	19,294
Total Assets	7,062,123	681,447	2,431,800	880,089	11,055,459
LIABILITIES					
Account Payable	324,249	540,583	-	58,201	923,033
Due to Other Governments	37,426	-	-	1,153	38,579
Salaries Payable	944,377	-	-	87,195	1,031,572
Total Liabilities	1,306,052	540,583	-	146,549	1,993,184
DEFERRED INFLOWS OF RESOURCES					
Unearned Revenue	13,959	-	-	6,503	20,462
Property Taxes Levied for Subsequent Year	1,210,627	-	2,245,890	81,104	3,537,621
Total Deferred Inflows of Resources	1,224,586	-	2,245,890	87,607	3,558,083
FUND BALANCES					
Nonspendable	82,179	-	-	17,840	100,019
Restricted for Specific Purposes	616,404	140,864	185,910	628,093	1,571,271
Committed to Specific Purposes	695,000	-	-	-	695,000
Assigned to Specific Purposes	198,607	-	-	-	198,607
Unassigned	2,939,295	-	-	-	2,939,295
Total Fund Balances	4,531,485	140,864	185,910	645,933	5,504,192
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 7,062,123	$ 681,447	$ 2,431,800	$ 880,089	$ 11,055,459

See accompanying notes to financial statements

INDEPENDENT SCHOOL DISTRICT #777
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

		2021
Fund Balances - Total Governmental Funds		$ 5,504,192
Amounts reported for governmental activities in the statements of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital Assets	$ 44,877,433	
Accumulated Depreciation	(8,887,327)	
		35,990,106
Accrued Interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(456,502)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of bonds.		
Bond Principal Payable	(28,370,000)	
Bond Premium Payable	(1,270,961)	
PPP Loan Program	(101,000)	
Compensated Absences Payable	(31,536)	
Post-Employment Severance Payable	(38,382)	
Net OPEB Obligation	(541,761)	
Pension Benefits Payable	(7,157,276)	
		(37,510,916)
The net pension related inflows/outflows represent the allocation of the pension obligations of the State-wide pension plans to the District. Such balances are not reported in the funds.		
Deferred Inflows - Pensions	(6,410,215)	
Deferred Outflows - Pensions	4,036,259	
Deferred Inflows - OPEB	(46,859)	
Deferred Outflows - OPEB	53,857	(2,366,958)
Delinquent taxes receivable are earned, but not available in the current period. Therefore, they are recorded as a deferred inflows of resources in the funds but are part of net assets.		12,610
Total Net Position - Governmental Activities		$ 1,172,532

See accompanying notes to financial statements

INDEPENDENT SCHOOL DISTRICT #777
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General	Building Construction	Debt Service	Other Governmental Funds	Totals
REVENUES					
Local Property Tax Levies	$ 1,775,482	$ -	$ 1,380,655	$ 87,812	$ 3,243,949
Other Local and County Sources	595,223	11,722	468	773,730	1,381,143
State Sources	8,552,390	-	776,642	125,090	9,454,122
Federal Sources	740,975	-	-	656,128	1,397,103
Sales and Other Conversion of Assets	81,266	-	-	39,668	120,934
Total Revenue	11,745,336	11,722	2,157,765	1,682,428	15,597,251
EXPENDITURES					
Administration	793,037	-	-	-	793,037
District Support Services	398,892	-	-	-	398,892
Regular Instruction	5,132,977	-	-	-	5,132,977
Vocational Instruction	264,537	-	-	-	264,537
Special Education Instruction	1,799,727	-	-	-	1,799,727
Community Education and Services	699	-	-	852,546	853,245
Instructional Support Services	334,249	-	-	-	334,249
Pupil Support Services	792,158	-	-	637,423	1,429,581
Sites and Buildings	1,519,347	11,946,498	-	-	13,465,845
Fiscal and Other Fixed-Cost Programs	51,720	-	2,079,428	-	2,131,148
Total Expenditures	11,087,343	11,946,498	2,079,428	1,489,969	26,603,238
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	657,993	(11,934,776)	78,337	192,459	(11,005,987)
OTHER FINANCING SOURCES (USES)					
Transfers In	503,298	-	-	-	503,298
Transfers Out	(503,298)	-	-	-	(503,298)
Proceeds from Long Term Debt	-	1,530,628	-	101,000	1,631,628
Total Other Financing Sources (Uses)	-	1,530,628	-	101,000	1,631,628
NET CHANGE IN FUND BALANCE	657,993	(10,404,148)	78,337	293,459	(9,374,359)
Fund Balance - Beginning of Year	3,873,492	10,545,012	107,573	352,474	14,878,551
FUND BALANCE - END OF YEAR	$ 4,531,485	$ 140,864	$ 185,910	$ 645,933	$ 5,504,192

See accompanying notes to financial statements

INDEPENDENT SCHOOL DISTRICT #777
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

		2021
Net Change in Fund Balances - Total Governmental		$ (9,374,359)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:		
Capital Outlay	$ 12,658,719	
Disposal of Capital Assets, Net of Depreciation	(396,763)	
Depreciation Expense	(390,930)	11,871,026
Long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and proceeds increase liabilities. In the current period this amount consists of:		
Bond Principal Retirement	920,000	-
PPP Loan Proceeds Net of Forgiven Amount	(8,500)	
Bond Proceeds	(1,445,000)	
Bond Premium (Net)	(9,711)	(543,211)
In the statement of activities severance payable, OPEB payable, and Compensated Absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.		
Compensated Absences	(5,067)	
OPEB	6,695	
Severance Payable	29,565	31,193
Delinquent property taxes are receivable, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. The increase (decrease) in the current period is:		(1,150)
Net Pension liability does not represent the impending use of current resources. Therefore the change in this liability and related deferrals is not reported in the governmental funds.		(166,030)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as interest accrues.		27,973
Change in Net Position - Governmental Activities		$ 1,845,442

See accompanying notes to financial statements

INDEPENDENT SCHOOL DISTRICT #777
STATEMENT OF FIDUCIARY NET POSITION AS OF JUNE 30, 2021 AND THE STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

Statement of Fiduciary Net Position
As of June 30, 2021

	Scholarship Custodial Fund
ASSETS	
Cash and Temporary Investments	$ 362,305
NET POSITION	
Total Net Position	$ 362,305

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

Additions	
Gifts and Bequests	35,418
Deductions	
Scholarships Awarded	35,900
Change in Net Position	(482)
Net Position - Beginning of Year	362,787
Net Position - End of Year	$ 362,305

See accompanying notes to financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 777 have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

Independent School District No. 777 is an educational entity established by the State of Minnesota and is considered a charitable organization under Internal Revenue Code Section 170.

The District's Board consists of seven members; the superintendent of the District serves as a non-voting member. The majority of the District's funding is provided by property tax levies and state aid.

The District's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board has elected to control or be financially accountable with respect to the underlying extracurricular activities. Accordingly, the extracurricular student activity accounts are included in these financial statements and not reported separately.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

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

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

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net assets are available. Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the District-Wide financial statements.

Separate Fund financial statements are provided for governmental and fiduciary funds. Aggregated information for the remaining non-major governmental funds is reported in a single column in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the District-wide statements.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The District-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory “tax shift” described later in these notes. Grants and similar items are recognized when 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. Under this basis of accounting transactions are recorded in the following manner:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (continued)

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

2. **Recording of Expenditures –** Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

The District reports unearned revenue on its statement of net position and balance sheet. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Description of Funds

The existence of the various District funds has 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

General Fund – Accounts for all financial resources except those required to be accounted for in another fund. It includes general operations and pupil transportation, activities of the District, as well as the capital related activities such as maintenance of facilities equipment purchases, and health and safety projects.

Capital Projects Building Construction Fund – The Capital Projects Building Construction Fund is used to account for special capital projects that issued bonds to finance the project.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general long-term obligation bond principal, interest, and related costs.

Non-major Governmental Funds

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

Community Service Special Revenue Fund – The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, K-6 extended day programs, or other similar services.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (continued)

Fiduciary Funds

Scholarship Custodial Fund – The Scholarship Custodial Fund is used to account for assets held by the District in a trustee capacity. The fund's resources, including principle and earnings may be expended. Scholarship Custodial funds are accounted for in essentially the same manner as governmental funds.

E. Budgeting

The budget for each fund is prepared on the same basis of accounting as the financial statements. Each June, the School Board adopts an annual budget for the following fiscal year for the General Fund, Food Service, and Community Service Fund. Budgets presented in this report for comparison to actual amounts are presented in accordance with generally accepted accounting principles.

Formal budgetary integration is employed as a management control device during the year for the general fund and all special revenue funds.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed by the District to assure effective budgetary control and to facilitate effective cash planning and control. Encumbrance information has not been incorporated into the financial statements, however.

F. Cash and Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

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 market for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments held by a 2.a.7 and/or a 2.a.7 like investment pool are measured at amortized cost.

G. Receivables

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

Current Property Taxes Receivable:
Current property taxes receivable represents current real and personal property tax levies, certified the previous December and collectible in the current calendar year, which have not been received by the District.

Delinquent Property Taxes Receivable:
Delinquent property taxes receivable represents prior years property taxes that remain uncollected at June 30, 2021. They are equally offset by a deferred inflow of resources amount in the governmental fund financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventories

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

I. Prepaid Items

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

J. Property Taxes

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

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as unearned revenue (property taxes levied for subsequent year).

The majority of the revenue in the General Fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The current tax shift as mandated by legislation recognizes $285,921 of the property tax levy for 2021 as revenue in fiscal year 2020-2021. The remaining portion of taxes collectible in 2021 are recorded as deferred inflows of resources (property taxes levied for subsequent year).

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as deferred inflows of resources in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (continued)

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

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

L. Deferred Outflows/Inflows 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 represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that quality for reporting in this category. Deferred outflows of resources related to pensions and OPEB are reported in the District-Wide Statement of Net Position. Deferred outflows of resources related to pensions and OPEB are recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Net Position and Balance Sheet – Governmental Funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has items which quality for reporting in this category. The first item unearned revenue – delinquent taxes. The second is property tax levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the District-Wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the District-Wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. Deferred inflows of resources related to pensions are recorded on the District-Wide statements for various estimate differences that will be amortized and recognized over future years.

M. Long-Term Obligations

In the District-Wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, if material, are reported as deferred charges and amortized over the term of the related debt.

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

N. Vacation Pay

Since teachers are not eligible for vacation pay only amounts accrued to other employees are recorded in the financial statements. Vacation accumulations end each year at June 30.

O. Sick Pay

Substantially all District employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of severance payments for some employees upon termination. Accumulated unpaid sick pay amounts are accrued when benefits vest to employees and the unpaid liability is reflected as compensated absences payable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Reclassifications

Some of the last year's amounts have been reclassified to be comparative to this year's amounts. The reclassification is only between line items.

Q. Severance Pay Obligations

Teachers, who have completed at least 20 years of service in the district and are at least 57 years of age, are eligible for a severance payment under the terms of the Teacher Master Agreement. Resignations must be submitted by April 1st of the year in which the teacher plans on retiring.

Teachers hired prior to July 1, 1995, are eligible for a sick leave/retirement provision. The amount of payment is determined by taking the accumulated and unused sick leave days on the date of retirement, up to a maximum of 110 days, times the daily rate of pay during the last year of employment. Daily rate of pay does not include extra-curricular activities, extended employment or other compensation. This group of teachers also qualifies for the 403(B)-match program described in the next paragraph. All District contributions to the 403(B)-match program on behalf of the teacher will constitute part of the sick leave payment. The accumulated liability for the sick leave/retirement provisions as of June 30, 2021, is $38,382. This obligation currently has $100,000 assigned for its payment. As of June 30, 2021, 13 employees are eligible for this severance pay benefit.

All employees of the district are allowed to participate in the District's 403(B) plan. Only teachers hired after July 1, 1995, and principals are eligible for the 403(B)-match program. The District will match the teacher contribution based on the schedule listed below. The maximum the District will match over the lifetime of the teacher is $30,000. The District will match 100% of principals' and 50% of the superintendents' contributions up to a maximum of $2,000 per year.

403(B) matching schedules:

Years of Service	Maximum Matching Contribution
0 - 2	$ -
3 - 4	300
5 - 9	600
10 - 14	800
15 - 19	1,200
20+	1,600

R. Other Post-employment and Pension Benefits

In addition to retirement benefits, the District provides post-retirement medical insurance benefits to teachers in accordance with their master employment agreement. The teachers are responsible for funding the cost of the health insurance premium, but an implicit rate subsidy still exists. See Note 8 for further information.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense for plans administered under a trust, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments for PERA are reported at fair value. See Note 6 and 7 for further information regarding pensions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Other Post-employment and Pension Benefits (continued)

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

S. Risk Management

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

T. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes funds that are not expected to be converted to cash. It also includes property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purpose imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previous commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used for the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent is expressed by the School Board itself, or a body or an official to which the School Board has delegated the authority to assign amounts to be used for a specific purpose. The actions to remove or modify assignments are not as strict as for committed fund balances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Fund Balance (continued)

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

U. Net Position

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

W. Use of Estimates

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

X. Internal Activity

It is the District's policy to eliminate all internal activity in its presentation of its District-Wide financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Cash Deposits

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Temporary Investments." In accordance with Minnesota Statutes the District maintains deposits at financial institutions which are authorized by the School District's Board.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds.

Authorized collateral includes treasury bills, notes and bonds; issued of U.S. Government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The District does not have any deposit policies that would further limit deposit choices.

Deposit balances at June 30, 2021, are as follows:

	Carrying Amount	Bank Balance
Total bank deposits (check and savings accounts)	$ 390,277	$ 474,759

At June 30, 2021, $390,277 of deposits were covered either by federal depository insurance or by pledged collateral.

B. Investments

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

- Direct obligation or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rated "A" or better
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories
- Repurchase or reverse purchase agreements and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

The District has not adopted a formal investment policy, but follows Minnesota Statutes.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

B. Investments (cont.)

At June 30, 2021, the District had the following investments:

	Credit Risk		Interest Risk – Maturity Duration in Years			
Investment Type	Rating	Agency	Less than 1	1 to 5	5 to 10	Total
MN Trust Investment Shares Portfolio	AAA	S & P	N/A	N/A	N/A	$ 3,721,795
TD Ameritrade	AAA	S & P	N/A	N/A	N/A	1,672,927
MN School District Liquid Asset Fund	AAA	S & P	N/A	N/A	N/A	1,658,849
Total Investments						$ 7,053,571

The MN School District Liquid Asset Fund, MNTrust Investment Shares Portfolio, and Clearwater are regulated by Minnesota statutes and are external investment pools not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The District's investment in the MSDLAF and the MNTrust Investment Shares Portfolio are measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

Credit Risk

Credit risk is defined as the risk that an issue or other counterparty will not fulfill its obligation. The investment balance chart above shows the credit rating for each of the investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's investment policy requires that all brokers used by the District must acknowledge in writing that investments purchased through the broker must comply with Minnesota state statutes governing the investment of public funds. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District requires purchases of securities to be laddered with staggered maturity dates.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's deposit policy for custodial credit risk follows Minnesota Statutes for deposits.

Concentration of Credit Risk

The District's investment policy has no limit on the amount that may be invested in any issuer. However, the District tries to vary its portfolio composition in the types of investments and holdings it has.

C. Balance Sheet Presentation

Deposits and investments are presented on the combined balance sheet as follows:

Cash Deposits	$ 390,277
Investments	7,053,571
Less Trust and Agency Cash Deposit and Temporary Investments	(362,305)
Total Pooled Cash and Investments	7,081,543
Cash and Temporary Investments – Statement of Net Assets	$ 7,081,543

NOTE 3 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	$ 51,560	$ -	$ -	$ 51,560
Construction in Process	18,994,474	12,035,606	-	31,030,080
Total Capital Assets, Not Being Depreciated	19,046,034	12,035,606	-	31,081,640
Capital Assets, Being Depreciated:				
Land Improvements	1,915,179	118,718	621,599	1,412,298
Buildings and Improvements	10,565,480	63,848	1,212,122	9,417,206
Equipment	3,935,915	440,547	1,410,173	2,966,289
Total Capital Assets, Being Depreciated	16,416,574	623,113	3,243,894	13,795,793
Less: Accumulated Depreciation				
Buildings and Improvements	1,223,725	197,928	1,020,564	401,089
Land Improvements	6,801,850	62,925	481,297	6,383,478
Equipment	3,317,953	130,077	1,345,270	2,102,760
Total Accumulated Depreciation	11,343,528	390,930	2,847,131	8,887,327
Total Capital Assets being Depreciated, Net	5,073,046	232,183	396,763	4,908,466
Capital Assets, Net	$ 24,119,080	$ 12,267,789	$ 396,763	$ 35,990,106

Depreciation expense for the year ended June 30, 2021, was charged to the following governmental functions:

Governmental Activities	
Administration	$ 140
District Support Services	3,355
Regular Instruction	45,059
Vocational Instruction	1,862
Exceptional Instruction	860
Community Education	1,197
Instructional Support Services	848
Pupil Support Services	67,423
Sites and Buildings	270,186
Total Depreciation Expense	$ 390,930

NOTE 4 – LONG-TERM DEBT

A. Description of Long-Term Debt

General Obligation Bonds – On December 6, 2018, the District issued $25,365,000 of General Obligation Bonds, Series 2018A for the acquisition and betterment of school sites and facilities in the District. The bonds are due in varying annual installments each February 1, from February 1, 2020 through February 1, 2039 with interest at a rate of 3.75% to 5.00% due semi-annually on February 1and August 1. Future ad valorem tax levies are dedicated to the retirement of these bonds.

On November 14, 2019, the District issued $3,070,000 of General Obligation Facilities Maintenance Bonds, Series 2019A for the acquisition and betterment of school sites and facilities in the District. The bonds are due in varying annual installments each February 1, from February 1, 2021 through February 1, 2035 with interest at a rate of 2.20% to 4.00% due semi-annually on February 1 and August 1. Future ad valorem tax levies are dedicated to the retirement of these bonds.

On July 1, 2020, the District issued $1,445,000 of General Obligation School Building Bonds, Series 2020A for the acquisition and betterment of school sites and facilities in the District. The bonds are due in varying annual installments each February 1, from February 1, 2022 through February 1, 2036 with interest at a rate of 2.00% to 3.00% due semi-annually on February 1 and August 1. Future ad valorem tax levies are dedicated to the retirement of these bonds.

PPP Loan Program – The District borrowed $101,000 in the Paycheck Protection Program (PPP) as authorized by the CARES act. The loan proceeds have not been used as of June 30, 2021. This Loan is expected to be forgiven during the year ended June 30, 2021. There were no disbursements related to this debt issue.

Compensated Absences Payable - This obligation consists of unused vacation at June 30, 2021. Obligations related to compensated absences have been paid from the General Fund.

Post-employment Severance Payable – Teachers who have completed at least 20 years of service in the District and are at least 57 years of age, are eligible for a severance payment under the terms of the Teacher Master Agreement. Teachers hired prior to July 1, 1995, are eligible for a sick leave/retirement provision. The amount of payment is determined by taking the accumulated and unused sick leave days of retirement, up to a maximum of 110 days, times the daily rate of pay during the last year of employment. Daily rate of pay does not include extra-curricular activities, extended employment or other compensation. This group of teachers also qualify for the 403(B)-match program described in Note 1, sub letter Q. All District contributions to the 403(B)-match program on behalf of the teacher will constitute part of the sick leave payment.

B. Changes in Long-Term Liabilities

	Outstanding July 1, 2020	Additions	Deletions	Outstanding June 30, 2021	Due Within One Year
Bonds Payable	$27,845,000	$ 1,445,000	$ 920,000	$28,370,000	$1,045,000
PPP Loan Program	92,500	101,000	92,500	101,000	-
Unamortized Bond Premium	1,261,250	85,628	75,917	1,270,961	-
Compensated Absences Payable	26,469	5,067		31,536	-
Net Other Post Employment Obligations	524,677	17,084	-	541,761	-
Net Pension Liability	6,857,437	299,839		7,157,276	
Post-Employment Severance Payable	67,947		29,565	38,382	-
Total Indebtedness	$36,675,280	$ 1,953,618	$ 1,117,982	$37,510,916	$1,045,000

NOTE 4 – LONG-TERM DEBT (CONTINUED)

C. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term liabilities not including compensated absences & post-employment severance payable are as follows:

Year Ended	General Obligation Bonds Payable		
June 30,	Principal	Interest	Total
2022	$ 1,045,000	$ 1,108,021	$ 2,153,021
2023	1,235,000	1,058,471	2,293,471
2024	1,240,000	1,000,971	2,240,971
2025	1,310,000	942,221	2,252,221
2026	1,375,000	880,321	2,255,321
2027-2031	6,460,000	3,535,971	9,995,971
2032–2036	10,445,000	1,950,538	12,395,538
2037–2039	5,260,000	657,912	5,917,912
Total	$28,370,000	$11,134,426	$ 39,504,426

NOTE 5 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Building Construction Fund	Debt Service Fund	Nonmajor Funds: Food Service Fund	Nonmajor Funds: Community Service Fund	Total
Nonspendable for						
Prepaid Expenditures	$ 82,179	$ -	$ -	$ -	$ -	$ 82,179
Inventory	-	-	-	17,840	-	17,840
Restricted for						
Student Activities	67,350	-	-	-	-	67,350
Staff Development	97,325	-	-	-	-	97,325
Operating Capital	188,117	-	-	-	-	188,117
Levy Reduction	68,382	-	-	-	-	68,382
Safe School Crime	33,635	-	-	-	-	33,635
Long Term Facilities Maint.	25,483	-	-	-	-	25,483
Food Service	-	-	-	272,488	-	272,488
Community Education	-	-	-	-	106,867	106,867
Community Service	-	-	-	-	31,675	31,675
ECFE	-	-	-	-	106,795	106,795
Adult Basic Ed	-	-	-	-	1,124	1,124
School Readiness	-	-	-	-	8,144	8,144
Medical Assistance	136,112	-	-	-	-	136,112
Building Construction	-	140,864	-	-	-	140,864
Debt Service	-	-	185,910	-	-	185,910
Reserved for PPP					101,000	101,000
Committed for						
Capital Projects	695,000	-	-	-	-	695,000
Assigned for						
Other Board Assignments	98,607	-	-	-	-	98,607
Retirement Benefits	100,000	-	-	-	-	100,000
Unassigned	2,939,295	-	-	-	-	2,939,295
Total Fund Balance	$ 4,531,485	$ 140,864	$ 185,910	$ 290,328	$ 355,605	$ 5,504,192

NOTE 5 – FUND BALANCES (continued)

Fund Balances
The District will strive to maintain an unrestricted general fund balance of at least 15 percent of the unrestricted general fund budget. Certain Portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the potential restricted fund balances for the governmental funds:

A. Restricted for Construction
This balance represents the funds restricted for the special capital projects that had bonded for revenues.

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

C. Restricted for Debt Service
These funds represent the funds restricted for the payment of general long-term obligation, bond principal, interest and related costs.

D. Restricted for Adult Basic Education
This account will represent the balance of carryover monies for all activity involving Adult Basic Education. This would include all state aid and any grants or local funding used in support of ABE.

E. Restricted for ECFE (Early Childhood and Family Education)
This fund balance restriction represents accumulated resources available to provide services for early childhood family education.

F. Restricted for Staff Development
In accordance with state statute, the District is required to restrict 2.0% of basic General Education revenue for staff development. The cumulative excess of such revenues over staff development expenditures is reported as a restriction of fund balance in the General Fund.

G. Restricted for Levy Reduction
This account represents the remaining funds transferred from the Debt Service Fund after the debt was paid off. These funds become an available resource in the fiscal year in which the related tax levy adjustment is recognized as revenue.

H. Restricted for Operating Capital
The District levies taxes and receives state aid to be used for the purchase of equipment, books and vehicles and to purchase, rent, improve, and repair school facilities as allowed by the state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.

I. Restricted for Area Learning Center
Represents amounts restricted for students attending area learning centers. Each district that sends students to an area learning center must restrict an amount equal to at least 90 percent of the district's average general education revenue, minus .0485 times the formula allowance (without the basic skills, transportation sparsity or transportation transition portions) per pupil unit times the number of pupil units attending area learning centers. The amount restricted may only be spent on program costs associated with the area learning center.

NOTE 5 – FUND BALANCES (continued)

J. Restricted for Gifted and Talented
This fund balance restriction represents accumulated resources available to provide gifted and talented programming in accordance with funding made available for that purpose.

K. Restricted for Basic Skills Programs
Represents resources available for the basic skills uses listed in Minnesota Statutes, section 126C.15, subd. 1.

L. Restricted for Basic Skills for Extended Time
This fund balance restriction represents resources available for the Basic Skills Extended Time Revenue of Minnesota Statutes section 126C.10, subd. 3(d).

M. Restricted for Long-term Facilities Maintenance
This account represents available resources to be used for LTFM Projects in accordance with the Ten-Year Plan. (Minnesota Statutes section 123B.595, subd. 12)

N. Restricted for Medical Assistance
This account represents available resources to be used for Medical Assistance expenditures in Finance Code 372.

0. Restricted for Student Activities
This account represents available resources to be used for Student Activities in accordance with the Manual for Activity Fund Accounting.

NOTE 6 – DEFINED BENEFIT PENSION PLAN – PERA

Summary of Significant Accounting Policies

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

A. Plan Description

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

General Employees Retirement Plan:

Certain 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.

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B. Benefits Provided

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

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

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

C. Contributions

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

General Employees Fund Contributions:
Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021, were $165,116. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs
At June 30, 2021, the District reported a liability of $1,852,596 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund. 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 $57,033. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0309 percent at the end of the measurement period and 0.0333 percent for the beginning of the period.

District's proportionate share of net pension liability	$	1,852,596
State's proportionate share of the net pension liability	$	57,033

For the year ended June 30, 2021, the District recognized pension expense of $131,343 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $4,964 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 the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 7,009
Change in Assumptions	-	29,861
Net Difference between projected and actual earnings on plan inv	14,485	-
Changes in proportion and differences between District Contributions and proportionare share of contributions	103,570	-
Contributions paid subsequent to the measurement date	165,117	-
Total	$ 283,172	$ 36,870

The $165,117 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2022	$ 19,572
2023	$ 19,572
2024	$ 19,572
2025	$ 2,897
2026	$ -

E. Actuarial Assumptions

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

Inflation	2.25% per year
Active Member Payroll Frowth	3.00% 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 for all plans were based on PUB-2010 General Employee Mortality table for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

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

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

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.
- 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	35.50%	5.10%
International Stocks	25.00%	5.90%
Bonds	20.00%	75.00%
Alternative Assets	17.50%	5.90%
Unallocated Cash	2.00%	0.00%
Total	100.00%	

F. Discount Rate

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

G. Pension Liability Sensitivity

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

District's Proportionate share of NPL		
1% decrease	Current	1% increase
6.50%	7.50%	8.50%
$ 5,969,069	$ 1,852,596	$ 931,596

H. Pension Plan Fiduciary Net Position

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

NOTE 7 – DEFINED PENSION PLAN – TRA

Summary of Significant Accounting Policies

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

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

A. Plan Description

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

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

B. Benefits Provided

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

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

Tier I Benefits

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

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

Or

Tier II Benefits

For the years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for coordinated members and 2.7 percent 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 benefic 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 cases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

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

C. Contribution Rate

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

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

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

Employer Contributions Reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 425,223,000
Deduct 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
Employer contributions reported in schedule of employer and non-employer pension	$ 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.

D. 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
Actuarial Assumptions	
Investment Rate of Return	7.50%
Price Inflation	2.50%
Wage Inflation	2.85% before July 1 2028, and 3.25% after June 30, 2028
Projected Salary Increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality Assumptions	
Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses MP-2015 scale.
Post-retirement	RP-2014 white collar employee table, male and female rates set back three years with further adjustments to the rates. Generational projection uses MP-2015 scale.
Post-disability	RP 2014 disabled retiree mortality, without adjustment

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.50%	5.10%
International Stocks	17.50%	5.30%
Bonds	25.00%	5.90%
Alternative Assets	20.00%	0.75%
Unallocated Cash	2.00%	0.00%
Total	100.00%	

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

Changes in actuarial assumptions since the 2018 valuation:

- The COLA was reduced from 2.0% each January 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 zer0 percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5&, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.5% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50 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).

F. Net Pension Liability

On June 30, 2021, the District reported a liability of $5,304,680 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. District proportionate share was .0718% at the end of the Measurement period and 0.0787% 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	$	5,304,680
State's proportionate share of the net pension liability associated with the district	$	444,450

For the year ended June 30, 2021, the district recognized pension expense of $384,813. It also recognized $33,758 as an increase to pension expense for the support provided by direct aid.

INDEPENDENT SCHOOL DISTRICT #777
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 106,380	$ -
Change in Actuarial Assumptions	3,993	-
Net Difference between projected and actual earnings on plan inv	423,061	-
Changes in proportion	-	366,506
Contributions paid subsequent to the measurement date	344,099	-
Total	$ 877,533	$ 366,506

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

Year Ended June 30,	Pension Expense Amount
2022	$ 54,539
2023	$ 54,539
2024	$ 54,539
2025	$ (51,228)
2026	$ -

G. 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's Proportionate share of NPL		
	1% decrease 6.50%	Current 7.50%	1% increase 8.50%
TRA	$ 8,121,409	$ 5,304,680	$ 2,983,838

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

H. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-40000; or by calling 651-296-2409 or 800-657-3669.

NOTE 8 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan which is classified as a “cafeteria plan” under § 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

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

Payments of insurance premiums are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund.

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

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

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

Post-Employment Insurance Benefits – All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. Under the District’s plan the retirees are 100% responsible for their insurance premiums and the District does not assume any liability for the health insurance payments. The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an “implicit rate subsidy.” This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District’s younger and statistically healthier active employees.

No assets are accumulated in a trust that meets the criteria in GASBs No. 75, Paragraph 4.

The retiree health plan does not issue a publicly available financial report.

B. Benefits Provided

The plan provides medical insurance benefits provided to terminated or retired employees and their dependents and beneficiaries. Benefits are provided through a third-party insurer, and the cost of the benefits covered by the plan are described above.

C. Employees Covered by Benefit Terms

At the valuation date of July 1, 2020, the following employees were covered by the benefit terms:

A-28

Inactive employees or beneficiaries currently receiving benefit payments	7
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	144
	151

D. Contributions

For the year ended June 30, 2021, the District’s actuarily computed benefit payments were $33,492. Employees are not required to contribute to the plan.

E. Net OPEB Liability

The District’s net OPEB liability was measured as of July 1, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions

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:

Inflation	2.40 percent
Salary increases	Graded from 2.85% to 8.85%
Investment rate of return	N/A
Healthcare cost trend rates	6.25 percent for 2021 grading to 5.00% over 6 years

Mortality rates were based on the PUB-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2018 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study as of July 1, 2019.

G. Discount Rate

The discount rate used to measure the total OPEB liability was 2.40%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

H. Changes in the Net OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balances at June 30, 2020	$ 524,677
Changes from the Prior Year:	
Service Cost	29,854
Interest Cost	16,530
Assumption Changes	13,643
Benefit Payments	(42,943)
Total Net Changes	17,084
Balances at June 30, 2021	$ 541,761

The measurement date of the net OPEB liability was July 1, 2020; the date of the actuarial valuation on which the total OPEB liability is based was July 1, 2019. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of changes in the District's new OPEB liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multiple year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits will be displayed.

I. Sensitivity of the Net OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

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

	1% Decrease in Discount	Discount Rate	1% Increase in Discount
Discount rate	1.40%	2.40%	3.40%
Net OPEB Liability	$ 566,550	$ 541,761	$ 517,227

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates:

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Net OPEB Liability	$ 499,742	$ 541,761	$ 589,840
Medical trend rate	5.25% decreasing to 4% over 5 years	6.25% decreasing to 5% over 5 years	7.25% decreasing to 6% over 5 years
Dental trend rate	N/A	N/A	N/A

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

For the year ended June 30, 2021 the District recognized OPEB expenses of $51,723. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Gains	$ -	$ 44,602
Assumption Changes	10,914	2,247
District contributions made subsequent to the measurement date	51,723	-
	$ 62,637	$ 46,849

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Service Contracts & Construction

The District has also entered into contracts for environmental, special education and computer technical services for fiscal year 2020-2021.

During fiscal year 2020 the District entered into various contracts for work to be performed on the school construction project to be completed in fiscal years 2020, 2021, and 2022. The total expected cost and commitments on these contracts is $25,300,000.

B. Federal and State Revenue and 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.

NOTE 11 – INTERFUND RECEIVABLES AND PAYABLES

At year end, interfund balances were as follows:

Due to/from other funds: None

NOTE 11 – INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Transfers to/from other funds:

The only transfers for the year ended June 30, 2021 were within the general fund and were between restricted and unrestricted balances.

NOTE 12 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Budget

Budget control for the funds is established by its total appropriations.

The General Fund had expenditures exceeding appropriations of $221,746 for the year ended June 30, 2021. These over expenditures were considered necessary by the District Board.

NOTE 13 – ISSUED BUT NOT YET EFFECTIVE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the District. The first statement issued but not yet implemented that will affect the District is Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will be implemented at the District in the year ended June 30, 2022.

The second statement issued but not yet implemented that will affect the District is Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement will be implemented at the District in the year ended June 30, 2022.

The third statement issued but not yet implemented that will affect the District is Statement No. 94, Public- Private and Public-Public Partnerships and Availability Payment Arrangements. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement will be implemented at the District in the year ended June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT #777
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Property Tax Levies	$ -	$ 1,463,424	$ 1,775,482	$ 312,058
Other Local and County Sources	364,038	315,538	595,223	279,685
State Sources	8,758,860	8,741,661	8,552,390	(189,271)
Federal Sources	262,650	262,650	740,975	478,325
Sales and Other Conversion of Assets	157,488.00	157,488.00	81,266.00	(76,222)
Total Revenue	9,543,036	10,940,761	11,745,336	804,575
EXPENDITURES				
Administration	789,030	759,730	793,037	33,307
District Support Services	379,800	408,800	398,892	(9,908)
Regular Instruction	5,153,200	5,177,000	5,132,977	(44,023)
Vocational Instruction	393,600	393,600	264,537	(129,063)
Special Education Instruction	1,802,350	1,782,350	1,799,727	17,377
Community Education and Services	-	-	699	699
Instructional Support Services	211,900	175,800	334,249	158,449
Pupil Support Services	804,100	753,500	792,158	38,658
Sites and Buildings	1,174,000	1,355,817	1,519,347	163,530
Fiscal and Other Fixed-Cost Programs	59,000	59,000	51,720	(7,280)
Total Expenditures	10,766,980	10,865,597	11,087,343	221,746
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,223,944)	75,164	657,993	582,829
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	503,298	503,298
Transfers Out	-	-	(503,298)	(503,298)
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	(1,223,944)	75,164	657,993	582,829
Fund Balance - Beginning of Year	3,873,492	3,873,492	3,873,492	-
FUND BALANCE - END OF YEAR	2,649,548	3,948,656	4,531,485	582,829

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting Policies

The budget for each fund is prepared on the same basis of accounting as the financial statements. Each June the School Board adopts an annual budget for the following fiscal year for the General Fund, Food Service, Community Service, Capital Projects and Debt Service Funds. Under GASB 34 only the General Fund and major special revenue fund budgets should be reported as required supplementary information. The District does not have any major special revenue funds so only the General Fund Budget is being shown as required supplementary information. Budgets presented in this report for comparison to actual amounts are presented in accordance with generally accepted accounting principles.

Formal budgetary integration is employed as a management control device during the year for all the funds.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the appropriations, is employed by the District to assure effective budgetary control and to facilitate effective cash planning and control. Encumbrance information has not been incorporated into the financial statements, however.

INDEPENDENT SCHOOL DISTRICT #777
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
YEAR ENDED JUNE 30, 2021

Schedule of Changes in Net OPEB Liability and Related Ratios

	June 30, 2021	June 30, 2020	June 30, 2019
Total OPEB Liability			
Service Cost	29,854	26,282	29,700
Interest Cost	16,530	17,687	16,794
Assumption Changes	13,643	(3,763)	
Plan Changes	-	75,633	
Differences between Exp. and Act. Exp	-	(74,338)	
Benefit Payments	(42,943)	(21,290)	(12,424)
Net Change in Total OPEB Liability	17,084	20,211	34,070
Net OPEB Obligation, Beginning of Year	524,677	504,466	470,396
Net OPEB Obligation, End of Year	$ 541,761	$ 524,677	$ 504,466
Covered Employee Payroll	$ 5,954,585	$ 5,781,150	$ 6,205,519
OPEB Liability as a percentage of covered employees covered employee payroll	9%	9%	8%

Schedule of Employer Contributions - OPEB

Actuarially Delermind Contribution	$ 33,492
Contributions in Relation to the Actuarially Determined Contributions	(51,723)
Contributions Deficiency (Excess)	(18,231)

Note: These schedules are intended to show ten- year trend. Additional years will be reported as they become available.

Note to the Schedule of Changes in Net OPEB Liability and Related Ratios

The District implemented the standard as of June 30, 2019 and as such there has been Two valuation performed. The valuation date was July 1, 2020 and the measurement date was July 1, 2019. There have been no changes to plan provisions, assumptions, or methods since the prior report except for the following:

No assets are accumulated in a trust that meets the criteria in GASB No.75, Paragraph 4 to pay related benefits.

Changes of assumptions since prior measurement date:

- The health care trend rates, mortality tables, and salary increase rates were updated.
- The discount rate was changed from 3.10% to 2.40%.

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INDEPENDENT SCHOOL DISTRICT #777
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY, AND SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEAR ENDED JUNE 30, 2021

Schedule of Proportionate Share of the Net Pension Liability

Plan	Actuarial Valuation Date	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability	Employer's Covered-Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2020	0.0309%	$ 1,852,596	$ 57,033	$ 2,201,547	84.15%	79.06%
PERA	6/30/2019	0.0333%	$ 1,841,082	$ 57,331	$ 2,353,533	78.23%	80.20%
PERA	6/30/2018	0.0309%	$ 1,714,205	$ 56,205	$ 2,075,413	82.60%	79.50%
PERA	6/30/2017	0.0275%	$ 1,755,582	$ 22,044	$ 1,756,333	99.96%	75.90%
PERA	6/30/2016	0.0271%	$ 2,200,386	$ 28,681	$ 1,707,960	128.83%	68.90%
PERA	6/30/2015	0.0264%	$ 1,368,186	$ -	$ 1,582,297	86.47%	78.20%
PERA	6/30/2014	0.0282%	$ 1,535,229	$ -	$ 1,575,794	97.43%	78.70%
TRA	6/30/2020	0.0718%	$ 5,304,680	$ 444,450	$ 4,172,361	127.14%	75.48%
TRA	6/30/2019	0.0787%	$ 5,016,355	$ 444,115	$ 4,469,702	112.20%	78.07%
TRA	6/30/2018	0.0828%	$ 5,200,615	$ 488,725	$ 4,598,027	113.11%	78.07%
TRA	6/30/2017	0.0809%	$ 16,149,108	$ 1,560,724	$ 4,348,387	371.38%	51.60%
TRA	6/30/2016	0.0704%	$ 16,792,080	$ 1,686,219	$ 4,107,293	408.84%	44.90%
TRA	6/30/2015	0.0794%	$ 4,911,675	$ 602,199	$ 4,041,880	121.52%	76.80%
TRA	6/30/2014	0.0887%	$ 4,087,232	$ 287,410	$ 4,100,861	99.67%	81.50%

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

Schedule of Employer Contributions

	Year Ended June 30,	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
PERA	2021	$ 165,116	$ 165,116	$ -	$ 2,201,547	7.50%
PERA	2020	$ 176,964	$ 176,964	$ -	$ 2,359,520	7.50%
PERA	2019	$ 176,515	$ 176,515	$ -	$ 2,353,533	7.50%
PERA	2018	$ 155,656	$ 155,656	$ -	$ 2,075,413	7.50%
PERA	2017	$ 131,725	$ 131,725	$ -	$ 1,756,333	7.50%
PERA	2016	$ 128,097	$ 128,097	$ -	$ 1,707,960	7.50%
PERA	2015	$ 117,090	$ 117,090	$ -	$ 1,561,200	7.50%
TRA	2021	$ 330,451	$ 330,451	$ -	$ 4,172,361	7.92%
TRA	2020	$ 344,614	$ 344,614	$ -	$ 4,469,702	7.90%
TRA	2019	$ 343,015	$ 343,015	$ -	$ 4,454,740	7.70%
TRA	2018	$ 344,852	$ 344,852	$ -	$ 4,598,027	7.50%
TRA	2017	$ 326,129	$ 326,129	$ -	$ 4,348,387	7.50%
TRA	2016	$ 308,047	$ 308,047	$ -	$ 4,107,293	7.50%
TRA	2015	$ 303,141	$ 303,141	$ -	$ 4,330,581	7.00%

Note: The schedule is provided prospectively with the District's fiscal year ended June 30, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available

INDEPENDENT SCHOOL DISTRICT #777
NOTES TO SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY, AND SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEAR ENDED JUNE 30, 2021

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2020 Changes in Actuarial Assumptions

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

2020 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.

2019 Changes in Actuarial Assumptions

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

2019 Changes in Plan Provisions

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

2018 Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed form 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio, to 50.00% of the Social Security cost of Living Adjustment, not less than 1.00% and not more than 1.50%, 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.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2018 Changes in Actuarial Assumptions

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

2017 Changes in Plan Provision

- The state's special funding contribution increased from $6 million to $16 million.

2017 Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed form 0.80% for active members and 60.00% for vested and nonvested deferred members. The revised CSA loads are now 0.00% for active member liability, 15.0% for vested deferred member liability, and 3.00% for nonvested member liability.
- The assumed post-retirement benefit increase rate was changed form 1.00% per year for all years, to 1.00% per year through 2044, and 2.5% per year thereafter.

2016 Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035, and 2.50% per year thereafter, to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- 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% to 3.25% for payroll growth, and 2.50% for inflation.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2015 Changes in Plan Provision

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

2015 Changes in Actuarial Assumptions

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

TEACHERS RETIREMENT ASSOCIATION (TRA)

2019 Changes in Actuarial Assumptions

- The COLA was reduced from 2.0% each January 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 zer0 percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5&, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.5% 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.

2018 Changes in Actuarial Assumptions

- The cost-of-living adjustment (COLA) was reduced from 2.00% each January 1 to 1.00%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10% each year until reaching the ultimate rate of 1.50% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50% if the funded ratio was at least 90.00% 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 in deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00% to 3.00%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50% to 7.50%, effective July 1, 2018.

INDEPENDENT SCHOOL DISTRICT #777
NOTES TO SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY, AND SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEAR ENDED JUNE 30, 2021

TEACHERS RETIRMENT ASSOCIATION (TRA) (continued)

- The employer contribution rate is increased each July 1 over the next six years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022 and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate changed from 5.12% to 7.50%.

2017 Changes in Actuarial Assumptions

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

2016 Changes in Actuarial Assumptions

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

2015 Changes in Plan Provisions

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

2015 Changes in Actuarial Assumptions

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

OTHER SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT #777
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Food Service	Community Service	Totals
ASSETS			
Cash and Temporary Investments	$ 291,348	$ 418,270	$ 709,618
Receivables			
Current Property Taxes	-	29,947	29,947
Delinquent Property Taxes	-	723	723
Accounts	-	53,831	53,831
Due from Other Governments	59,292	7,384	66,676
Inventories	19,294	-	19,294
Total Assets	369,934	510,155	880,089
LIABILITIES			
Account Payable	35,315	22,886	58,201
Due to Other Governments	236	917	1,153
PPP Loan Payable	-	-	-
Salaries Payable	44,055	43,140	87,195
Total Liabilities	79,606	66,943	146,549
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue	-	6,503	6,503
Property Taxes Levied for Subsequent Year	-	81,104	81,104
Total Deferred Inflows of Resources	-	87,607	87,607
FUND BALANCES			
Nonspendable	17,840	-	17,840
Restricted for Specific Purposes	272,488	355,605	628,093
Unassigned	-	-	-
Total Fund Balances	290,328	355,605	645,933
Total Liabilities Deferred Inflows of Resources and Fund Balances	$ 369,934	$ 510,155	$ 880,089

INDEPENDENT SCHOOL DISTRICT #777
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	Food Service	Community Service	Totals
REVENUES			
Local Property Tax Levies	$ -	$ 87,812	$ 87,812
Other Local and County Sources	37,645	736,085	773,730
State Sources	22,271	102,819	125,090
Federal Sources	656,128	-	656,128
Sales and Other Conversion of Assets	37,735	1,933	39,668
Total Revenue	753,779	928,649	1,682,428
EXPENDITURES			
Community Education and Services	-	852,546	852,546
Pupil Support Services	637,423	-	637,423
Total Expenditures	637,423	852,546	1,489,969
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	116,356	76,103	192,459
OTHER FINANCING SOURCES (USES)			
Proceeds from Long Term Debt	-	101,000	101,000
NET CHANGE IN FUND BALANCE	116,356	177,103	293,459
Fund Balance - Beginning of Year	173,972	178,502	352,474
FUND BALANCE - END OF YEAR	$ 290,328	$ 355,605	$ 645,933

INDEPENDENT SCHOOL DISTRICT #777
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2021

	Audit	UFARS	Audit UFARS Difference
01 GENERAL FUND			
Total Revenue	$ 11,743,707	$ 11,743,707	$ -
Total Expenditures	11,087,343	11,087,343	-
Non Spendable:			
4.60 Non Spendable Fund Balance	82,179	82,179	-
Restricted / Reserved:			
4.01Student Activities	67,350	67,350	-
4.03 Staff Development	97,325	97,325	-
4.05 Deferred Maintenance	-	-	-
4.06 Health and Safety	-	-	-
4.07 Capital Projects Levy	-	-	-
4.08 Cooperative Revenue	-	-	-
4.14 Operating Debt	-	-	-
4.16 Levy Reduction	68,382	68,382	-
4.17 Taconite Building Maint	-	-	-
4.23 Certain Teacher Programs	-	-	-
4.24 Operating Capital	188,117	188,117	-
4.26 $25 Taconite	-	-	-
4.27 Disabled Accessibility	-	-	-
4.28 Learning & Development	-	-	-
4.34 Area Learning Center	-	-	-
4.35 Contracted Alt. Programs	-	-	-
4.36 State Approved Alt. Program	-	-	-
4.38 Gifted & Talented	-	-	-
4.41Basic Skills Programs	-	-	-
4.45 Career Tech Programs	-	-	-
4.49 Safe School Crime	33,635	33,635	-
4.50 Pre-Kindergarten	-	-	-
4.59 Basic Skills EXT Time	-	-	-
4.53 Unfunded Sev & Retiremt Levy	-	-	-
4.67 LTFM	25,483	25,483	-
4.72 Medical Assistance	136,112	136,112	-
Restricted:			
4.64 Restricted Fund Balance	-	-	-
Committed:			
4.18 Committed for Separation	-	-	-
4.61Committed Fund Balance	695,000	695,000	-
Assigned:			
4.62 Assigned Fund Balance	198,607	198,607	-
Unassigned:			
4.22 Unassigned Fund Balance	2,939,294	2,939,294	-
02 FOOD SERVICES			
Total Revenue	$ 753,780	$ 753,780	$ -
Total Expenditures	637,422	637,422	-
Non Spendable:			
4.60 Non Spendable Fund Balance	17,840	17,840	-
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	-	-	-
Restricted:			
4.64 Restricted Fund Balance	272,488	272,488	-
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-

	Audit	UFARS	Audit UFARS Difference
04 COMMUNITY SERVICE			
Total Revenue	$ 928,649	$ 928,649	$ -
Total Expenditures	852,548	852,548	-
Non Spendable:			
4.60 Non Spendable Fund Balance	-	-	-
Restricted / Reserved:			
4.26 $25 Taconite	-	-	-
4.31Community Education	106,867	106,867	-
4.32 E.C.F.E	106,795	106,795	-
4.44 School Readiness	8,143	8,143	-
4.47 Adult Basic Education	1,124	1,124	-
4.52 OPEB Liab Not In Trust	-	-	-
4.73 PPP Loans	101,000	101,000	-
Restricted:			
4.64 Restricted Fund Balance	31,675	31,675	-
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-
06 BUILDING CONSTRUCTION			
Total Revenue	$ 11,722	$ 11,722	$ -
Total Expenditures	11,946,498	11,946,498	-
Non Spendable:			
4.60 Non Spendable Fund Balance	-	-	-
Restricted / Reserved:			
4.07 Capital Projects Levy	-	-	-
4.67 LTFM	-	-	-
Restricted:			
4.64 Restricted Fund Balance	140,864	140,864	-
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-
07 DEBT SERVICE			
Total Revenue	$ 2,157,765	$ 2,157,765	$ -
Total Expenditures	2,079,427	2,079,427	-
Non Spendable:			
4.60 Non Spendable Fund Balance	-	-	-
Restricted / Reserved:			
4.25 Bond Refundings	-	-	-
4.51QZAB Payments	-	-	-
Restricted:			
4.64 Restricted Fund Balance	185,912	185,912	-
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-
08 TRUST			
Total Revenue	$ 35,418	$ 35,418	$ -
Total Expenditures	35,900	35,900	-
4.01Scholarships	(482)	(482)	
4.22 Net Assets	362,305	362,305	-

NOTE TO TABLE

The District has no balances to report in funds 20,25,45, or 47.

INDEPENDENT SCHOOL DISTRICT #777
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND RELATED NOTES
YEAR ENDED JUNE 30, 2021

	Federal CFDA #	Federal Expenditures	
U.S. Department of Treasury			
Passed Thru Minnesota Department of Education			
COVID-19 Coronavirus Relief Fund	21.019	215,805	
Passed Thru Pope County			
COVID-19 Coronavirus Relief Fund	21.019	1,300	
Passed Thru Swift County			
COVID-19 Coronavirus Relief Fund	21.019	36,064	
Total U.S. Department of of Treasury			253,169
U.S. Department of Education			
Passed Thru Minnesota Department of Education			
COVID-19 Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund	84.425D	174,516	
Governor's Emergency Ediucation Relief Fund	84.425C	34,753	
Total Education Stabilization Fund Cluster - Covid Funds			209,269
Special Education Cluster			
Special Education - Grants to State	84.027	$ 98,254	$ 98,254
Title I Grants to Local Education Agencies	84.010		140,996
Improving Teacher Quality State Grants	84.367		24,645
Title IV Grant	84.424		10,743
Career and Technical Education - Basic Grants to States	84.048		3,900
Total U.S. Department of Education			180,284
U.S. Department of Agriculture			
Passed through Minnesota Department of Education			
Child Nutrition Cluster:			
National School Lunch Program	10.555	33,184	
COVID-19 Summer Food Service Program for Children	10.559	604,879	
Total Child Nutrition Cluster			638,063
Child and Adult Care Food Program	10.558		18,066
Total U.S. Department of Agriculture			656,129
Total Federal Awards			$ 1,397,105

Notes to Schedule of Expenditures of Federal Awards

Note 1: **Basis of Presentation**: The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in fund balance, or cash flows of the District. Some amounts presented in this schedule may differ from the amounts presented in the District's Basic Financial Statements.

INDEPENDENT SCHOOL DISTRICT #777
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND RELATED NOTES
YEAR ENDED JUNE 30, 2021

Note 2: **Summary of Significant Accounting Policies:** Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10% de minims indirect cost rate as allowed under Uniform Guidance.

Note 2: Non-monetary assistance of $31,464 is reported in this schedule, representing the value of commodities received and disbursed for the U.S. Department of Agriculture National School Lunch Program (CFDA No. 10.555).

Note 3: All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

Note 4: During the year ended June 30, 2021 the District did not pass any federal money to sub-recipients.

OTHER REPORTS AND COMMUNICATIONS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the School Board of
Independent School District #777
Benson, Minnesota

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #777, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Independent School District #777 's basic financial statements and have issued my report thereon dated December 29, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Independent School District #777 's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independent School District #777's internal control. Accordingly, I do not express an opinion on the effectiveness of Independent School District #777s internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, I did identify certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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. I consider the deficiencies described in the accompanying Schedule of Findings and Responses as items, 2021-001, 2021-002 and 2021-003, to be material weaknesses.

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

In connection with my engagement to audit the financial statements of Independent School District #777, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent School District #777's Response to Findings

The Independent School District #777's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Responses. I did not audit Independent School District #777's responses and, accordingly, I express no opinion on them.

Purpose of this Report

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

Brian D Koehn, CPA, PLLC

Brian D Koehn, CPA, PLLC
Parkers Prairie, Minnesota
December 29, 2021

BRIAN D. KOEHN, CPA, PLLC

CPA America Counts on CPAs

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

To the School Board of
Independent School District #777
Benson, Minnesota

Report on Compliance for Each Major Federal Program

I have audited the Independent School District #777's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Independent School District #777's major federal programs for the year ended June 30, 2021. Independent School District #777's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Independent School District #777's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Independent School District #777's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Independent School District #777 compliance.

Opinion on Each Major Federal Program

In my opinion, Independent School District #777 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Independent School District #777 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Independent School District #777internal 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, I do not express an opinion on the effectiveness of the Independent School District #777'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 a 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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. I did identify one deficiency in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 2021-004, that I consider to be material weakness.

Independent School District #777's response to the internal control over compliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. Independent School District #777's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

Brian D Koehn, CPA, PLLC

Brian D. Koehn, CPA, PLLC
Parkers Prairie, Minnesota
December 29, 2021

BRIAN D. KOEHN, CPA, PLLC

CPA America Counts on CPAs

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REPORT ON MINNESOTA LEGAL COMPLIANCE

To the School Board of
Independent School District #777
Benson, Minnesota

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #777, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Independent School District #777's basic financial statements and have issued my report thereon dated December 29, 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. My audit considered all of the listed categories.

In connection with my audit, nothing came to my attention that caused us to believe that Independent School District #777 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Schools*. However, my audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had I performed additional procedures; other matters may have come to my attention regarding the Independent School District #777's noncompliance with the above referenced provisions.

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

Brian D Koehn, CPA, PLLC

Brian D Koehn, CPA, PLLC
Parkers Prairie, Minnesota
December 29, 2021

INDEPENDENT SCHOOL DISTRICT #777
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

A – SUMMARY OF AUDIT RESULTS

This summary is formatted to provide geferal granting agencies and pass-through agencies answers to

Financial Statements

Type of Auditor's Report Issued	Unmodified
Internal Control over Financial Reporting	
Material weaknesses identified?	Yes
Significant deficiences identified not considered to be materal weal	None Reported
Noncompliance material to financial statements noted?	None Reported

Federal Awards

Internal Control over Financial Reporting	
Material weaknesses identified?	None Reported
Significant deficiences identified not considered to be materal weaknesses?	Yes
Type of Auditor's Report Issued on Compliance for Major Programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance	None Reported

Programs Tested as Major Programs:

Name of Federal Program / Cluster	CFDA Number
Child Nutrition Cluster	10.555, 10.559

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low risk?	No

B – FINANCIAL STATEMENT FINDINGS

FINDING 2021-001: Controls over Period End Financial Reporting Process

Conditions: The District's internal control procedures over financial reporting under generally accepted accounting principles (GAAP) are not sufficient to fully prevent material misstatements in annual financial reporting. Therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls.

Criteria: The District should have controls in place to prevent and detect a material misstatement in the financial statements and related footnoted disclosures in a timely manner.

Effect: Possible material misstatement in the financial statements.

Cause: Because of time and monetary constraints, the District has not established controls over the financial reporting process, but relies on the audit firm to prepare the annual financial statements and related disclosures. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.

Recommendation: I recommend the District continue to evaluate its internal control process over period end financial reporting to determine if additional internal control procedures should be implemented to ensure that the financial statements and notes, accounting principles, and accounts are adjusted to their appropriate year-end balances in accordance with GAAP.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings: There is no disagreement with the audit finding.

Actions Planned in Response to Finding: The District will continue to rely on the audit firm to assist the District with its preparation of financial statements and related notes, selection and application of accounting principles, and propose certain adjustments to accounts to be in accordance with GAAP; however, the District will accept responsibility for the financial statements and has established internal control procedures to document the annual review of the financial statements by appropriate District personnel.

Official Responsible for Ensuring CAP: The Business Manager will be the official responsible for ensuring corrective action.

Planned Completion Date for CAP: The CAP is ongoing.

Plan to Monitor Completion of CAP: The Board of Education will be monitoring this corrective action plan.

B – FINANCIAL STATEMENT FINDINGS
Material Weakness

Finding 2021-002 Financial Oversight & Monitoring Controls

Condition: The audit firm proposed, and the District posted to its general ledger journal entries to correct material misstatements that was not initially identified by the District's internal control procedures. These adjustments were related to a capital assets and retainage payable related to the building project.

Criteria: The District should have controls in place to prevent and detect material misstatements in the financial statements in a timely manner.

Context: Due to lack of time and expertise accounting personnel of the District rely upon the audit firm to propose audit adjustments.

Effect: These instances resulted in proposed and accepted audit adjustment that materially affected the financial statements.

Cause: The District has not established controls to ensure that all material accounts are reviewed and adjusted to their appropriate year end balances.

Recommendation: I recommend the District evaluate its oversight and monitoring controls and year end procedures to help reduce the possibility that any of the financial accounts are materially misstated. These types of controls are essential to ensure that the information contained in the financial statements is materially correct.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings: District does not dispute the finding.

Actions Planned in Response to Finding: The Business/Finance employees will review all financial accounts and adjust to year end balances. The Business/Finance employees will seek assistance as needed.

Official Responsible for Ensuring CAP: Business Manager

Planned Completion Date for CAP: Ongoing

Plan to Monitor Completion of CAP: The School Board Finance Committee will monitor this CAP.

B – FINANCIAL STATEMENT FINDINGS
Material Weakness

Finding 2021-003 Lack of Segregation of Accounting Duties

Criteria: A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping, and reconciliation function, etc.

Condition: The District does not have adequate segregation of accounting duties.

Context: This finding impacts the internal control for all significant accounting functions.

Effect: Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: Due to a small office staff.

Recommendation: The accounting functions should be reviewed to determine if additional segregation of duties is feasible. This may be possible by either the addition of staff or shifting some duties of current staff to improve the efficiency and effectiveness of financial management for the District.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings: District does not dispute this finding.

Actions Planned in Response to Finding: Administration will review the segregation of accounting duties to attempt to resolve the lack of segregation of duties.

Official Responsible for Ensuring CAP: Superintendent/Business Manager

Planned Completion Date for CAP: Ongoing

Plan to Monitor Completion of CAP: The School Board will monitor this CAP.

C – FEDERAL AWARD FINDINGS & QUESTIONED COSTS

Audit Finding 2021-004 – Child Nutrition Cluster (CFDA 10.555, 10.559): Grant Period – Year Ended June 30, 2021, Department of Agriculture & Department of Education, passed through Minnesota Department of Education

Criteria: A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping, and reconciliation function. This should be documented in a written policy.

Condition: The District does not have adequate segregation of accounting duties or related written policy.

Context: This finding impacts the internal control for all significant accounting functions.

Effect: Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: Due to program changes from the national school lunch program to the summer food service program and the complexities that offered, the internal control policies did not keep up.

Questioned Costs: None

Recommendation: The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. The District, if possible, should have a plan in place for temporary absences of current staff. The District should also adopt the policy in writing.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings: District does not dispute this finding.

Actions Planned in Response to Finding: Administration will review the segregation of accounting duties to attempt to resolve the lack of segregation of duties within the District office until it becomes cost prohibitive.

Official Responsible for Ensuring CAP: Superintendent/Business Manager

Planned Completion Date for CAP: June 30, 2022

Plan to Monitor Completion of CAP: The School Board will monitor this CAP.

INDEPENDENT SCHOOL DISTRICT #777
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

D – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding 2020-004 Donations Accepted by Resolution

The bank balance exceeded FDIC coverage and collateral.

CORRECTIVE ACTION TAKEN:

The District changed its procedures to ensure all bank accounts are insured or adequately collateralized.

Finding 2020-005 Broker Certification Forms

The District did not retain documentation of the investment restrictions with each broker.

CORRECTIVE ACTION TAKEN:

The District retained a signed broker certification from each broker.

Finding 2020-006 Donations Accepted by Resolution

The District did not accept all donations by resolution.

CORRECTIVE ACTION TAKEN:

The District changed its policies to accept donations by resolution instead of motion.

Finding 2020-007 Compliance with the Manual for Activity Fund Accounting

The District did not fully implement the procedures and standards required by the Manual for Activity Fund Accounting.

CORRECTIVE ACTION TAKEN:

The District changed its policies and procedures related to student activities to comply with the requirements.

Benson Public Schools
ISD #777
1400 Montana Ave., Benson, MN 56215
Phone: 320.843.2710 • Fax: 320.843.2262
www.benson.k12.mn.us

"Exceptional Opportunities for Every Student's Success"

CORRECTIVE ACTION PLAN

December 29, 2021

Cognizant or Oversight Agency for Audit

Benson Schools - Independent School District #777 (the District) respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

Brian D. Koehn, CPA, PLLC
210 South Clayborn Ave
Parkers Prairie, MN 56361

Audit Period: Fiscal Year Ended June 30, 2021.

The findings from the year ended June 30, 2021 schedule of findings and questioned costs in accordance with uniform guidance are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT

AUDIT MATERIAL WEAKNESS

Finding 2021-001 Controls over Period End Financial Reporting Process

Recommendation: I recommend the District continue to evaluate its internal control process over period end financial reporting to determine if additional internal control procedures should be implemented to ensure that the financial statements and notes, accounting principles, and accounts are adjusted to their appropriate year-end balances in accordance with GAAP.

Actions Planned in Response to Finding: The District will continue to rely on the audit firm to assist the District with its preparation of financial statements and related notes, selection and application of accounting principles, and propose certain adjustments to accounts to be in accordance with GAAP; however, the District will accept responsibility for the financial statements and has established internal control procedures to document the annual review of the financial statements by appropriate District personnel.

Finding 2021-002 Financial Oversight & Monitoring Controls

Recommendation: : I recommend the District evaluate its oversight and monitoring controls and year end procedures to help reduce the possibility that any of the financial accounts are materially misstated. These types of controls are essential to ensure that the information contained in the financial statements is materially correct.

Actions Planned in Response to Finding: The Business/Finance employees will review all financial accounts and adjust to year end balances. The Business/Finance employees will seek assistance as needed.

Finding 2021-003 Lack of Segregation of Accounting Duties

Recommendation: : The accounting functions should be reviewed to determine if additional segregation of duties is feasible. This may be possible by either the addition of staff or shifting some duties of current staff to improve the efficiency and effectiveness of financial management for the District.

Actions Planned in Response to Finding: Administration will review the segregation of accounting duties to attempt to resolve the lack of segregation of duties.

Audit Finding 2021-004 – Child Nutrition Cluster (CFDA 10.555, 10.559): Grant Period – Year Ended June 30, 2021, Department of Agriculture & Department of Education, passed through Minnesota Department of Education

Recommendation: : The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. The District, if possible, should have a plan in place for temporary absences of current staff. The District should also review and update its policy regularly.

Actions Planned in Response to Finding: Administration will review the segregation of accounting duties to attempt to resolve the lack of segregation of duties within the District office until it becomes cost prohibitive.

If there are questions regarding this plan, please call Katie Foley at 320-843-2710.

Sincerely yours,

Katie Foley ____________ Director of Finance

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. 777
(BENSON PUBLIC SCHOOLS)
SWIFT, CHIPPEWA, AND POPE COUNTIES, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2022A

We have acted as bond counsel to Independent School District No. 777 (Benson Public Schools), Swift, Chippewa, and Pope 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 December ____, 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 October 10, 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. 777
(BENSON PUBLIC SCHOOLS)
SWIFT, CHIPPEWA, AND POPE COUNTIES, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2022A

CONTINUING DISCLOSURE CERTIFICATE

December ___, 2022

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 777 (Benson Public Schools), Swift, Chippewa, and Pope 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 [Purchaser][, 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. 777 (Benson Public Schools), Swift, Chippewa, and Pope 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 [Purchaser][, 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. <u>Provision of Annual Financial Information and Audited Financial Statements</u>.

(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. 777 (BENSON PUBLIC SCHOOLS), SWIFT, CHIPPEWA, AND POPE COUNTIES, MINNESOTA

____
Board Chair

____
Clerk

APPENDIX E

TERMS OF PROPOSAL

$990,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2022A INDEPENDENT SCHOOL DISTRICT NO. 777 (BENSON PUBLIC SCHOOLS), MINNESOTA

Proposals for the purchase of $990,000* General Obligation School Building Bonds, Series 2022A (the "Bonds") of Independent School District No. 777 (Benson Public Schools), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on November 16, 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 5:30 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 special elections held August 14, 2018 and April 14, 2020 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 December 8, 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	$100,000	2027	$150,000	2030	$170,000
2025	130,000	2028	155,000		
2026	130,000	2029	155,000		

ADJUSTMENT OPTION

* The District reserves the right to 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 December 8, 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 $990,000 plus accrued interest on the principal sum of $990,000 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 IHS Markit (now part of S&P Global) at https://ihsmarkit.com/products/municipal-issuance.html or via telephone (844) 301-7334.

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 $19,800 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

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. 777
(Benson Public Schools), Minnesota

PROPOSAL FORM

The School Board **November 16, 2022**
Independent School District No. 777 (Benson Public Schools), Minnesota (the "District")

RE: $990,000* General Obligation School Building Bonds, Series 2022A (the "Bonds")
DATED: December 8, 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 $990,000) 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	2027	________	% due	2030
________	% due	2025	________	% due	2028			
________	% due	2026	________	% due	2029			

* The District reserves the right to 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 rating for the Bonds may not be requested without contacting Ehlers and receiving the permission of the District.

A good faith deposit ("Deposit") in the amount of $19,800 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about December 8, 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 not 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 December 8, 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. 777 (Benson Public Schools), Minnesota, on November 16, 2022.

By: ______________________ By: ______________________

Title: ______________________ Title: ______________________