

# PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 23, 2023

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 Certificates, interest to be paid on the Certificates 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 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 Certificates or arising with respect to ownership of the Certificates. See "TAX EXEMPTION" herein.

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

## New Issue

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

## INDEPENDENT SCHOOL DISTRICT NO. 2170 (STAPLES-MOTLEY), MINNESOTA (Todd, Cass, Morrison, and Wadena Counties)

### \$2,125,000\* CERTIFICATES OF PARTICIPATION, SERIES 2023A

Evidencing the Proportional Interests of the Registered Owners thereof in Lease Payments under a Lease-Purchase Agreement between the District, as Lessee, and Zions Bancorporation, National Association, as Lessor

**PROPOSAL OPENING:** March 9, 2023, 10:00 A.M., C.T.

**CONSIDERATION:** Not later than 11:59 P.M., C.T. on March 9, 2023 (PARAMETERS RESOLUTION)

**PURPOSE/AUTHORITY/SECURITY:** The \$2,125,000\* Certificates of Participation, Series 2023A (the "Certificates") are being issued pursuant to Minnesota Statutes, Section 465.71, as amended, by Independent School District No. 2170 (Staples-Motley), Minnesota (the "District") for the purpose of financing the construction of a building addition for a gymnasium at Staples-Motley Elementary School. The Certificates will be limited special obligations of the District payable from and secured by a pledge of lease payments required to be made by the District to Zions Bancorporation, National Association (the "Trustee") pursuant to a Lease-Purchase Agreement (the "Lease") to be entered into between the District, as lessee, and the Trustee, as lessor, subject to the District's right of non-appropriation. **THE CERTIFICATES DO NOT CONSTITUTE A GENERAL OR MORAL OBLIGATION OF THE DISTRICT AND ARE NOT A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE DISTRICT.** Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

**DATE OF CERTIFICATES:** April 6, 2023

**MATURITY:** April 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2024	\$100,000	2029	\$125,000	2034	\$160,000
2025	105,000	2030	130,000	2035	170,000
2026	110,000	2031	140,000	2036	175,000
2027	115,000	2032	145,000	2037	185,000
2028	120,000	2033	155,000	2038	190,000

**MATURITY ADJUSTMENTS:** \* The District reserves the right to increase or decrease the principal amount of the Certificates 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:** October 1, 2023 and semiannually thereafter.

**OPTIONAL REDEMPTION:** Certificates maturing on April 1, 2032 and thereafter are subject to call for prior optional redemption on April 1, 2031 and any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

**MINIMUM PROPOSAL:** \$2,125,000.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$42,500 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT, ESCROW AGENT & TRUSTEE:** Zions Bancorporation, National Association

**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).

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



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1 (800) 552-1171

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## 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 Certificates 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 Certificates.

## 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 Certificates 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 Certificates, 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 Certificates and all times subsequent thereto up to and including the time of the delivery of the Certificates, 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 Certificates; (3) a certificate evidencing the due execution of the Certificates, 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 Certificates, (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 Certificates 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 Certificates 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.

# TABLE OF CONTENTS

<p>INTRODUCTORY STATEMENT..... 1</p> <p>THE CERTIFICATES ..... 1</p> <p style="padding-left: 20px;">GENERAL ..... 1</p> <p style="padding-left: 20px;">OPTIONAL REDEMPTION AND EXTRAORDINARY REDEMPTION ..... 2</p> <p style="padding-left: 20px;">AUTHORITY; PURPOSE ..... 2</p> <p style="padding-left: 20px;">ESTIMATED SOURCES AND USES ..... 3</p> <p style="padding-left: 20px;">SECURITY ..... 3</p> <p style="padding-left: 20px;">CONCURRENT FINANCING ..... 4</p> <p style="padding-left: 20px;">RATING ..... 4</p> <p style="padding-left: 20px;">CONTINUING DISCLOSURE ..... 4</p> <p style="padding-left: 20px;">LEGAL OPINION ..... 5</p> <p style="padding-left: 20px;">TAX EXEMPTION ..... 5</p> <p style="padding-left: 20px;">QUALIFIED TAX-EXEMPT OBLIGATIONS ..... 6</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR ..... 6</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR AFFILIATED COMPANIES ..... 7</p> <p style="padding-left: 20px;">INDEPENDENT AUDITORS ..... 7</p> <p style="padding-left: 20px;">RISK FACTORS ..... 7</p> <p>VALUATIONS ..... 10</p> <p style="padding-left: 20px;">OVERVIEW ..... 10</p> <p style="padding-left: 20px;">CURRENT PROPERTY VALUATIONS ..... 11</p> <p style="padding-left: 20px;">2021/22 NET TAX CAPACITY BY CLASSIFICATION .. 12</p> <p style="padding-left: 20px;">TREND OF VALUATIONS ..... 12</p> <p style="padding-left: 20px;">LARGER TAXPAYERS ..... 13</p> <p>DEBT ..... 14</p> <p style="padding-left: 20px;">DIRECT DEBT ..... 14</p> <p style="padding-left: 20px;">DEBT PAYMENT HISTORY ..... 14</p> <p style="padding-left: 20px;">FUTURE FINANCING ..... 14</p> <p style="padding-left: 20px;">STATE AID FOR DEBT SERVICE ..... 15</p> <p style="padding-left: 20px;">BONDED DEBT LIMIT ..... 15</p> <p style="padding-left: 20px;">SCHEDULE OF BONDED INDEBTEDNESS ..... 16</p> <p style="padding-left: 20px;">OVERLAPPING DEBT ..... 19</p> <p style="padding-left: 20px;">DEBT RATIOS ..... 20</p> <p>TAX RATES, LEVIES AND COLLECTIONS ..... 21</p> <p style="padding-left: 20px;">TAX LEVIES AND COLLECTIONS ..... 21</p> <p style="padding-left: 20px;">TAX CAPACITY RATES ..... 22</p> <p>THE ISSUER ..... 23</p> <p style="padding-left: 20px;">EMPLOYEES ..... 23</p> <p style="padding-left: 20px;">PENSIONS; UNIONS ..... 23</p> <p style="padding-left: 20px;">POST EMPLOYMENT BENEFITS ..... 23</p> <p style="padding-left: 20px;">STUDENT BODY ..... 24</p> <p style="padding-left: 20px;">SCHOOL BUILDINGS ..... 24</p> <p style="padding-left: 20px;">FUNDS ON HAND ..... 25</p> <p style="padding-left: 20px;">LITIGATION ..... 25</p> <p style="padding-left: 20px;">MUNICIPAL BANKRUPTCY ..... 25</p> <p style="padding-left: 20px;">SUMMARY GENERAL FUND INFORMATION ..... 26</p>	<p>GENERAL INFORMATION ..... 27</p> <p style="padding-left: 20px;">LOCATION ..... 27</p> <p style="padding-left: 20px;">LARGER EMPLOYERS ..... 27</p> <p style="padding-left: 20px;">U.S. CENSUS DATA ..... 28</p> <p style="padding-left: 20px;">EMPLOYMENT/UNEMPLOYMENT DATA ..... 28</p> <p>FINANCIAL STATEMENTS ..... A-1</p> <p>FORM OF LEGAL OPINION ..... B-1</p> <p>BOOK-ENTRY-ONLY SYSTEM ..... C-1</p> <p>FORM OF CONTINUING DISCLOSURE CERTIFICATE D-1</p> <p>TERMS OF PROPOSAL ..... E-1</p>
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## **STAPLES-MOTLEY SCHOOL BOARD**

		<u>Term Expires</u>
Bryan Winkels	Board Chair	January 2027
Ryan Wright	Vice Chair	January 2027
Lisa Anderson	Clerk	January 2025
Jeremy Reeck	Treasurer	January 2025
Kyle Reese	Member	January 2027
Chandler Trout	Member	January 2027

## **ADMINISTRATION**

Shane Tappe, Superintendent of Schools

Tanley Lego, Business Manager

## **PROFESSIONAL SERVICES**

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

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

# INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 2170 (Staples-Motley), Minnesota (the "District") and the issuance of its \$2,125,000\* Certificates of Participation, Series 2023A (the "Certificates", the "Series 2023A Certificates" or the "Obligations"). Any descriptions or summaries of the Certificates, 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 Certificates to be included in the resolution ratifying the award of sale of the Certificates ("Ratifying Resolution") to be adopted by the School Board.

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](http://www.ehlers-inc.com) by connecting to the Bond Sales link and following the directions at the top of the site.

## THE CERTIFICATES

### GENERAL

The Certificates 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 April 6, 2023. The Certificates will mature on April 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on April 1 and October 1 of each year, commencing October 1, 2023, to the registered owners of the Certificates appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2024 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Certificates 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 Certificates 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 Certificates are held under the book-entry system, beneficial ownership interests in the Certificates may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Certificates 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 Certificates shall be payable as provided in the Ratifying Resolution.

The District has selected Zions Bancorporation, National Association, Chicago, Illinois, to act as paying agent (the "Paying Agent"), as escrow agent (the "Escrow Agent") and trustee (the "Trustee"). The District will pay the charges for Paying Agent, Escrow Agent and Trustee services. The District reserves the right to remove the Paying Agent, Escrow Agent and/or Trustee and to appoint a successor.

\*Preliminary, subject to change.

## **OPTIONAL REDEMPTION AND EXTRAORDINARY REDEMPTION**

At the option of the District, the Certificates maturing on or after April 1, 2032 shall be subject to optional redemption prior to maturity on April 1, 2031 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

The Certificates shall be subject to extraordinary redemption and prepayment, in whole or in part, at the option of the District on any date, in certain cases of damage, destruction or condemnation as described in the Lease-Purchase Agreement, and subject to a determination by the District that rebuilding, restoration and replacement of the Project would not be economically feasible.

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

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

## **AUTHORITY; PURPOSE**

The Certificates are being issued pursuant to Minnesota Statutes, Section 465.71, as amended, by the District, and a Trust Agreement (the "Trust Agreement"), dated as of April 6, 2023 between the District and the Trustee.

The Certificates are being issued to finance the construction of a building addition for a gymnasium at Staples-Motley Elementary School (the "Project") on real property located in the District (the "Site"). The Certificates will be limited special obligations of the District payable from and secured by a pledge of lease payments (the "Lease Payments") required to be made by the District to the Trustee pursuant to a Lease-Purchase Agreement (the "Lease") to be entered into between the District, as lessee, and the Trustee, as lessor.

The Trustee and the District will enter into a Ground Lease Agreement (the "Ground Lease"), dated as of April 6, 2023, under which the Trustee has agreed to lease the Site from the District.

Pursuant to the Trust Agreement, the District will assign to the Trustee its interest in the Lease and the Lease Payments to be made thereunder (except for certain rights of the District to indemnification and payment of expenses) and will grant to the Trustee a security interest in the financed Project. The Lease Payments are unconditional and subject to annual appropriations by the governing body of the District in each year sufficient to pay such Lease Payments as described herein.

Brief descriptions of the Trustee, the District, the Project, the Lease, the Ground Lease, and the Trust Agreement are included below. Such descriptions do not purport to be comprehensive or definitive.

*The Trustee* has the authority to lease property, to acquire and lease the Project to the District pursuant to the Lease and to receive and pledge the revenues from the Project, in accordance with the terms of the Lease and as provided in the Trust Agreement. The Trustee is authorized to enter into the Trust Agreement and the Lease.

**The District** is a body politic and corporate, organized under and pursuant to the Constitution and laws of the State of Minnesota. The District has the right and lawful authority to lease the Project from the Trustee and to make the Lease Payments therefor as set forth in the Lease.

**The Project** consists of the betterment of the Site and all additions and improvements to be constructed on the Site with the proceeds of the Certificates, and the fixtures, to be installed thereon or therein.

**The Lease** Pursuant to the Lease, the Trustee will lease the Project to the District, subject to the District's right to terminate the Lease at the end of any Fiscal Year. The Lease Payments are to be made by the District in amounts sufficient to pay the principal of and interest on the Certificates when due.

**The Ground Lease** Pursuant to the Ground Lease, the District will lease the site on which the Project is to be constructed to the Trustee.

**The Trust Agreement** The District will issue the Certificates pursuant to the Trust Agreement, and the Trust Agreement sets forth the rights and obligations of the District, the Trustee and the Certificate-holders with respect thereto.

**ESTIMATED SOURCES AND USES\***

**Sources**

Par Amount of Certificates	\$2,125,000	
Reoffering Premium	<u>152,839</u>	
<b>Total Sources</b>		<b>\$2,277,839</b>

**Uses**

Total Underwriter's Discount (1.800%)	\$38,250	
Costs of Issuance	62,400	
Deposit to Project Construction Fund	<u>2,177,189</u>	
<b>Total Uses</b>		<b>\$2,277,839</b>

\*Preliminary, subject to change.

**SECURITY**

The Certificates will be valid and binding limited special obligations of the District payable solely from and secured by a pledge of lease payments to be made to the Trustee by the District pursuant to the Lease. The Certificates do not constitute a general or moral obligation of the District and are not a charge against the general credit or taxing powers of the District.

The Lease Payments under the terms of the Lease will be payable solely from District funds which are normally budgeted and appropriated by the School Board and which may be terminated by action of the School Board. The District's obligation to make lease payments under the Lease is subject to its annual right to terminate the Lease at the end of any fiscal year by failure to appropriate the funds. (See "RISK FACTORS").

In the event the annual appropriation is not made, the Trustee is entitled to repossession and the right to re-lease the Project and its interest in the Site. The Trustee, on behalf of the owners of the Certificates, will attempt to sublease and operate the Project. There is no assurance that the Trustee will be able to re-lease the Project and the Site, or to do so for amounts that would pay all interest and principal on the Certificates.

## **CONCURRENT FINANCING**

By means of a separate Preliminary Official Statement, the District will be offering for sale its General Obligation Facilities Maintenance Bonds, Series 2023B (the "Concurrent Obligations" or the "Series 2023B Bonds"), which is scheduled to close on April 6, 2023.

## **RATING**

General obligation debt of the District, with the exception of any outstanding credit enhanced issues, is currently rated "A1" by Moody's Investors Service, Inc. ("Moody's").

The District has requested a rating on the Certificates from Moody's, and bidders will be notified as to the assigned rating prior to the sale. Such rating, if any, reflects only the views of such organization and explanations of the significance of such rating may be obtained from Moody's.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

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

## **CONTINUING DISCLOSURE**

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Certificates, 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 Certificates, 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 Certificates. However, such a failure may adversely affect the transferability and liquidity of the Certificates and their market price.



Prior continuing disclosure undertakings entered into by the District included language stating that an Annual Report including the District's audited financial statements would be filed "when available." Although the District did not provide financial statements "when available", the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. Other than what is described in this paragraph, the District believes it has complied in all material respects with its prior disclosure undertakings under the Rule in the last five years. The District has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the District.

## **LEGAL OPINION**

An opinion as to the validity of the Certificates and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the District ("Bond Counsel"), and will be available at the time of delivery of the Certificates. The legal opinion will state that the Certificates are valid and binding special obligations of the District; provided that the rights of the owners of the Certificates and the enforceability of the Certificates 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**

On the date of issuance of the Certificates, Bond Counsel will render an opinion that, at the time of issuance and delivery of the Certificates to the original purchaser, based on present federal and State of 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 Ratifying Resolution, interest on the Certificates is not includable in gross income for federal income tax purposes and, to the same extent, is not includable in the 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, interest on the Certificates is included in determining the annual adjusted financial statement income (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) of applicable corporations (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. Section 59(k) of the Code defines "applicable corporation" as any corporation (other than an S corporation), a regulated investment company, or a real estate investment trust which meets the average annual adjusted financial statement income test set forth in Section 59(k) of the Code in one or more taxable years. No opinion will be expressed by Kennedy & Graven, Chartered regarding other federal or State of Minnesota tax consequences caused by the receipt or accrual of interest on the Certificates or arising with respect to ownership of the Certificates.

Noncompliance following the issuance of the Certificates with certain requirements of the Code and covenants of the Ratifying Resolution may result in the inclusion of interest on the Certificates 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 Certificates, or for an increase in the interest rate on the Certificates, in the event that interest on the Certificates 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 Certificates that is received or accrued during the taxable year.

Interest on the Certificates 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 Certificates 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 Certificates. The receipt of interest on the Certificates 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 Certificates are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Certificates.

### **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 Certificates). Prospective purchasers of the Certificates should consult their own tax advisors regarding the impact of any such change in law.

### **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The District will designate the Certificates 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 Certificates. The Municipal Advisor cannot participate in the underwriting of the Certificates. 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, 2022 have been audited by Brady, Martz & Associates, P.C., Thief River Falls, 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 Certificates 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.

**Non-Appropriation Risk:** The District's obligation to make annual lease payments on the Certificates is subject to annual appropriation by the School Board for each fiscal year during the term of the Lease. In the event the annual appropriation is not made, the Trustee is entitled to repossession and the right to re-lease the Project and the Site. There is not assurance that the Trustee will be able to re-lease the Project and the Site, or to do so for amounts that would pay all interest and principal on the Certificates.

**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 Certificates 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 Certificates may fall for purposes of resale. Noncompliance following the issuance of the Certificates with certain requirements of the Code and covenants of the Ratifying Resolution may result in the inclusion of interest on the Certificates 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 Certificates, or for an increase in the interest rate on the Certificates, in the event that interest on the Certificates 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 Certificates. 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 Certificates in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Certificates and their market price.

**Levy Limits:** Minnesota school district tax levies for most purposes are subject to statutory limitations. No limit, however, is placed on the debt service levy, and districts are required to levy 105% of actual principal and interest requirements to allow for delinquencies. School districts receive a basic revenue amount per pupil unit from aid and levy proceeds in a variety of categorical state aids. They are also allowed to certify additional levies within limits for certain specified purposes. The State Department of Education and the applicable County Auditors review the levies of each school district to determine compliance with state levy limits.

**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 Certificates to the accounts of the Beneficial Owners of the Certificates 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 Certificates.

**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 Certificates in the secondary market.

**Secondary Market for the Certificates:** No assurance can be given that a secondary market will develop for the purchase and sale of the Certificates or, if a secondary market exists, that such Certificates can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Certificates at the request of the owners thereof. Prices of the Certificates 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 Certificates. 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 Certificates 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 Certificates. 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 <sup>1</sup>	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 <sup>1</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,880,000 - 0.50% <sup>2</sup> Over \$1,880,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% <sup>2</sup> Over \$1,900,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,890,000 - 0.50% <sup>2</sup> Over \$1,890,000 - 1.00% <sup>2</sup>
Agricultural non-homestead	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>
Seasonal recreational residential	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>
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 <sup>4</sup> - 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 <sup>4</sup> - 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 <sup>4</sup> - 1.25% Affordable Rental: First \$174,000 - .75% Over \$174,000 - .25%
Industrial/Commercial/Utility <sup>5</sup>	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%

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

<sup>2</sup> Applies to land and buildings. Exempt from referendum market value tax.

<sup>3</sup> Exempt from referendum market value tax.

<sup>4</sup> 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.

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

## CURRENT PROPERTY VALUATIONS

2021/22 Economic Market Value \$1,556,087,989<sup>1</sup>

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

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

### 2021/22 Net Tax Capacity

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

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

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

## 2021/22 NET TAX CAPACITY BY CLASSIFICATION

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

## TREND OF VALUATIONS

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

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<sup>1</sup> Net Tax Capacity includes tax increment values.

<sup>2</sup> Taxable Net Tax Capacity does not include tax increment values.



**LARGER TAXPAYERS**

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

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

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

## DEBT

### DIRECT DEBT<sup>1</sup>

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

Total G.O. debt secured by tax abatement revenues and state aids <sup>2</sup>	\$1,605,000
Total G.O. debt secured by taxes and state aids <sup>2</sup> (includes the Series 2023B Bonds)*	<u>18,550,000</u>
Total General Obligation Debt*	<u><u>\$20,155,000</u></u>

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

Total lease purchase obligations paid by annual appropriations <sup>3</sup> (includes the Series 2023A Certificates)*	<u><u>\$2,125,000</u></u>
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\*Preliminary, subject to change.

### DEBT PAYMENT HISTORY

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

### FUTURE FINANCING

Other than to the Concurrent Obligations, the District has no current plans for additional financing in the next 12 months.

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<sup>1</sup> Outstanding debt is as of the dated date of the Series 2023A Certificates and Series 2023B Bonds.

<sup>2</sup> Based upon the Long Term Facilities Maintenance Revenue formula, the agricultural land valuation and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

<sup>3</sup> Non-general obligation debt has not been included in the debt ratios.

## STATE AID FOR DEBT SERVICE

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

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

In addition to debt service equalization aid, some school districts will qualify for state Long Term Facilities Maintenance Aid to finance a portion of the payments on Alternative Facilities Bonds and Facilities Maintenance Bonds, pursuant to the Long Term Facilities Maintenance Revenue 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 14.44 % of total annual debt service levies, based on the District's 2021/22 qualifying agricultural land valuation. The District's Series 2023A Certificates, do not qualify for the agricultural credit pursuant to Minnesota Statutes.

## BONDED DEBT LIMIT

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

2021/22 Economic Market Value	\$1,556,087,989
Multiply by 15%	<u>0.15</u>
Statutory Debt Limit	\$233,413,198
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Series 2023B Bonds)*	(18,550,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations (includes the Series 2023A Certificates)*	<u>(2,125,000)</u>
Unused Debt Limit*	<u><u>\$212,738,198</u></u>

\*Preliminary, subject to change.

**Independent School District No. 2170 (Staples-Motley), Minnesota  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Tax Abatement Revenues  
(As of 04/06/2023)**

**Tax Abatement Bonds 1)  
Series 2021A**

Dated Amount	09/30/2021 \$2,060,000	Maturity	02/01					
Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2024	510,000	80,250	510,000	80,250	590,250	1,095,000	31.78%	2024
2025	535,000	54,750	535,000	54,750	589,750	560,000	65.11%	2025
2026	560,000	28,000	560,000	28,000	16,050	0	100.00%	2026
	1,605,000	163,000	1,605,000	163,000	1,196,050			

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

Independent School District No. 2170 (Staples-Motley), Minnesota  
 Schedule of Bonded Indebtedness  
 General Obligation Debt Secured by Taxes  
 (As of 04/06/2023)

Fiscal Year Ending	Facilities Maintenance Bonds Series 2019A		Facilities Maintenance Bonds 1) Series 2021A		Capital Facilities Bonds Series 2022A		Facilities Maintenance Bonds Series 2023B		Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending	
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Estimated Interest					
2024	315,000	09/12/2019	2,140,000	337,000	195,000	136,680	0	307,292	3,468,222	15,900,000	14.29%	2024	
2025	330,000	09/30/2021	2,245,000	230,000	200,000	130,830	0	375,000	3,532,330	13,125,000	29.25%	2025	
2026	100,000	02/01	2,355,000	117,750	210,000	124,830	65,000	375,000	3,352,580	10,395,000	43.96%	2026	
2027					220,000	118,530	3,225,000	371,750	3,935,280	6,950,000	62.53%	2027	
2028					230,000	107,530	3,400,000	210,500	3,948,030	3,320,000	82.10%	2028	
2029					240,000	96,030	810,000	40,500	1,186,530	2,270,000	87.76%	2029	
2030					250,000	84,030	250,000		334,030	2,020,000	89.11%	2030	
2031					260,000	71,530	260,000		331,530	1,760,000	90.51%	2031	
2032					275,000	63,730	275,000		338,730	1,485,000	91.99%	2032	
2033					275,000	55,205	275,000		330,205	1,210,000	93.48%	2033	
2034					285,000	46,405	285,000		331,405	925,000	95.01%	2034	
2035					295,000	37,000	295,000		332,000	630,000	96.60%	2035	
2036					310,000	25,200	310,000		335,200	320,000	98.27%	2036	
2037					320,000	12,800	320,000		332,800	0	100.00%	2037	
					745,000	63,750	6,740,000	684,750	7,500,000	18,550,000			2037
										22,088,872			

\* Preliminary, subject to change.

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

**Independent School District No. 2170 (Staples-Motley), Minnesota  
Schedule of Bonded Indebtedness  
Non-General Obligation Debt Secured by Annual Appropriation  
(As of 04/06/2023)**

**Certificates of Participation  
Series 2023A**

Dated Amount	04/06/2023 \$2,125,000*	Maturity 04/01	Estimated		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Interest						
2024	100,000	97,674	100,000	97,674	197,674	197,674	2,025,000	4.71%	2024	
2025	105,000	94,050	105,000	94,050	199,050	199,050	1,920,000	9.65%	2025	
2026	110,000	88,800	110,000	88,800	198,800	198,800	1,810,000	14.82%	2026	
2027	115,000	83,300	115,000	83,300	198,300	198,300	1,695,000	20.24%	2027	
2028	120,000	77,550	120,000	77,550	197,550	197,550	1,575,000	25.88%	2028	
2029	125,000	71,550	125,000	71,550	196,550	196,550	1,450,000	31.76%	2029	
2030	130,000	65,300	130,000	65,300	195,300	195,300	1,320,000	37.88%	2030	
2031	140,000	58,800	140,000	58,800	198,800	198,800	1,180,000	44.47%	2031	
2032	145,000	51,800	145,000	51,800	196,800	196,800	1,035,000	51.29%	2032	
2033	155,000	44,550	155,000	44,550	199,550	199,550	880,000	58.59%	2033	
2034	160,000	36,800	160,000	36,800	196,800	196,800	720,000	66.12%	2034	
2035	170,000	28,800	170,000	28,800	198,800	198,800	550,000	74.12%	2035	
2036	175,000	22,000	175,000	22,000	197,000	197,000	375,000	82.35%	2036	
2037	185,000	15,000	185,000	15,000	200,000	200,000	190,000	91.06%	2037	
2038	190,000	7,600	190,000	7,600	197,600	197,600	0	100.00%	2038	
	2,125,000	843,574	2,125,000	843,574	2,968,574	2,968,574				

\* Preliminary, subject to change.

**OVERLAPPING DEBT<sup>1</sup>**

<b>Taxing District</b>	<b>2021/22 Taxable Net Tax Capacity</b>	<b>% In District</b>	<b>Total G.O. Debt<sup>2</sup></b>	<b>District's Proportionate Share</b>
Counties of:				
Morrison	\$38,638,220	10.2072%	\$10,595,000	\$1,081,453
Todd	27,425,248	17.4720%	1,415,000	247,229
Wadena	12,525,421	13.8553%	700,000	96,987
Cities of:				
Staples	1,488,176	100.0000%	3,656,000	3,656,000
Motley	442,483	95.1924%	805,000	<u>766,299</u>
District's Share of Total Overlapping Debt				<u><u>\$5,847,968</u></u>

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<sup>1</sup> Overlapping debt is as of the dated date of the Series 2023A Certificates and Series 2023B 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.

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

**DEBT RATIOS**

	<b>G.O. Debt</b>	<b>Debt/Economic Market Value \$1,556,087,989</b>	<b>Debt/ Per Capita 10,174<sup>1</sup></b>
Direct G.O. Debt Secured By:			
Tax Abatement Revenues and State Aids	\$1,605,000		
Taxes and State Aids*	<u>18,550,000</u>		
Total General Obligation Debt*	\$20,155,000		
Less: Agricultural Credit <sup>2</sup>	<u>(2,910,382)</u>		
Tax Supported General Obligation Debt*	\$17,244,618	1.11%	\$1,694.97
 District's Share of Total Overlapping Debt	 <u>\$5,847,968</u>	 <u>0.38%</u>	 <u>\$574.80</u>
 Total*	 <u><u>\$23,092,586</u></u>	 <u><u>1.48%</u></u>	 <u><u>\$2,269.76</u></u>

\*Preliminary, subject to change.

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<sup>1</sup> Estimated 2021 population.

<sup>2</sup> Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 14.44% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is \$2,910,382.



## TAX RATES, LEVIES AND COLLECTIONS

### TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy <sup>1</sup>	Total Collected Following Year	Collected to Date	% Collected
2017/18	\$1,863,202	\$1,820,206	\$1,860,969	99.88%
2018/19	2,371,843	2,312,965	2,367,596	99.82%
2019/20	2,408,985	2,364,200	2,398,125	99.55%
2020/21	2,441,027	2,393,967	2,398,275	98.25%
2021/22	4,887,083	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.<sup>2</sup> 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.

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

<sup>2</sup> Second half tax payments on agricultural property are due on November 15th of each year.

## TAX CAPACITY RATES<sup>1</sup>

	2017/18	2018/19	2019/20	2020/21	2021/22
I.S.D. No. 2170 (Staples-Motley)	13.151%	15.973%	14.682%	14.079%	36.782%
Cass County	31.869%	30.957%	30.522%	29.857%	29.034%
Morrison County	59.269%	56.224%	54.208%	53.465%	51.655%
Todd County	74.568%	71.970%	66.564%	63.488%	63.304%
Wadena County	87.817%	80.617%	80.099%	80.738%	78.491%
City of Aldrich	40.696%	42.550%	41.481%	45.145%	42.207%
City of Motley	100.689%	103.870%	95.257%	93.065%	96.436%
City of Staples	97.263%	82.547%	72.932%	73.095%	71.482%
Town of May <sup>2</sup>	27.125%	22.963%	21.576%	23.355%	25.161%
HRA- Morrison County	0.104%	0.097%	0.114%	0.109%	0.104%
Region V Commission	0.134%	0.133%	0.130%	0.128%	0.123%
Rural Development Finance Authority	0.273%	0.268%	0.256%	0.246%	0.246%

### *Referendum Market Value Rates:*

I.S.D. No. 2170 (Staples-Motley)	0.13057%	0.12016%	0.12006%	0.12596%	0.10856%
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**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by Todd, Cass, Morrison and Wadena Counties.

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

<sup>2</sup> Representative town rate.

## THE ISSUER

### EMPLOYEES

The District is governed by an elected school board and employs a staff of 172, including 55 non-licensed employees and 117 licensed employees (74 of whom are teachers). The District provides education for 921 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, as amended.

#### 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, as amended.

#### Recognized and Certified Bargaining Units

<b>Bargaining Unit</b>	<b>Expiration Date of Current Contract</b>
Teachers	June 30, 2023
Non-unionized employees	June 30, 2023
Administration	June 30, 2023

### POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent actuarial study shows a total OPEB liability of \$1,760,418 as of June 30, 2022. In November of 2008, the District issued \$1,010,000 in OPEB Bonds to fund an irrevocable trust. As of June 30, 2022, the net position of the trust was \$420,425. Future OPEB costs will be paid partially from the trust and partially from operating funds.

**Source:** The District's most recent actuarial study.

## STUDENT BODY

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

<b>Year</b>	<b>Kindergarten</b>	<b>Grades 1-6</b>	<b>Grades 7-12</b>	<b>Total</b>
2018/19	90	460	540	1,090
2019/20	66	416	521	1,003
2020/21	66	405	508	979
2021/22	48	400	489	937
2022/23	62	383	476	921

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

<b>Year</b>	<b>Kindergarten</b>	<b>Grades 1-6</b>	<b>Grades 7-12</b>	<b>Total</b>
2023/24	54	400	463	917
2024/25	57	380	479	916
2025/26	64	377	474	915

## SCHOOL BUILDINGS

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

**FUNDS ON HAND** (as of December 31, 2022)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$5,825,086
Food Service	345,718
Community Service	589,884
Debt Service	3,218,978
Building/Construction	8,502,992
OPEB	<u>452,430</u>
Total Funds on Hand	<u><u>\$18,935,088</u></u>

**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 Series 2023A Certificates and Series 2023B Bonds or otherwise questioning the validity of the Series 2023A Certificates and Series 2023B 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 Series 2023A Certificates and Series 2023B 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 Series 2023A Certificates and Series 2023B Bonds. Such modifications could be adverse to holders of the Series 2023A Certificates and Series 2023B Bonds and there could ultimately be no assurance that holders of the Series 2023A Certificates and Series 2023B Bonds would be paid in full or in part on the Series 2023A Certificates and Series 2023B 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 2022 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				2022-23 Revised Budget <sup>1)</sup>
	2019 Audited	2020 Audited	2021 Audited	2022 Audited	
<b>Revenues</b>					
Local property taxes	\$1,473,048	\$2,270,247	\$2,171,505	\$2,271,740	\$1,809,173
Other local and county sources	558,271	341,525	246,249	636,695	607,525
State sources	11,586,256	11,375,269	10,595,230	10,370,578	9,969,247
Federal sources	435,010	484,166	1,049,895	1,206,132	1,819,886
Insurance recovery	237	0	0	0	0
Sales and other conversion of assets	53,236	60,919	20,042	47,585	0
<b>Total Revenues</b>	<b>\$14,106,058</b>	<b>\$14,532,126</b>	<b>\$14,082,921</b>	<b>\$14,532,730</b>	<b>\$14,205,831</b>
<b>Expenditures</b>					
Current:					
Administration	\$932,929	\$848,436	\$583,777	\$671,123	\$716,130
District support services	480,606	462,828	594,812	580,364	455,367
Regular instruction	5,630,462	5,906,010	5,622,691	6,071,370	5,863,049
Vocational education instruction	256,544	163,844	148,850	260,101	176,497
Special education instruction	2,387,115	2,430,842	2,361,721	2,143,801	2,432,453
Instructional support services	537,042	526,497	876,475	754,150	215,621
Pupil support services	1,241,947	1,065,493	981,707	1,033,170	1,220,682
Sites and buildings	1,589,557	1,326,400	1,357,408	1,193,077	1,702,139
Fiscal and other fixed cost programs	71,882	65,111	75,172	90,664	144,685
Capital outlay	1,076,376	664,727	966,789	776,655	1,431,613
Debt service	365,968	367,127	180,539	18,009	0
<b>Total Expenditures</b>	<b>\$14,570,428</b>	<b>\$13,827,315</b>	<b>\$13,749,941</b>	<b>\$13,592,484</b>	<b>\$14,358,236</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(464,370)</b>	<b>704,811</b>	<b>332,980</b>	<b>940,246</b>	<b>(152,405)</b>
<b>Other Financing Sources (Uses)</b>					
Sale of equipment	\$3,818	\$1,147	\$46	\$0	\$0
Insurance recovery proceeds	0	0	0	26,618	0
Lease proceeds	213,575	0	0	0	0
Operating transfers in	0	0	0	0	0
Operating transfers in/out	(73,430)	(75,260)	(78,016)	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>143,963</b>	<b>(74,113)</b>	<b>(77,970)</b>	<b>26,618</b>	<b>0</b>
<b>Net changes in Fund Balances</b>	<b>(\$320,407)</b>	<b>\$630,698</b>	<b>\$255,010</b>	<b>\$966,864</b>	<b>(\$152,405)</b>
General Fund Balance July 1	\$4,040,842	\$3,720,435	\$4,351,133	\$4,606,143	5,573,007
Prior Period Adjustment	0	0	0	0	0
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance June 30	<b>\$3,720,435</b>	<b>\$4,351,133</b>	<b>\$4,606,143</b>	<b>\$5,573,007</b>	<b>\$5,420,602</b>
<b>DETAILS OF JUNE 30 FUND BALANCE</b>					
Nonspendable	\$119,243	\$159,783	\$107,448	\$110,267	
Restricted	1,179,098	1,537,387	1,368,045	2,180,755	
Committed	0	0	10,450	10,450	
Assigned	275,226	109,092	109,092	109,092	
Unassigned	2,146,868	2,544,871	3,011,108	3,162,443	
<b>Total</b>	<b>\$3,720,435</b>	<b>\$4,351,133</b>	<b>\$4,606,143</b>	<b>\$5,573,007</b>	

1) The 2022-23 revised budget was adopted on December 19, 2022.

## GENERAL INFORMATION

### LOCATION

The District, with a 2020 U.S. Census population of 10,099 and a 2021 population estimate of 10,174, and comprising an area of 480 square miles, is located approximately 140 miles northwest of the Minneapolis/St. Paul metropolitan area.

### LARGER EMPLOYERS<sup>1</sup>

Larger employers in the District include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
Lakewood Health System	Hospital, clinic & nursing home	1,475
Trident Seafood Corp.	Seafood-wholesale	400
Central Lakes College	Junior-community college- tech institute	300
I.S.D. No. 2170 (Staples-Motley)	Elementary and secondary education	172
Morey's Seafood International, LLC	Seafood-retail	150
Stern Rubber	Rubber products-manufacturer	140
Sourcewell	Education centers	75
3M Fabrication Services	Machine shop/manufacturers	50
Ernies Food Market	Grocers-retail	50
Pine Ridge Golf Club	Golf courses	30

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

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<sup>1</sup> 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	10,006
2020 U.S. Census population	10,099
Percent of Change 2010 - 2020	0.93%
2021 State Demographer Estimate	10,174

### Income and Age Statistics

	The District	Todd County	State of Minnesota	United States
2021 per capita income	\$28,905	\$27,890	\$41,204	\$37,638
2021 median household income	\$55,503	\$58,021	\$77,706	\$69,021
2021 median family income	\$66,175	\$70,346	\$98,356	\$85,028
2021 median gross rent	\$826	\$746	\$1,081	\$1,163
2021 median value owner occupied units	\$159,900	\$156,600	\$250,200	\$244,900
2021 median age	47.9 yrs.	43.4 yrs.	38.2 yrs.	38.4 yrs.

	State of Minnesota	United States
District % of 2021 per capita income	70.15%	76.80%
District % of 2021 median family income	67.28%	77.83%

**Source:** 2010 and 2020 Census of Population and Housing, and 2021 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>) and Minnesota State Demographer (<https://mn.gov/admin/demography/data-by-place/school-district-data.jsp>).

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	Average Employment		Average Unemployment	
	Todd County	Todd County	Todd County	State of Minnesota
2018	13,062	3.9%	3.9%	3.1%
2019	13,358	4.4%	4.4%	3.4%
2020	12,989	5.0%	5.0%	6.3%
2021	12,851	3.9%	3.9%	3.4%
2022	12,738	2.7%	2.7%	2.2%

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



**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 Certificates, the District represents that there have been no material adverse change in the financial position or results of operations of the District, nor has the District incurred any material liabilities, which would make such financial statements misleading.

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

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA**

AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
TABLE OF CONTENTS**

	<u>Pages</u>
Roster of School Officials .....	1
Independent Auditor's Report .....	2-4
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Management's Discussion and Analysis .....	5-12
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position .....	13-14
Statement of Activities .....	15
Balance Sheet - Governmental Funds .....	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	19
Statement of Fiduciary Net Position .....	20
Statement of Changes in Fiduciary Net Position .....	21
Notes to Basic Financial Statements .....	22-49
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule for the General Fund .....	50
Schedule of Changes in the District's Net OPEB Liability and Related Ratios .....	51
Schedule of Changes in the District's Supplemental Pension Liability and Related Ratios .....	52
Schedule of District Contributions .....	53
Schedule of District's Share of Net Pension Liability .....	54
Notes to Required Supplementary Information .....	55-58
<b>SUPPLEMENTARY INFORMATION</b>	
Combining Balance Sheet – Nonmajor Governmental Funds .....	59

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
TABLE OF CONTENTS**

	<u>Pages</u>
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	60
Schedule of Changes in Fund Balances and Net Position .....	61-62
Independent Auditor's Report on Minnesota Legal Compliance .....	63
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	64-65
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	66-68
Schedule of Expenditures of Federal Awards .....	69
Notes to the Schedule of Expenditures of Federal Awards .....	70
Schedule of Findings and Questioned Costs .....	71-75
Schedule of Prior Audit Findings .....	76-78
Corrective Action Plan .....	79
<b>SUPPLEMENTARY INFORMATION</b>	
Uniform Financial Accounting and Reporting Standards Compliance Table .....	80

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bryan Winkels	Chairman	December 31, 2025
Bruce Lund	Vice-Chairman	December 31, 2023
Mary Freeman	Clerk	December 31, 2023
Brad Anderson	Treasurer	December 31, 2023
Lisa Anderson	Director	December 31, 2025
Jeremy Reeck	Director	December 31, 2025
Shane Tappe	Superintendent	
John Regan	Director of Finance	(through June 30, 2022)
Tanley Lego	Business Manager	(effective July 1, 2022)

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining information of the Independent School District No. 2170, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 2170, as of June 30, 2022, 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.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining statements, schedule of changes in fund balances and net position and compliance table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, schedule of changes in fund balances and net position, compliance table, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Information

Management is responsible for the other information included in the annual report. The other information comprises the roster of school officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.  
Thief River Falls, Minnesota

December 30, 2022

concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules, and notes as listed in the table of contents as required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. Although our opinions of the basic financial statements are not affected, the following material departures from the prescribed guidelines exist: The District did not present the final budget in accordance with accounting principles generally accepted in the United States of America. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2022**

This section of Independent School District No. 2170's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**Financial Highlights**

For the year ending June 30, 2022, the District's unassigned general fund balance increased from \$3,011,108 to \$3,162,443 or an increase of \$151,335.

**Overview of the Financial Statements**

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and supplementary information. 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 funds statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's general fund budget for the year, and supplementary information that is presented for additional analysis.

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, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. 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 it has changed. Net position – the difference between the District's assets, liabilities, and deferred inflows/outflows of resources – is one way to measure the District's financial health or *position*.

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

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

- *Governmental activities:* All of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2022**

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. 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 (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The District has two kinds of funds:

**Governmental funds:** The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you 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, reconciliations have been provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to help explain the relationship (or differences) between the governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, building construction fund, and debt service fund, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data is provided in the form of combining statements elsewhere in this report.

**Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong. The District's fiduciary activities (consisting of an OPEB Trust Fund) are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2022**

**Financial Analysis of the District as a Whole**

Net Position

The District's combined net position was \$3,299,974 on June 30, 2022 (see details in Table A-1). This was an increase of 150.5 percent from the prior year.

**Table A-1  
Statement of Net Position**

	2022	2021	Total Percentage Change
Current and Other Assets	\$ 22,469,903	\$ 9,108,336	146.7 %
Capital Assets	15,345,867	12,313,153	24.6
Total Assets	37,815,770	21,421,489	76.5
Deferred Outflows of Resources	3,272,015	3,661,696	(10.6)
Long-term Liabilities	17,405,992	12,393,724	40.4
Other Liabilities	5,387,650	1,516,349	255.3
Total Liabilities	22,793,642	13,910,073	63.9
Deferred Inflows of Resources	14,994,169	9,855,600	52.1
Net Position	10,543,622	10,850,390	(2.8)
Net Investment in Capital Assets	3,250,699	2,305,009	41.0
Restricted	(10,494,347)	(11,837,887)	11.3
Total Net Position	\$ 3,299,974	\$ 1,317,512	150.5 %

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2022**

Change in Net Position

Table A-2 presents the change in net position of the District.

**Table A-2  
Change in Net Position**

	2022	2021	Total Percentage Change
Revenues			
Program Revenues			
Charges for Services	\$ 501,368	\$ 395,118	26.9 %
Operating Grants and Contributions	5,058,082	3,790,677	33.4
Capital Grants and Contributions	644,186	78,069	725.1
General Revenues			
Property Taxes	2,656,173	2,530,005	5.0
Unrestricted State Aid	7,290,792	9,148,448	(20.3)
Other Sources	178,099	213,983	(16.8)
Total Revenues	16,328,700	16,156,300	1.1
Expenses			
Administration	672,089	601,731	11.7
District Support Services	611,837	649,555	(5.8)
Elementary & Secondary Regular Instruction	5,139,325	5,739,652	(10.5)
Vocational Education Instruction	260,101	155,576	67.2
Special Education Instruction	2,156,898	2,378,548	(9.3)
Community Education and Services	465,404	520,482	(10.6)
Instructional Support Services	754,150	892,090	(15.5)
Pupil Support Services	1,770,368	1,853,429	(4.5)
Sites and Buildings	1,749,479	1,964,804	(11.0)
Fixed Costs	90,665	75,172	20.6
Interest on Long-Term Debt	429,801	38,876	1,005.6
Depreciation - Unallocated	246,121	3,618	6,702.7
Total Expenses	14,346,238	14,873,533	(3.5)
Change in Net Position	1,982,462	1,282,767	3,691.9
Net Position - Beginning	1,317,512	34,745	
Net Position - Ending	\$ 3,299,974	\$ 1,317,512	150.5 %

The District's total revenues were \$16,328,700 for the year ended June 30, 2022. Property taxes and state aid payments accounted for 82 percent of total revenue for the year.

The total cost of all programs and services was \$14,346,238. The District's expenses are predominantly related to educating and caring for students.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2022**

Total revenues surpassed expenses, increasing net position \$1,982,462 over last year. For the year ended June 30, 2022, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by \$703,563. For the year ended June 30, 2021, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA decreased net position by \$168,862.

The net cost of governmental activities is their costs less program revenues applicable to each category.

Table A-3 presents these net costs.

**Table A-3  
Net Cost of Governmental Activities**

	Total Cost of Services		Total Percentage Change		Net Cost of Services		Total Percentage Change	
	2022	2021	2022	2021	2022	2021	2022	2021
Expenses	\$		11.7 %		\$		10.9 %	
Administration	672,089	601,731	(5.8)		667,089	601,731	(5.8)	
District Support Services	611,837	649,555	(10.5)		611,837	649,555	(5.8)	
Elementary & Secondary	5,139,325	5,739,652	(9.3)		3,716,514	4,485,460	(17.1)	
Regular Instruction	260,101	155,576	(9.3)		256,803	155,041	(65.6)	
Vocational Education Instruction	2,156,898	2,378,548	(10.6)		528,546	1,020,386	(48.2)	
Special Education Instruction	465,404	520,482	(15.5)		(3,604)	(87,012)	(85.9)	
Community Education and Services	754,150	892,090	(4.5)		434,571	855,380	(49.2)	
Instructional Support Services	1,770,368	1,853,429	(11.0)		37,749	958,823	(96.1)	
Pupil Support Services	1,749,479	1,964,804	20.6		1,126,510	1,852,639	(39.2)	
Sites and Buildings	90,665	75,172	1,005.6		90,665	75,172	20.6	
Fixed Costs	429,801	38,876	6,702.7		429,801	38,876	1,005.6	
Interest on Long-Term Debt	246,121	3,618	(3.5) %		246,121	3,618	6,702.7	
Depreciation - Unallocated	\$ 14,346,238	\$ 14,873,533			\$ 8,142,602	\$ 10,609,669		(23.3) %

**Financial Analysis of the District's Funds**

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

**Table A-4  
Major Funds**

	Fund Balance		Increase (Decrease)		Percentage Increase (Decrease)	
	2022	2021	Increase (Decrease)		Increase (Decrease)	
Governmental Funds	\$		\$			
General	5,573,007	4,606,143	966,864	21.0 %		
Building Construction	8,483,680	(340,122)	8,823,802	2,594.3		
Debt Service Fund	218,174	206,606	11,568	5.6		

The increase in fund balance in the building construction fund is due to the issuance of debt in the amount of \$10,700,000.

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

	Student Enrollment (Average Daily Membership)				
	2018	2019	2020	2021	2022
Pre K - 3	327	336	292	281	245
4 - 6	256	239	207	201	217
7 - 8	180	179	169	178	162
9 - 12	367	372	368	349	341
Total Student (ADM)	1,130	1,126	1,036	1,009	965
Percentage Change		-0.35%	-7.99%	-2.61%	-4.36%

**General Fund**

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

Table A-5 presents a summary of general fund revenue.

**Table A-5  
General Fund Revenue**

	2022		2021		Amount of Increase (Decrease)		Percent Increase (Decrease)	
	\$		\$		Increase (Decrease)			
Local Sources	\$	2,271,740	\$	2,171,505	\$	100,235	4.6 %	
Property Taxes		13,221		5,997		7,224	120.5	
Interest Earnings		623,474		240,252		383,222	159.5	
Other		10,370,578		10,595,230		(224,652)	(2.1)	
State Sources		1,206,132		1,049,895		156,237	14.9	
Federal Sources		47,585		20,042		27,543	137.4	
Other		\$ 14,532,730		\$ 14,082,921		\$ 449,809	3.2 %	
Total General Fund Revenue								

Total general fund revenue increased by \$449,809 or 3.2 percent from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue.



**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2022**

Table A-6 presents a summary of general fund expenditures.

		<b>Table A-6</b>		
		<b>General Fund Expenditures</b>		
	2022	2021	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	\$ 7,276,406	\$ 7,422,784	\$ (146,378)	(2.0) %
Employee Benefits	2,390,717	2,262,522	128,195	5.7
Purchased Services	2,066,719	2,090,843	(24,124)	(1.2)
Supplies and Materials	1,017,357	838,639	178,718	21.3
Capital Expenditures	711,655	927,491	(215,836)	(23.3)
Debt Service	18,009	180,539	(162,530)	(90.0)
Other Expenditures	111,621	27,123	84,498	311.5
<b>Total General Fund Expenditures</b>	<b>\$ 13,592,484</b>	<b>\$ 13,749,941</b>	<b>\$ (157,457)</b>	<b>(1.1) %</b>

Total general fund expenditures decreased by \$157,457 or 1.1 percent from the previous year.

General Fund Budgetary Highlights

During the year the District revised its budget.

The District's budget for the general fund anticipated that revenues and other financing sources would exceed expenditures and other financing uses by \$284,703. The actual results for the year show a surplus of \$966,864.

**Capital Assets and Debt Administration**

Capital Assets

Note 3 to the financial statements presents an analysis of capital asset and lease transactions occurring during the year ended June 30, 2022. Additions totaling \$4,039,683 consisted of a land purchase, two buses, a vehicle, a scoreboard, a water heater, and remodeling of the elementary and high school. The District also has a project in process at the elementary and high school. Disposals totaling \$199,065 consisted of two vehicles and a bus.

Long-Term Debt

At year-end, the District had \$13,343,011 of long-term debt. This consisted of bonded indebtedness net of premiums of \$13,285,927 and severance payable of \$57,084. Note 8 to the financial statements presents details and payment provisions of these items.

**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2022**

- The District receives 65% of its revenue from state sources. The District is significantly impacted by the results of the financial health of the State of Minnesota. School Districts have been fortunate for the past several years to receive additional increases in the general education funding formula from the State. These increases, however, have not increased at the same rate as inflation. In addition, the State of Minnesota is currently projecting significant budget deficits.
- Declining student enrollment.

**Contacting the District's Financial Management**

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

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
STATEMENT OF NET POSITION  
June 30, 2022**

<b>GOVERNMENTAL ACTIVITIES</b>	
<b>ASSETS</b>	<b>\$</b>
Cash and Investments	18,089,800
Property Taxes Receivable, Net of Allowance	2,648,810
Accounts Receivable	5,372
Due From MN School Districts	9,679
Due From Department of Education	931,512
Due From Federal Govt. - DOE	476,535
Due From Fiduciary Trust	176,507
Prepaid Items	114,467
Inventory	17,221
Capital Assets	
Land, Construction in Process	4,647,971
Other Capital Assets, Net of Depreciation	10,697,896
<b>TOTAL ASSETS</b>	<b>37,815,770</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>3,180,463</b>
Cost Sharing Defined Benefit Pension Plan	86,023
Other Postemployment Benefit Plan	5,529
Supplemental Pension	
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>3,272,015</b>
<b>LIABILITIES</b>	
Accounts Payable	925,608
Due To Other MN School Districts	55,165
Due To Other Governments	20,743
Payroll Deductions	888,294
Unearned Revenue	15,483
Interest Payable	424,217
Vacation Payable	18,509
Long-Term Liabilities Due Within One Year	3,039,631
Long-Term Liabilities	
Bonds, Net Unamortized Premiums (Discounts)	13,285,927
Severance Payable	57,084
Net Pension Liability	5,406,152
Net Other Postemployment Benefit Liability	1,339,993
Supplemental Pension Liability	356,467
Less Amounts Due Within One Year	(3,039,631)
Total Long-Term Liabilities	17,405,992
<b>TOTAL LIABILITIES</b>	<b>22,793,642</b>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
STATEMENT OF NET POSITION - CONTINUED  
June 30, 2022**

<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes Levied - Subs. Years	5,161,891
Cost Sharing Defined Benefit Pension Plan	9,476,402
Other Postemployment Benefit Plan	342,685
Supplemental Pension	13,191
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>14,994,169</b>
<b>NET POSITION</b>	<b>10,543,622</b>
Net Investment in Capital Assets	
Restricted for:	
Student Activity	80,638
Staff Development	77,642
Operating Capital	414,684
Gifted and Talented	38,606
Safe School	56,900
LTFM	1,328,518
Medical Assistance	183,767
Food Service	548,947
Community Education	184,871
School Readiness	132,160
Adult Basic Education	5,786
Community Service	156,126
OPEB Debt Service	42,054
Unrestricted	(10,494,347)
<b>TOTAL NET POSITION</b>	<b>\$ 3,299,974</b>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2022**

Functions/Programs	Expenses		Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>					
Administration	\$ 672,089	\$ 5,000	\$	\$	\$(667,089)
District Support Services	611,837				(611,837)
Elementary & Secondary					
Regular Instruction	5,139,325	141,782	1,281,029		(3,716,514)
Vocational Education Instruction	260,101	571	2,727		(256,803)
Special Education Instruction	2,156,898	67,704	1,560,648		(528,546)
Community Education and Services	465,404	174,123	263,932	30,953	3,604
Instructional Support Services	754,150	21,480	298,099		(434,571)
Pupil Support Services	1,770,368	80,972	1,651,647		(37,749)
Sites and Buildings	1,749,479	9,736		613,233	(1,126,510)
Fixed Costs	90,665				(90,665)
Interest on Long-Term Debt	429,801				(429,801)
Depreciation - Unallocated	246,121				(246,121)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 14,346,238</b>	<b>\$ 501,368</b>	<b>\$ 5,058,082</b>	<b>\$ 644,186</b>	<b>\$(8,142,602)</b>
<b>GENERAL REVENUES</b>					
Taxes					
Property Taxes, Levied for General Purposes					2,273,751
Property Taxes, Levied for Community Education and Services					123,747
Property Taxes, Levied for Debt Services					258,675
Unrestricted State Aid					7,290,792
Unrestricted Investment Earnings					(96,897)
Other General Revenue					274,996
<b>TOTAL GENERAL REVENUES</b>					<b>10,125,064</b>
Change in Net Position					1,982,462
Net Position - Beginning					1,317,512
Net Position - Ending					<b>\$ 3,299,974</b>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2022**

ASSETS	General Fund	Building Construction Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Investments	\$ 5,997,138	\$ 9,166,212	\$ 1,934,341	\$ 992,109	\$ 18,089,800
Current Property Taxes Receivable	755,780		1,779,281	55,835	2,590,896
Delinquent Property Taxes Receivable	40,871		11,133	5,910	57,914
Accounts Receivable	787			4,585	5,372
Due From Fiduciary Trust	176,507				176,507
Due From MN School Districts	9,679		8,709	24,210	931,512
Due From Department of Education	888,593			115,159	476,535
Due From Federal Govt. - DOE	361,376			4,200	114,467
Prepaid Items	110,267			17,221	17,221
Inventory					
<b>TOTAL ASSETS</b>	<b>\$ 8,350,998</b>	<b>\$ 9,166,212</b>	<b>\$ 3,733,464</b>	<b>\$ 1,219,229</b>	<b>\$ 22,469,903</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 237,352	\$ 682,532	\$	\$ 5,724	\$ 925,608
Due To Other MN School Districts	55,165				55,165
Due To Other Governments	19,277			1,466	20,743
Payroll Deductions	883,106			5,188	888,294
Unearned Revenue	12,157			3,326	15,483
<b>TOTAL LIABILITIES</b>	<b>1,207,057</b>	<b>682,532</b>		<b>15,704</b>	<b>1,905,293</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Delinquent Taxes	40,871		11,133	5,910	57,914
Property Taxes Levied - Subs. Years	1,530,063		3,504,157	127,671	5,161,891
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,570,934</b>		<b>3,515,290</b>	<b>133,581</b>	<b>5,219,805</b>
<b>FUND BALANCES</b>					
Fund Balance:					
Nonspendable	110,267			21,421	131,688
Restricted	2,180,755	8,483,680	218,174	1,048,523	11,931,132
Committed	10,450				10,450
Assigned	109,092				109,092
Unassigned	3,162,443				3,162,443
<b>TOTAL FUND BALANCES</b>	<b>5,573,007</b>	<b>8,483,680</b>	<b>218,174</b>	<b>1,069,944</b>	<b>15,344,805</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 8,350,998</b>	<b>\$ 9,166,212</b>	<b>\$ 3,733,464</b>	<b>\$ 1,219,229</b>	<b>\$ 22,469,903</b>

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2170  
 STAPLES, MINNESOTA  
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT  
 OF NET POSITION  
 June 30, 2022

Total fund balances - governmental funds	\$ 15,344,805
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	32,148,180
Cost of capital assets	(16,802,313)
Less accumulated depreciation	
Deferred outflows of resources relating to the cost sharing defined benefit plans, other postemployment benefits, and supplemental pension in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	3,272,015
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Bonds	(11,730,000)
Unamortized premiums	(1,555,927)
Severance payable	(57,084)
Net pension liability	(5,406,152)
Net other postemployment benefit liability	(1,339,993)
Supplemental pension liability	(356,467)
Deferred inflows of resources relating to the cost sharing defined benefit plans, other postemployment benefits, and supplemental pension in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	(9,832,278)
Vacation payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(18,509)
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.	57,914
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.	(424,217)
Net position - governmental activities	<u>\$ 3,299,974</u>

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2170  
 STAPLES, MINNESOTA  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2022

	General Fund	Building Construction Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local Property Tax Levies	\$ 2,271,740	\$	\$ 255,504	\$ 122,704	\$ 2,649,948
Other Local & County Revenues	636,695	(110,118)		189,884	716,461
Revenue From State Sources	10,370,578		98,589	221,187	10,691,354
Revenue From Federal Sources	1,206,132			970,090	2,176,222
Sale/Other Conversion of Asset	47,585			54,825	102,410
<b>TOTAL REVENUES</b>	<u>14,532,730</u>	<u>(110,118)</u>	<u>355,093</u>	<u>1,558,690</u>	<u>16,336,395</u>
EXPENDITURES					
Current					
Administration	671,123				671,123
District Support Services	580,364				580,364
Elementary & Secondary					
Regular Instruction	6,071,370				6,071,370
Vocational Education Instruction	260,101				260,101
Special Education Instruction	2,143,801				2,143,801
Community Education and Services					
Instructional Support Services	754,150				754,150
Pupil Support Services	1,033,170				1,761,314
Sites and Buildings	1,193,077				1,193,077
Fixed Costs	90,664				90,664
Debt Service					
Principal	17,113		275,000		292,113
Interest and Other Fees	896		68,525		69,421
Capital Outlay	776,655	3,218,006		8,172	4,002,833
<b>TOTAL EXPENDITURES</b>	<u>13,592,484</u>	<u>3,218,006</u>	<u>343,525</u>	<u>1,191,812</u>	<u>18,345,827</u>
Revenues Over (Under) Expenditures	940,246	(3,328,124)	11,568	366,878	(2,009,432)
OTHER FINANCING SOURCES					
Debt Issued		10,700,000			10,700,000
Premium on Debt Issued		1,451,926			1,451,926
Insurance Proceeds	26,618				26,618
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>26,618</u>	<u>12,151,926</u>			<u>12,178,544</u>
Net Change in Fund Balances	966,864	8,823,802	11,568	366,878	10,169,112
Fund Balances - Beginning	4,606,143	(340,122)	206,606	703,066	5,175,693
<b>Fund Balances - Ending</b>	<u>\$ 5,573,007</u>	<u>\$ 8,483,680</u>	<u>\$ 218,174</u>	<u>\$ 1,069,944</u>	<u>\$ 15,344,805</u>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2022**

Total net change in fund balances - governmental funds	\$ 10,169,112
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense.	
Capital outlays	3,998,683
Depreciation expense	(941,892)
The net effect of various transactions involving capital assets is to decrease net position.	(25,077)
Payment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	292,113
The issuance of long-term debt provides current financial resources to the governmental funds, but the issuance increases long-term liabilities in the statement of net position.	(10,700,000)
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 the interest accrues, regardless of when it is due. Also, governmental funds report the effect of premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(1,812,306)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	6,225
Change in pension, OPEB and related deferred outflows and inflows:	
Net pension liability (PERA and TRA)	3,555,479
Deferred outflows and inflows of resources related to net pension liability (PERA and TRA)	(2,851,916)
Net other postemployment benefit liability	95,977
Deferred outflows and inflows of resources related to other postemployment benefit liability	81,345
Supplemental Pension Liability	61,909
Deferred outflows and inflows of resources related to supplemental pension liability	12,419
Recognition of additional pension expense and grant revenue for the District's proportionate share of the State of Minnesota's contribution to the PERA and TRA.	
In the statement of activities, certain expenses 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 (essentially, the amounts paid.)	
Vacation payable	34,515
Severance payable	4,876
Change in net position - governmental activities	<u>\$ 1,982,462</u>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2022**

ASSETS		OPEB Trust Fund
Cash and Investments		<u>\$ 604,288</u>
TOTAL ASSETS		<u>604,288</u>
LIABILITIES		
Due to Fiscal Host		<u>176,507</u>
TOTAL LIABILITIES		<u>176,507</u>
NET POSITION		
Held in Trust for OPEB		<u>\$ 427,781</u>

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2170  
 STAPLES, MINNESOTA  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 For the Year Ended June 30, 2022

	OPEB Trust Fund
ADDITIONS	
Investment Earnings:	
Interest	\$ (64,739)
TOTAL ADDITIONS	(64,739)
DEDUCTIONS	
Administrative Fees	540
Postemployment Benefits Expense	82,691
TOTAL DEDUCTIONS	83,231
Change in Net Position	(147,970)
Net Position Held in Trust for OPEB - Beginning	575,751
Net Position Held in Trust for OPEB - Ending	\$ 427,781

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2170  
 STAPLES, MINNESOTA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 2170 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. 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. 2170 (the District) is an educational entity established by the State of Minnesota. The government of the District is directed by an elected six-member Board of Education (the Board). The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the District. The accompanying financial statements present the government entities for which the District is considered to be financially accountable.

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

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

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.

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

**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 or related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for advance amounts recognized in accordance with a statutory "tax shift". 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:

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 available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific 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.

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.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

**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. A description of the major funds included in this report are as follows:

**Major Governmental Funds**

General Fund – Accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Building Construction Fund – Accounts for the resources accumulated and payments made for building construction projects that were funded with bond proceeds.

Debt Service Fund – Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

**Nonmajor Governmental Funds**

Special Revenue Funds:

Food Service Fund – Accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities.

Community Service Fund – Accounts for all resources designated for programs other than those for elementary and secondary students.

OPEB Debt Service – Accounts for the accumulation of resources for, and the payment of, OPEB bond principal, interest and related costs.

**Fiduciary Fund**

OPEB Trust Fund – Accounts used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits.

**E. Specific Account Information**

Cash and Investments – Primary Government – 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.

Investments are carried at fair value. The District considers certificates of deposit to be cash.

When fair value measurements are required, various data is used in determining those values. Assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observed market based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable market inputs that are not corroborated by market data

Taxes Receivable – Taxes receivable represents taxes levied in 2021 which are not payable until 2022, net of the amount received prior to June 30.

Property Taxes – Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following 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 the taxes 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 unavailable revenue (property taxes levied for subsequent years).

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

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."

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 deferred 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. For government-wide financial statements, no allowance for uncollectible taxes is considered necessary.

Accounts Receivable – Accounts receivable is carried at invoice amount less an estimate made for uncollectible accounts. The allowance for uncollectible accounts receivable was zero based on historical performance. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Inventory – Inventory is recorded using the consumption method of accounting and consists 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.

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.

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 acquisition value at the date of donation. The District maintains a threshold level of \$2,500 or more for capitalizing capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

Capital assets are recorded in the district-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 15 to 70 years for land improvements and buildings, and 5 to 30 years for equipment. Capital assets not being depreciated include land and construction in progress, if any.

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

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

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

Supplemental Pension (Severance) Plan – The District maintains various severance plans for its employee groups. The portion of these benefits based on years of service and/or minimum age requirements is considered

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

to be a supplemental pension plan. Therefore, the present value of the District's future projected liabilities under this supplemental plan are calculated via an actuarial valuation, and this amount is accrued in the government-wide financial statements.

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. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued in the future, bond premiums and discounts will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable will be reported net of the applicable bond premium or discount. Bond issuance costs will be expensed in the period incurred.

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.

Other Postemployment Benefits (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Retiree Benefits Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of the purchase of one year or less, which are reported at cost. Postemployment healthcare expenditures have been funded through contributions to an irrevocable trust and on a pay as you go basis in the future.

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/ expenditure) until then. The District has three items that qualify for reporting in this category named *Cost Sharing Defined Benefit Pension Plan*, *Supplemental Pension Plan*, and *Other Postemployment Benefits* which represents actuarial differences within pension plans and other postemployment benefit plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue* –



**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

delinquent taxes, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, *property taxes levied – subs*, years, is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the Statement of Net Position as these amounts represent property tax revenue levied for a subsequent period. The third items, *Cost Sharing Defined Benefit Pension Plan* and *Supplemental Pension Plan* represent actuarial differences within pension plans. The last item, *Other Postemployment Benefits* represents changes in OPEB.

Net Position – Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption – Sometimes the government will fund outlays for particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance – The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – Consists of amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted – Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the Minnesota Department of Education.

Committed – Consists of amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned – Consists of amounts a government intends to use for a specific purpose. These constraints are established by the Board of Education and/or management. The Board of Education delegates the power to assign fund balances to the Superintendent, Business Manager, and Finance Coordinator.

Unassigned – Consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned and 3) unassigned.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

The District has formally adopted a policy under which it strives to maintain a minimum unassigned General Fund balance equal to approximately one month of operating expenditures.

**F. Use of Estimates**

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

**NOTE 2 DEPOSITS AND INVESTMENTS**

The District maintains a cash account at its depository bank. Investments are carried at fair value.

The pooled cash and investment account is comprised of the following:

	Governmental Activities	Fiduciary Fund	Total
Cash	\$ 157,798	\$ 9,184	\$ 166,982
Investments	17,932,002	595,104	18,527,106
Total	\$ 18,089,800	\$ 604,288	\$ 18,694,088

As of June 30, 2022, the District had the following investments:

Investments	Fair Value	Investment Maturities (in Years)		
		<1	1 - 5	
State and Local Bonds	\$ 7,473,443	\$ 7,347,043	\$ 126,400	
US Treasury	2,310,435	2,310,435		
Minnesota School District Liquid Asset Fund	7,659,258	7,659,258		
MN State Board of Investments	595,104	595,104		
CDs	287,100	108,272	178,828	
Money Market	201,766	201,766		
Total Investments by Fair Value Level	\$ 18,527,106	\$ 18,221,878	\$ 305,228	
		Fair Value Level 1	Fair Value Level 2	Total
State and Local Bonds	\$	\$	\$	\$
US Treasury		7,473,443	2,310,435	7,473,443
Total Investments (By Fair Value)		9,783,878	9,783,878	9,783,878
Minnesota School District Liquid Asset Fund	7,659,258			7,659,258
MN State Board of Investments	595,104			595,104
CDs	287,100			287,100
Money Market	201,766			201,766
Total Investments by Fair Value Level	\$ 8,743,228	\$ 9,783,878	\$	\$ 18,527,106

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

The Minnesota School District Liquid Asset Fund is a common law trust organized and existing under the laws of the State of Minnesota, in accordance with the provisions of the Minnesota Joint Powers Act. The general objective of the Fund is to provide a high yield for the participants while maintaining liquidity and preserving capital by investing only in instruments authorized by Minnesota Statutes, which govern the temporary investment of School District monies. In addition, the fixed rate/float term portion of the program is also structured with safety of principal as the major objective.

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under 2a7. The fair value of the position is the same as the value of the pool shares.

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

During 2022, the District had \$(96,897) in interest income. This was mainly due to the decrease in fair market value over their investment accounts.

**Interest Rate Risk** - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - The District may invest idle funds as authorized in Minnesota Statutes, as follows:

- (a) Direct obligations or obligations guaranteed or insured issues by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
- (b) General obligations and revenue obligations of any state or local government with taxing powers rated "A" and "AA", respectively, and general obligations of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and rated "A" or better.
- (c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.
- (d) Time deposits that are fully insured by the FDIC or bankers acceptances of U.S. banks.
- (e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (f) Repurchase or reverse repurchase agreements with banks that are qualified as a "depository" of public funds of the government entity, any other financial institution which is a member 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.
- (g) Guaranteed investment contracts (GIC's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC's issued by Minnesota banks.
- (h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualifications described in (f) above.

The Minnesota School District Liquid Asset Fund is rated AAAAm by Standard & Poor's.

**Concentration of Credit Risk** - The District places no limit on the amount the District may invest in any one issuer.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

**Custodial Credit Risk - Deposits** - The District does not have a formal custodial credit risk policy. In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District's board, all of which are members of the Federal Reserve System. Minnesota Statutes require that all district deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. As of June 30, 2022, the District was exposed to custodial credit risk.

**Custodial Credit Risk - Investments** - The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

**NOTE 3 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 867,639	\$ 14,300	\$	\$ 881,939
Construction in Progress	1,443,008	3,766,032	1,443,008	3,766,032
Total Capital Assets, Not Being Depreciated	2,310,647	3,780,332	1,443,008	4,647,971
Capital Assets, Being Depreciated:				
Land Improvements	854,745			854,745
Buildings	20,986,366	1,443,008		22,429,374
Equipment	4,155,805	259,351	199,065	4,216,091
Total Capital Assets, Being Depreciated	25,996,916	1,702,359	199,065	27,500,210
Less Accumulated Depreciation For:				
Land Improvements	666,518	16,440		682,958
Buildings	12,438,417	607,132		13,045,549
Equipment	2,889,475	318,320	133,988	3,073,807
Total Accumulated Depreciation	15,994,410	941,892	133,988	16,802,314
Total Capital Assets, Being Depreciated, Net	10,002,506	760,467	65,077	10,697,896
Governmental Activities Capital Assets, Net	\$ 12,313,153	\$ 4,540,799	\$ 1,508,085	\$ 15,345,867

INDEPENDENT SCHOOL DISTRICT NO. 2170  
 STAPLES, MINNESOTA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2022

In the statement of activities, depreciation expense was charged to the following governmental functions:

Administration	\$ 966
District Support Services	31,473
Elementary & Secondary Regular Instruction	9,406
Special Education Instruction	13,097
Community Education and Services	11,408
Pupil Support Services	95,678
Sites and Buildings	533,743
	695,771
Unallocated	246,121
Total Depreciation Expense	\$ 941,892

**NOTE 4 DEFINED BENEFIT PENSION PLANS- STATEWIDE**

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

Disclosures relating to these plans follow:

**A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

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

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

Benefit increases are provided to benefit recipients each January. The postretirement increase 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 June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 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, 2022, were \$195,613. The District's contributions were equal to the required contributions as set by state statute.

**Pension Costs** – At June 30, 2022, the District reported a liability of \$1,708,179 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$52,137.

The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0400% at the end of the measurement period and 0.0398% for the beginning of the period.

District's proportionate share of net pension liability	\$ 1,708,179
State of Minnesota's proportionate share of the net pension liability associated with the District	52,137
Total	<u>\$ 1,760,316</u>

For the year ended June 30, 2022, the District recognized pension expense of (\$15,291) for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$4,207 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

At June 30, 2022, the District reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

Differences between expected and actual economic experience	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	\$ 10,573	\$ 52,245
Changes in actuarial assumptions	1,042,980	1,478,204
Changes in proportion	36,860	37,748
Contributions paid to PERA subsequent to the measurement date	195,613	13,819
Total	\$ 1,286,026	\$ 1,582,016

\$195,613 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 ending June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Pension Expense
June 30	Amount
2023	\$(47,847)
2024	(29,705)
2025	(10,555)
2026	(403,496)

**Long-Term Expected Return on Investments** – 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	
		Target	Expected
Domestic Equity	33.50%	5.10%	5.10%
Private Markets	25.00%	5.90%	5.90%
Fixed Income	25.00%	0.75%	0.75%
International Equity	16.50%	5.30%	5.30%

**Actuarial Methods and Assumptions** – The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent. Benefit increases after retirement are assumed to be 1.25 percent.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

Salary growth assumptions range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter.

Mortality rates are based on the Pub-2010 General Employee Mortality Table.

Actuarial assumptions are reviewed every four years. The most recent four-year experience study 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 2021:

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

**Discount Rate** – The discount rate used to measure the total pension liability in 2021 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension Liability Sensitivity** – The following 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 Proportionate Share of NPL	
1% Decrease	1% Increase
(5.5%)	(7.5%)
\$ 3,483,814	\$ 1,708,179
	\$ 251,163

**Pension Plan Fiduciary Net Position** – Detailed information about each defined benefit 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](http://www.mnpera.org).

**B. TEACHERS RETIREMENT ASSOCIATION**

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

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

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

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

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

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

With these provisions:

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

or

Tier II Benefits:

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

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

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.

Contribution Rate - Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2020, June 30, 2021, and June 30, 2022, were:

	June 30, 2020		June 30, 2021		June 30, 2022	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.92%	11.00%	12.13%	11.00%	12.34%
Coordinated	7.50%	7.92%	7.50%	8.13%	7.50%	8.34%

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

Employer contributions reported in TRA's ACFR	<i>in thousands</i>
Statement of Changes in Fiduciary Net Position	\$ 448,829
Add employer contributions not related to future contribution efforts	379
Deduct TRA's contributions not included in allocation	(538)
Total employer contributions	448,670
Total non-employer contributions	37,840
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	\$ 486,510

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.

Actuarial Methods and Assumptions - The total pension liability in the June 30, 2021, 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, 2021
Measurement Date	June 30, 2021
Experience Study	June 5, 2019 (demographic assumptions) November 6, 2017 (economic assumptions)
Actuarial Cost Method	Entry Age Normal

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

Actuarial Assumptions:  
 Investment Rate of Return 7.00%  
 Price Inflation 2.50%  
 Wage Growth Rate 2.85% before July 1, 2028 and 3.25% after June 30, 2028  
 Projected Salary Increase 2.85 to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028  
 Cost of Living Adjustment 1.00% for January 2020 through January 2023, then increasing by 0.10% each year up to 1.50% annually

**Mortality Assumption**

**Pre-retirement** RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale.  
**Post-retirement** RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.  
**Post-disability** RP-2014 disabled retiree mortality table, without adjustment.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Equity	35.50%	5.10%
International Equity	17.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	20.00%	0.75%
Unallocated Cash	2.00%	0.00%

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2022 is 6 years. The "Difference Between Expected and Actual Experience" and "Changes of Assumptions" and "Changes in Proportion" use the amortization period of 6 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is 5 years as required by GASB 68.

**Changes in actuarial assumptions since the 2020 valuation:**

For GASB Valuation:

- The investment return assumption was changed from 7.50% to 7.00%

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00 percent. The discount rate used to measure the TPL at the Prior Measurement Date was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2021 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 statutory required rates. Based on those assumptions, the

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

**Net Pension Liability** - On June 30, 2022, the District reported a liability of \$3,697,973 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The District proportionate share was 0.0890% at the end of the measurement period and 0.0845% 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	\$	3,697,973
State's proportionate share of the net pension liability associated with the District	\$	311,792

For the year ended June 30, 2022, the District recognized pension expense of \$(231,691). It also recognized \$(3,491) as an increase to pension expense for the support provided by direct aid.

On June 30, 2022, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 105,492	\$ 110,340
Net difference between projected and actual earnings on plan inv.	1,355,370	3,085,657
Changes in actuarial assumptions	25,495	3,575,819
Changes in proportion	408,080	1,122,570
Contributions paid to TRA subsequent to the measurement date	\$ 1,894,437	\$ 7,894,386
Total		

\$408,080 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2023	\$ (3,093,239)
2024	(2,338,954)
2025	(521,833)
2026	(634,114)
2027	180,111

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

Pension Liability Sensitivity - The following presents the net pension liability calculated using the discount rate of 7.0 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 (6.0 percent) or one percentage higher (8.0 percent) than the current rate.

District Proportionate Share of NPL	
1% Decrease	1% Increase
Current	Current
\$ 7,470,085	\$ 3,697,973
(6.0%)	(8.0%)
\$ 7,470,085	\$ 604,540

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

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

The District recognized total pension expense of \$(246,982) for all of the pension plans in which it participates.

**NOTE 5 OTHER POSTEMPLOYMENT BENEFITS**

Plan Description - The District's Plan is a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through the District's collective bargaining agreements with employee groups.

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

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

Contributions - The District did not have any contractually required or actuarially determined contributions to the Plan during the year ended June 30, 2022. The District has established an irrevocable trust to fund all future benefits paid under the plan, and it is assumed that the District will be required to make no further contributions to the trust. However, the District occasionally elects to fund benefit payments through its General Fund, which

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

mirrors a direct contribution to the Plan. Direct contributions of this nature total \$82,691 for the measurement period. Benefit payments, including reimbursements and amounts due to the General Fund, total \$176,507. Employees are not required to contribute to the OPEB plan.

Employees Covered by Benefit Term - At June 30, 2022, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	27
Active plan members	184
	211

Net OPEB Liability - The District's net OPEB liability of \$1,339,993 was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions - The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Salary increases	service graded table
Investment rate	4.20 percent (net of investment expenses)
Healthcare cost trend rates	6 percent decreasing to 5 percent and then 4 percent

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate - The discount rate used to measure the total OPEB liability was 3.8 percent. The discount rate is based on the estimated yield of 20-year municipal bonds.

In the July 1, 2020 actuarial valuation, the entry age, level percentage of pay actuarial cost method was used.

INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022

Changes in the Net OPEB Liability:

Balances at 6/30/2021	\$	2,011,721	\$	575,751	\$	1,435,970
Changes for the year:						
Service Cost		89,808				89,808
Interest Cost		43,073				43,073
Assumption Changes		(95,256)				(95,256)
Employer Contributions			206,237			(206,237)
Projected Investment Return			24,182			(24,182)
Differences between Expected and Actual Experience				(96,277)		96,277
Benefit Payments		(288,928)		(288,928)		540
Administrative Expenses				(540)		(95,977)
Net changes		(251,303)		(155,326)		(95,977)
Balances at 6/30/2022	\$	1,760,418	\$	420,425	\$	1,339,993

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.8 percent) or one percentage point higher (4.8 percent) than the current rate:

	1% Decrease (2.8%)	Current (3.8%)	1% Increase (4.8%)
District Total OPEB Liability	\$ 1,412,982	\$ 1,339,993	\$ 1,269,385

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.0 percent decreasing to 4.0 percent then 3.0 percent) or one percentage point higher (7.0 percent decreasing to 6.0 percent then to 5.0 percent) than the current healthcare cost trend rates:

	(5.00% decreasing to 4.00% then 3.00%)	Current (6.00%)	(7.00% decreasing to 6.00% then 5.00%)
District Healthcare Cost Trend Rates	\$ 1,187,563	\$ 1,339,993	\$ 1,466,361

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the District recognized OPEB expense of \$28,915. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022

Differences between Expected and Actual Experience	\$	39,958	Deferred Outflows of Resources	\$	225,297
Investment Losses/Gains		46,065			117,388
Changes in Assumptions		86,023			342,685
Total	\$	172,046			685,370

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

Year Ending	OPEB Expense	Amount
June 30		
2023	(81,455)	
2024	(74,767)	
2025	(62,912)	
2026	9,709	
2027	(17,663)	
Thereafter	(29,574)	

NOTE 6 SUPPLEMENTAL PENSION PLAN

Plan Description – The District provides a single-employer, defined benefit supplemental pension benefit to certain eligible employees. All of the pension benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. The pension is administered by the District's Board of Education and a separate report is not issued. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through the District's collective bargaining agreements with employee groups.

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

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



**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

Employees Covered by Benefit Term – At June 30, 2022, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	14
Active plan members	37
	<u>51</u>

Total Supplemental Pension Liability – The District's total supplemental pension liability of \$356,467 was measured as of June 30, 2022, and the total supplemental pension liability used to calculate the total supplemental pension liability was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions – The total supplemental pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation 2.5 percent  
Salary increases service graded table

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

Discount Rate – The discount rate used to measure the total supplemental pension liability was 3.8 percent. The discount rate is based on the estimate yield of 20-year AA-rated municipal bonds.

In the July 1, 2020 actuarial valuation, the entry age, level percentage of pay actuarial cost method was used.

Changes in the Supplemental Pension Liability:

	Total Supplemental Pension Liability
Balances at 6/30/2021	\$ 418,376
Changes for the year:	
Service Cost	13,615
Interest Cost	8,365
Assumption Changes	(16,221)
Benefit Payments	(67,668)
Net changes	<u>(61,909)</u>
Balances at 6/30/2022	<u>\$ 356,467</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total supplemental pension liability of the District, as well as what the District's total supplemental pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.8 percent) or one percentage point higher (4.8 percent) than the current rate:

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

	District Total Supplemental Pension Liability
	Current
1% Decrease (2.8%)	368,168 \$
1% Increase (4.8%)	356,467 \$
	<u>345,068</u>

Supplemental Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Supplemental Pension Liability – For the year ended June 30, 2022, the District recognized supplemental pension expense of \$(6,659). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to total supplemental pension from the following sources:

Differences between Expected and Actual Experience	\$ 3,188	Deferred Outflows of Resources	\$ 13,191
Changes in Assumptions	2,341	Deferred Inflows of Resources	13,191
Total	<u>\$ 5,529</u>		<u>\$ 13,191</u>

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

	Year Ending	Pension Expense
	June 30	Amount
2023	\$	(634)
2024		(2,974)
2025		(4,054)

**NOTE 7 DEFINED CONTRIBUTION PLAN**

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). The District has contracted with a private brokerage firm to establish the Plan, and plan assets are not held in a formal trust meeting the criteria defined by GASB No. 73, par 4. The District's Board of Education acts as the plan administrator, but the District is not involved with the investment decisions for plan assets. Contributions are invested in tax deferred annuities selected and owned by Plan participants. Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. The District's contributions to the Plan total \$59,697 for the year ended June 30, 2022, in addition to the \$67,668 contributed to the Plan through the District's supplemental pension arrangements previously described.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

**NOTE 8 LONG-TERM LIABILITIES**

The long-term debt obligations outstanding at year-end and changes in long-term debt are summarized as follows:

**Summary of Long-Term Debt**

	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
General Obligation Bonds	\$ 1,305,000	\$ 10,700,000	\$ 275,000	\$ 11,730,000	\$ 2,640,000
Unamortized Premium	140,650	1,451,926	36,649	1,555,927	399,631
Total Bonds	1,445,650	12,151,926	311,649	13,285,927	3,039,631
Financed Purchase	17,113		17,113		
Severance Payable	61,960		4,876	57,084	
Total Long-Term Liabilities	\$ 1,524,723	\$ 12,151,926	\$ 333,638	\$ 13,343,011	\$ 3,039,631

The District's interest expense for the year ended June 30, 2022, was \$429,801.

Severance payable is generally liquidated by the general fund.

**A. General Obligation Bonds**

Description	Date of Issue	Net Interest Rate	Maturity Dates	Current Year		Balance 6/30/2022
				Original Amount	Retired	
GO Facilities Maintenance	2019	5.00%	2026	\$ 1,305,000	\$ 275,000	\$ 1,030,000
GO Facilities Maintenance & Tax Abatement	2021	5.00%	2026	10,700,000		10,700,000
						\$ 11,730,000

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2023	\$ 2,640,000	\$ 766,319
2024	2,965,000	454,500
2025	3,110,000	306,250
2026	3,015,000	150,750
	\$ 11,730,000	\$ 1,677,819

**NOTE 9 SEVERANCE PAY**

The District has several severance pay plans for various groups of employees. The plans call for employees to be paid for unused portions of their sick leave upon termination of employment. At June 30, 2022, the estimated liability under these plans was \$57,084.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

**NOTE 10 FUND BALANCE CLASSIFICATIONS**

At June 30, 2022, governmental fund equity includes the following:

	General	Building Construction	Debt Service	Nonmajor Governmental	Total
<b>Nonspendable</b>					
Prepays	\$ 110,267	\$	\$	\$ 4,201	\$ 114,468
Inventory				17,220	17,220
Total Nonspendable	110,267			21,421	131,688
<b>Restricted</b>					
Student Activity	80,638				80,638
Staff Development	77,642				77,642
Operating Capital	414,684				414,684
Gifted and Talented	38,606				38,606
Safe School	56,900				56,900
LTFM	1,328,518	6,165,771			7,494,289
Medical Assistance	183,767				183,767
Building Construction		2,317,909			2,317,909
Debt Service			218,174		218,174
Food Service				42,054	42,054
Community Education				531,212	531,212
School Readiness				184,871	184,871
Adult Education				132,160	132,160
Community Service				5,786	5,786
Total Restricted	2,180,755	8,483,680	218,174	1,048,523	11,931,132
<b>Committed</b>					
Staff Development	10,450				10,450
Total Committed	10,450				10,450
<b>Assigned</b>					
Concessions	9,208				9,208
Middle School Activities	2,887				2,887
Q Comp	5,218				5,218
Referendum - Bus Purchase	9,213				9,213
Referendum - Textbooks	56,088				56,088
Referendum - Safe Schools	26,478				26,478
Total Committed	109,092				109,092
<b>Unassigned</b>					
	3,162,443				3,162,443
	\$ 5,573,007	\$ 8,483,680	\$ 218,174	\$ 1,069,944	\$ 15,344,805

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

**NOTE 11 CONTINGENCIES**

The District receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and aids. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2022.

**NOTE 12 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 13 COMMITTED CONTRACTS**

During the current year, the District entered into various contracts for construction services. Remaining commitment under these contracts as of June 30, 2022 totals \$4,690,000. This does not include retainage, which has been accrued in these financial statements.

**NOTE 14 NEW PRONOUNCEMENTS**

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. 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. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 99, *Ornibus 2022*, provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*; that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022**

- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the entity's financial statements.

**NOTE 15 SUBSEQUENT EVENTS**

On July 22, 2022, the District issued \$3,680,000 in General Obligation Facilities Maintenance and Capital Facilities Bonds.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
For the Year Ended June 30, 2022**

	Original Budget	Actual	Over (Under) Original Budget
<b>REVENUES</b>			
Local Property Tax Levies	\$ 2,301,743	\$ 2,271,740	\$ (30,003)
Other Local & County Revenues	410,000	636,695	226,695
Revenue From State Sources	10,281,659	10,370,578	88,919
Revenue From Federal Sources	914,492	1,206,132	291,640
Sale/Other Conversion of Asset		47,585	47,585
<b>TOTAL REVENUES</b>	<b>13,907,894</b>	<b>14,532,730</b>	<b>624,836</b>
<b>EXPENDITURES</b>			
Current			
Administration	701,415	671,123	(30,292)
District Support Services	353,386	580,364	226,978
Elementary & Secondary			
Regular Instruction	5,928,104	6,071,370	143,266
Vocational Education Instruction	168,197	260,101	91,904
Special Education Instruction	2,574,681	2,143,801	(430,880)
Instructional Support Services	914,250	754,150	(160,100)
Pupil Support Services	1,024,107	1,033,170	9,063
Sites and Buildings	1,217,876	1,193,077	(24,799)
Fixed Costs	81,330	90,664	9,334
Debt Service			
Principal		17,113	17,113
Interest		896	896
Capital Outlay	659,845	776,655	116,810
<b>TOTAL EXPENDITURES</b>	<b>13,623,191</b>	<b>13,592,484</b>	<b>(30,707)</b>
Revenues Under Expenditures	284,703	940,246	655,543
<b>OTHER FINANCING SOURCES</b>			
Insurance Proceeds		26,618	26,618
<b>TOTAL OTHER FINANCING SOURCES</b>		<b>26,618</b>	<b>26,618</b>
Net Change in Fund Balances	284,703	966,864	682,161
Fund Balances - Beginning	4,606,143	4,606,143	
<b>Fund Balances - Ending</b>	<b>\$ 4,890,846</b>	<b>\$ 5,573,007</b>	<b>\$ 682,161</b>

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
SCHEDULE OF CHANGES IN THE DISTRICT'S SUPPLEMENTAL PENSION LIABILITY AND RELATED RATIOS  
LAST 10 YEARS

	2022	2021	2020	2019	2018	2017
Total Supplemental Pension Liability	\$ 13,615	\$ 16,850	\$ 18,981	\$ 16,584	\$ 23,618	\$ 24,940
Service Cost	8,365	10,620	14,026	19,669	17,787	18,819
Interest	(16,221)	(2,049)	9,360	5,928	(8,110)	
Assumption Changes		6,377		(111,469)		
Differences Between Expected and Actual Experience	(67,668)	(77,645)	(23,042)	(61,898)	(93,243)	(62,957)
Benefit Payments	(61,909)	(45,847)	19,325	(131,186)	(59,948)	(19,198)
Net Change in Total Supplemental Pension Liability	418,376	464,223	444,895	576,084	636,032	655,230
Total Supplemental Pension Liability - Beginning	\$ 356,467	\$ 418,376	\$ 464,223	\$ 444,898	\$ 576,084	\$ 636,032
Total Supplemental Pension Liability - Ending	\$ 1,763,755	\$ 1,712,383	\$ 2,294,386	\$ 2,227,559	\$ 3,180,240	\$ 2,997,681

Covered Payroll  
Districts Supplemental Pension Liability as a Percentage  
of Covered Payroll

	20.21%	24.43%	20.23%	19.97%	18.11%	21.22%
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The District implemented GASB No. 73 for the fiscal year ended June 30, 2017. Information from prior years is not available

INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS  
LAST 10 YEARS

	2022	2021	2020	2019	2018	2017
Total OPEB Liability	\$ 89,808	\$ 108,568	\$ 108,248	\$ 93,444	\$ 134,027	\$ 135,949
Service Cost	43,073	53,816	73,359	101,501	99,974	104,670
Interest	(95,256)	(34,190)	56,843	31,697	(29,396)	
Assumption Changes		(11,886)		(504,890)		
Differences Between Expected and Actual Experience	(288,928)	(285,461)	(322,059)	(343,581)	(404,292)	(358,091)
Benefit Payments	(251,303)	(179,153)	(83,609)	(621,829)	(199,697)	(117,472)
Net Change in Total OPEB Liability	2,011,721	2,190,874	2,274,483	2,896,312	3,095,999	3,213,471
Total OPEB Liability - Beginning	\$ 1,769,418	\$ 2,011,721	\$ 2,190,874	\$ 2,274,483	\$ 2,896,312	\$ 3,095,999
Total OPEB Liability Ending (a)	\$ 206,237	\$ 185,461	\$ 228,243	\$ 233,581	\$ 294,292	\$ 243,091
Plan Fiduciary Net Position	24,182	25,109	27,825	33,875	34,225	49,645
Contributions - Employer	(86,277)	(26,646)	(38,278)	(33,442)	(404,292)	(7,964)
Projected Investment Return	(286,926)	(295,461)	(343,059)	(343,581)	(404,292)	(358,091)
Differences Between Expected and Actual Experience	(155,320)	(58,427)	(38,030)	(43,291)	(75,317)	(73,952)
Administrative Expenses	575,751	634,423	662,610	702,732	793,051	855,944
Net Change in Plan Fiduciary Net Position	\$ 420,425	\$ 575,751	\$ 634,423	\$ 662,610	\$ 702,732	\$ 855,944
Plan Fiduciary Net Position - Beginning (b)	\$ 1,339,993	\$ 1,435,970	\$ 1,556,452	\$ 1,611,982	\$ 2,190,580	\$ 2,313,948
Plan Fiduciary Net Position - Ending (a) - (b)	23,885	28,622	28,962	28,133	24,372	25,263
Districts Net OPEB Liability as a Percentage of Total OPEB Liability	17.21%	16.99%	20.67%	22.05%	28.32%	30.82%

Covered Payroll  
Districts Net OPEB Liability as a Percentage of Covered Payroll

	28.85%	28.62%	28.96%	28.13%	24.37%	25.26%
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The District implemented GASB No. 75 for the fiscal year ended June 30, 2017. Information from prior years is not available.

See Notes to the Required Supplementary Information

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
LAST 10 YEARS

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions		Contributions as a Percentage of Covered Payroll
		Statutorily Required Contributions	Contribution Deficiency (Excess)	
2015	\$ 204,647	\$ 204,647	\$	7.38
2016	197,810	197,810	2,772,995	7.50
2017	200,259	200,259	2,637,467	7.50
2018	210,347	210,347	2,670,120	7.50
2019	215,606	215,606	2,804,627	7.50
2020	213,004	215,606	2,874,747	7.50
2021	208,953	213,004	2,840,053	7.50
2022	195,613	208,953	2,719,373	7.50
		195,613	2,664,154	7.34
<b>PERA</b>				
2015	\$ 400,840	\$ 400,840	\$	7.50
2016	339,223	339,223	5,344,533	7.49
2017	387,020	387,020	4,526,973	7.50
2018	387,605	387,605	5,293,600	7.50
2019	379,609	387,605	5,168,067	7.71
2020	409,511	379,609	4,923,593	7.92
2021	417,356	409,511	5,170,593	8.13
2022	408,504	417,356	5,133,530	8.28
		408,504	4,933,772	
<b>TRA</b>				
2014	\$ 4,898,227	\$ 4,898,227	\$	100.99
2015	5,344,533	5,344,533	4,850,184	76.80
2016	27,059,130	2,467,320	7,312,723	44.80
2017	1,902,628	1,902,628	4,526,973	51.57
2018	5,005,042	526,486	21,584,977	106.46
2019	6,472,444	526,486	6,131,526	76.07
2020	6,575,193	551,278	7,116,717	88.46
2021	3,697,973	311,792	5,170,593	127.17
2022		311,792	4,069,765	72.04
		311,792	4,069,765	86.63

The amounts presented for each fiscal year were determined as of the District's year end which is June 30th. The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for the prior years are not available.

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
SCHEDULE OF DISTRICTS SHARE OF NET PENSION LIABILITY  
LAST 10 YEARS

Fiscal Year Ended June 30	Districts Net Pension Liability	Proportion of the Net Pension Liability	Districts Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable)	Total	Districts Covered Payroll		Districts Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
						Total	Covered Payroll		
2014	0.0511 %	0.0472	2,400,222	\$	2,400,422	2,400,422	2,682,916	88.47	78.70
2015	0.0472	0.0472	2,446,149	44,953	2,491,102	2,491,102	2,772,995	88.21	78.19
2016	0.0472	0.0472	2,630,181	33,072	2,663,253	2,663,253	2,670,120	98.50	75.90
2017	0.0472	0.0472	2,124,127	69,694	2,193,821	2,193,821	2,674,120	81.68	75.90
2018	0.0383	0.0383	2,228,997	69,252	2,298,249	2,298,249	2,874,747	77.51	80.23
2019	0.0403	0.0403	2,386,192	73,533	2,459,725	2,459,725	2,840,053	84.02	79.06
2020	0.0400	0.0400	1,708,179	52,137	1,760,316	1,760,316	2,719,373	62.82	87.00
2021	0.1063	0.1063	4,898,227	34,650	4,932,877	4,932,877	4,850,184	100.99	81.50
2014	0.1053	0.1053	6,513,646	798,877	7,312,723	7,312,723	5,344,533	121.88	76.80
2015	0.1031	0.1031	24,591,810	2,467,320	27,059,130	27,059,130	4,526,973	54.323	44.80
2016	0.0986	0.0986	19,662,949	1,902,628	21,584,977	21,584,977	5,293,600	371.81	51.57
2017	0.0882	0.0882	5,005,042	526,486	6,131,526	6,131,526	5,168,067	106.46	76.07
2018	0.0880	0.0880	6,472,444	551,278	7,116,717	7,116,717	6,472,444	147.04	75.48
2019	0.0845	0.0845	3,697,973	311,792	4,009,765	4,009,765	5,133,530	127.17	86.63
2020									
2021									
2022									

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year. The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for the prior years is not available.

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2022**

**NOTE 1 BUDGETARY DATA**

Budgets are prepared for District funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. All appropriations lapse at year end. Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is not utilized in the governmental funds of the District.

The budget is adopted through the passage of a resolution. Administration can authorize the transfer of budgeted amounts within any fund. Any revisions that alter the total expenditures of any fund must be approved by the governing board. The legal level of budgetary control is the fund level. The annual appropriated budget is not legally binding on the District unless the District has a deficit fund balance which exceeds 2.5% of expenditures.

**NOTE 2 FINAL BUDGET**

The District's final budget for the year ended June 30, 2022 is as follows:

	Revenues	Expenditures
All Funds	\$ 26,724,364	\$ 17,158,786

**NOTE 3 DEFINED BENEFIT PLANS**

**PERA**

2021 Changes

Changes in Actuarial Assumptions: The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions: There were no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions: The price of 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 rate 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 were 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 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 and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2022**

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.

2019 Changes

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

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

2018 Changes

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

Changes in Plan Provisions: The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

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

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

2016 Changes

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

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2022**

2015 Changes

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

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

**TRA**

Changes in Actuarial Assumptions Since the 2016 Valuation:

- The Cost of Living Adjustment (COLA) was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5 percent, but remain at 2.0 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4 percent to 0.0 percent, the vested inactive load increased from 4.0 percent to 7.0 percent and the non-vested inactive load increased from 4.0 percent to 9.0 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in actuarial assumptions since the 2017 valuation:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payment 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 7.50% 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.

Changes in actuarial assumptions since the 2018 valuation:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2022**

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

Changes in actuarial assumptions since the 2020 valuation:

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years.
- Generational projection uses the MP-2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

Changes in actuarial assumptions since the 2021 valuation:

- For GASB valuation the investment return assumption was changed from 7.50% to 7.00%.

**NOTE 4 OTHER POSTEMPLOYMENT BENEFITS**

Plan Changes: None

Assumption Changes: The discount rate was changed from 2.20% to 3.80%.

Method Changes: None

**NOTE 5 SUPPLEMENTAL PENSION PLAN**

Plan Changes: None

Assumption Changes: The discount rate was changed from 2.10% to 3.80%.

Method Changes: None



**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2022**

	Special Revenue Funds			Debt Service		Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	OPEB Debt Service	OPEB Debt Service		
<b>REVENUES</b>						
Local Property Tax Levies	\$	121,977	\$	727	\$	122,704
Other Local & County Revenues		189,254				189,884
Revenue From State Sources		191,382				221,187
Revenue From Federal Sources		64,050				970,090
Sale/Other Conversion of Asset		54,825				54,825
<b>TOTAL REVENUES</b>		<b>566,663</b>		<b>727</b>		<b>1,558,690</b>
<b>EXPENDITURES</b>						
Current						
Community Education and Services		455,496				455,496
Pupil Support Services		728,144				728,144
Capital Outlay		8,172				8,172
<b>TOTAL EXPENDITURES</b>		<b>1,191,812</b>				<b>1,191,812</b>
Net Change in Fund Balances		254,984		727		366,878
Fund Balances - Beginning		293,963		41,327		703,066
Fund Balances - Ending		<b>548,947</b>		<b>42,054</b>		<b>1,069,944</b>

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2022**

	Special Revenue Funds			Debt Service		Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	OPEB Debt Service	OPEB Debt Service		
<b>ASSETS</b>						
Cash and Investments	\$	417,269	\$	39,812	\$	992,109
Current Property Taxes Receivable		55,835				55,835
Delinquent Property Taxes Receivable		4,826		1,084		5,910
Accounts Receivable		1,667				4,585
Due From Department of Education		19,897		2,242		24,210
Due From Federal Govt. - DOE		115,159				115,159
Prepaid Expense		514				4,200
Inventory		17,221				17,221
<b>TOTAL ASSETS</b>		<b>555,152</b>		<b>43,138</b>		<b>1,219,229</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
LIABILITIES						
Accounts Payable	\$	726	\$		\$	5,724
Due to Other Governments		1,466				1,466
Payroll Deductions		4,013				5,188
Unearned Revenue		3,326				3,326
<b>TOTAL LIABILITIES</b>		<b>6,205</b>				<b>15,704</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue - Delinquent Taxes		4,826		1,084		5,910
Property Taxes Levied - Subs. Years		127,671				127,671
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		<b>132,497</b>		<b>1,084</b>		<b>133,581</b>
<b>FUND BALANCES</b>						
Fund Balance:						
Nonspendable		17,735				21,421
Restricted		531,212		42,054		1,048,523
<b>TOTAL FUND BALANCES</b>		<b>548,947</b>		<b>42,054</b>		<b>1,069,944</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		<b>555,152</b>		<b>43,138</b>		<b>1,219,229</b>

INDEPENDENT SCHOOL DISTRICT NO. 2170  
 STAPLES, MINNESOTA  
 SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION (CONTINUED)  
 For the Year Ended June 30, 2022

	UFARS Balance Beginning of Year	Revenues	Expenditures	Transfers	Insurance Proceeds	Debt Issued	UFARS Balance End of Year	Reclassify	Financial Statement Balance End of Year
<b>Governmental Funds</b>									
<b>General Fund</b>	\$ 107,448	\$ 2,819	\$ 68,564				\$ 110,267		\$ 110,267
Nonspendable for Prepaid	67,029		68,564				80,638		80,638
Student Activity	53,126		47,164				77,642		77,642
Staff Development	116,196		195,884				414,684		414,684
Operating Capital Development	62,744		37,974				38,606		38,606
Gifted and Talented	56,503		40,492				56,900		56,900
Safe School	853,838		597,549				1,328,518		1,328,518
LTFM	156,609		70,353				183,767		183,767
Medical Assistance	10,450						10,450		10,450
Committee Staff Development	9,208						9,208		9,208
Concessions	2,887						2,887		2,887
Middle School Activities	5,218						5,218		5,218
Q Comp	9,213						9,213		9,213
Referendum - Bus Purchase	56,088						56,088		56,088
Referendum - Textbooks	5,473						5,473		5,473
Referendum - Safe Schools	3,162,743						3,162,743		3,162,743
Unassigned	3,011,168	13,046,047	12,918,511	(2,819)	26,618		3,162,743		3,162,743
<b>Food Service Fund</b>	1,752						515		515
Nonspendable for Prepaid	18,579			(1,237)			17,220		17,220
Restricted: Food Service	273,632	991,300	736,316	2,596			531,212		531,212
Community Service Fund	2,176			1,510			3,686		3,686
Restricted for:									
Community Education	161,687	197,718	164,534				184,871		184,871
ECFE	(54,480)	81,121	77,449				(50,808)	50,808	
School Readiness	79,356	174,632	121,828				132,160		132,160
Adult Basic Education	5,786						5,786		5,786
Community Service	173,251	123,192	91,685	(1,510)			203,248	(50,808)	152,440
<b>Special Funds</b>									
<b>Building Fund</b>									
UFARS	\$ (340,122)	\$ (110,118)	\$ 3,186,571	\$	\$	\$ 9,812,582	\$ 6,165,771		\$ 6,165,771
Restricted for:									
Building Construction			214,335			2,339,344	2,317,909		2,317,909
Debt Service Fund									
Restricted for:									
Debt Service	206,606	355,093	343,525				218,174		218,174
OPEB Debt Service Fund									
Restricted for:									
OPEB Debt Service	41,327	727					42,054		42,054
<b>Fiduciary Fund</b>									
OPEB Trust Fund									
OPEB Trust for OPEB	575,751	(64,739)	83,231				427,781		427,781

INDEPENDENT SCHOOL DISTRICT NO. 2170  
 STAPLES, MINNESOTA  
 SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION  
 For the Year Ended June 30, 2022

	UFARS Balance Beginning of Year	Revenues	Expenditures	Transfers	Insurance Proceeds	Debt Issued	UFARS Balance End of Year	Reclassify	Financial Statement Balance End of Year
<b>Governmental Funds</b>									
<b>General Fund</b>	\$ 107,448	\$ 2,819	\$ 68,564				\$ 110,267		\$ 110,267
Nonspendable for Prepaid	67,029		68,564				80,638		80,638
Student Activity	53,126		47,164				77,642		77,642
Staff Development	116,196		195,884				414,684		414,684
Operating Capital Development	62,744		37,974				38,606		38,606
Gifted and Talented	56,503		40,492				56,900		56,900
Safe School	853,838		597,549				1,328,518		1,328,518
LTFM	156,609		70,353				183,767		183,767
Medical Assistance	10,450						10,450		10,450
Committee Staff Development	9,208						9,208		9,208
Concessions	2,887						2,887		2,887
Middle School Activities	5,218						5,218		5,218
Q Comp	9,213						9,213		9,213
Referendum - Bus Purchase	56,088						56,088		56,088
Referendum - Textbooks	5,473						5,473		5,473
Referendum - Safe Schools	3,162,743						3,162,743		3,162,743
Unassigned	3,011,168	13,046,047	12,918,511	(2,819)	26,618		3,162,743		3,162,743
<b>Food Service Fund</b>	1,752						515		515
Nonspendable for Prepaid	18,579			(1,237)			17,220		17,220
Restricted: Food Service	273,632	991,300	736,316	2,596			531,212		531,212
Community Service Fund	2,176			1,510			3,686		3,686
Restricted for:									
Community Education	161,687	197,718	164,534				184,871		184,871
ECFE	(54,480)	81,121	77,449				(50,808)	50,808	
School Readiness	79,356	174,632	121,828				132,160		132,160
Adult Basic Education	5,786						5,786		5,786
Community Service	173,251	123,192	91,685	(1,510)			203,248	(50,808)	152,440

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2170 as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 30, 2022.

In connection with our audit, we noted that Independent School District No. 2170 failed to comply with the provisions of depositories of public funds and public investments of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the schedule of findings and questioned costs as item 2022-004. Also in connection with our audit, nothing of came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting – bid laws, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the legal compliance finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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



**BRADY, MARTZ & ASSOCIATES, P.C.**  
Thief River Falls, Minnesota

December 30, 2022

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2170, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 30, 2022.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

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

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

### **Report on Compliance for Each Major Federal Program**

#### **Opinion on Each Major Federal Program**

We have audited Independent School District No. 2170's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District 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, 2022.

#### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Independent School District No. 2170 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

#### **Responsibilities of Management for Compliance**

Management is responsible for compliance with requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

### **Report on Compliance and Other Matters**

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

### **The District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs and corrective action plan. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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



BRADY, MARTZ & ASSOCIATES, P.C.  
Thief River Falls, Minnesota

December 30, 2022

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-003. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



**BRADY, MARTZ & ASSOCIATES, P.C.**  
Thief River Falls, Minnesota

December 30, 2022

INDEPENDENT SCHOOL DISTRICT NO. 2170  
 STAPLES, MINNESOTA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number	Amount
U.S. Department of Education		
Passed-Through Minnesota Department of Education:		
Title II, Part A	84.367	\$ 56,224
Title I	84.010	361,845
Title IV	84.424	21,193
COVID-19 Elementary and Secondary Education Relief Fund	84.425C	64,030
COVID-19 Education Stabilization Fund	84.425D	488,003
COVID-19 Education Stabilization Fund	84.425W	5,187
Total AL 84.425		557,220
Passed-Through Freshwater Education District:		
Special Education Cluster:		
IDEA Part B 611	84.027	9,700
COVID-19 IDEA Part B 611	84.027	42,612
Preschool Incentives	84.173	38,042
Total Special Education Cluster		90,354
Total U.S. Department of Education		1,086,836
U.S. Department of Health and Human Services		
Passed-Through Minnesota Department of Education:		
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	60,773
CCDF Cluster		
COVID-19 Child Care and Development Block Grant	93.575	3,000
Total CCDF Cluster		3,000
Total U.S. Department of Health and Human Services		63,773
U.S. Department of Treasury		
Passed-Through Minnesota Department of Education:		
COVID-19 American Rescue Plan	21.027	119,573
Total U.S. Department of Treasury		119,573
U.S. Department of Agriculture		
Passed-Through Minnesota Department of Education:		
COVID-19 Child and Adult Care Food Program	10.558	14,083
Child Nutrition Cluster:		
School Breakfast Program	10.553	257,695
National School Lunch Program	10.555	527,994
COVID -19 National School Lunch Program	10.555	20,815
National School Lunch Program (Nonmonetary Assistance)	10.555	58,660
COVID-19 Summer Food Program for Children	10.559	26,793
Total Child Nutrition Cluster		891,957
Total U.S. Department of Agriculture		906,040
TOTAL FEDERAL AWARDS		\$ 2,176,222

See Notes to the Schedule of Expenditures of Federal Awards

INDEPENDENT SCHOOL DISTRICT NO. 2170  
 STAPLES, MINNESOTA  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 June 30, 2022

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 2 INDIRECT COST RATE**

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

**NOTE 3 BASIS OF PRESENTATION**

The Schedule includes the federal award activity of Independent School District No. 2170 under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Independent School District No. 2170, it is not intended to be and does not present the financial position or changes in net position of Independent School District No. 2170.

**NOTE 4 COMMODITY DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**NOTE 5 PASS-THROUGH ENTITIES**

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

**NOTE 6 SUBRECIPIENTS**

During 2022, the District did not pass any federal money to subrecipients.

INDEPENDENT SCHOOL DISTRICT NO. 2170  
 STAPLES, MINNESOTA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 June 30, 2022

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified  
 Internal control over financial reporting: yes  no  
 Material weakness(es) identified? yes  no  
 Significant deficiency(s) identified? yes  none reported

Noncompliance material to financial statements noted? yes  no

Federal Awards

Internal Control over major programs: yes  no  
 Material weakness(es) identified? yes  none reported  
 Significant deficiency(s) identified? yes  none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes  no

Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
10.553	<i>Child Nutrition Cluster:</i>
10.555	COVID-19 School Breakfast Program
10.555	COVID-19 National School Lunch Program
10.559	National School Lunch Program (Nonmonetary Assistance)
10.559	COVID-19 Summer Food Program for Children

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

Auditee qualified as low-risk auditee? yes  no

INDEPENDENT SCHOOL DISTRICT NO. 2170  
 STAPLES, MINNESOTA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
 June 30, 2022

Section II-Financial Statement Findings

2022-001 FINDING

Criteria  
 A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping, and reconciliation.

Condition  
 There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings, and reconciliation.

Cause  
 The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect  
 The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Repeat Finding  
 Yes. Prior audit finding 2021-001

Recommendation  
 We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The Board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports provided by individuals with knowledge of current operations and accounting principles.

Views of Responsible Officials and Planned Corrective Actions  
 The District agrees with the recommendation and will review on an annual basis.

INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
June 30, 2022

2022-002 FINDING

Criteria

An appropriate system of internal controls requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the Board of Education. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The District elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the District's financial statements.

Repeat Finding

Yes. Prior audit finding 2021-002

Recommendation

We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and will review the financial statement preparation on an annual basis.

INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
June 30, 2022

Section III- Federal Award Findings and Questioned Costs

2022-003 FINDING

Federal Program

Child Nutrition Cluster (AL 10.553, 10.555, 10.559)  
Reporting

Criteria

To receive reimbursement payment for meals served, the District must submit the number of meals served and all claims must be supported by accurate meal counts by category and type.

Condition

We randomly selected four months during the year and tested the monthly meal reimbursement reports submitted for reimbursement. Three of the four months had differences between the meals on the supporting documentation and the meals submitted for reimbursement. The net dollar amount of the differences for the three months was \$3,505 claimed and received in excess of supporting documentation.

Questioned Costs

None

Context

The District misstated the daily meal counts in the monthly reports submitted for reimbursement.

Cause

The District does not have sufficient procedures in place to ensure all meals are reported correctly.

Effect

The District misstated the monthly meal counts submitted for reimbursement.

Repeat Finding

Yes. Prior audit finding 2021-004

Recommendation

The District should review their procedures for submitting meal counts for reimbursement.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and will review its procedures.



INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2022

**2021-001 Finding**

Criteria

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

Condition

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

Cause

Limited number of staff members.

Effect

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

Recommendation

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

Corrective Action Taken

No action taken. See current year finding 2022-001 and Corrective Action Plan.

**2021-002 Finding**

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Corrective Action Taken

No action taken. See current year finding 2022-002 and Corrective Action Plan.

INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
June 30, 2022

**Section IV- Minnesota Legal Compliance Findings**

**2022-004 FINDING**

Criteria

Minnesota Statute 118A.03, requires the District to obtain a bond or collateral which, when computed at its market value, shall be at least ten percent more than the amount of the excess deposit.

Condition

The District had deposits which were in excess of deposit insurance and the District did not have sufficient collateral to cover the deposits.

Cause

Oversight by the District's staff.

Effect

The District had uninsured and uncollateralized deposits during the school year.

Recommendation

The District should establish a procedure to monitor the depository balances. We would recommend the balances be monitored on a monthly basis and more often when the District may have deposits in excess of the deposit insurance and the collateral.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and will implement immediately.

INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
June 30, 2022

**2021-003 Finding**

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

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

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

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

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

Corrective Action Taken  
District made year end entries. No audit entries identified.

INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
June 30, 2022

**2021-004 Finding**

Federal Program  
Child Nutrition (AL 10.559)  
Cash Management

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

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

Questioned Costs  
None identified.

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

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

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

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

Corrective Action Taken  
No. See current year finding 2022-003.



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

Corrective Action Plan for the Year Ending June 30, 2022:

**2022-001 FINDING**

Contact Person – Shane Tappe, Superintendent  
 Corrective Action Plan – The following steps are being taken to mitigate the risk: the Superintendent will review and approve all journal entries, the Board of Education will approve checks, and the Superintendent will review all bank statements before turning the statements over to the business office for reconciliation.  
 Completion Date – Ongoing

**2022-002 FINDING**

Contact Person – Shane Tappe, Superintendent  
 Corrective Action Plan – The District will establish a policy to document review of the financial statements and notes.  
 Completion Date – Ongoing

**2022-003 FINDING**

Contact Person – Shane Tappe, Superintendent  
 Corrective Action Plan – Will establish control procedures over meal reimbursement reporting.  
 Completion Date – December 20, 2022

**2022-004 FINDING**

Contact Person – Shane Tappe, Superintendent  
 Corrective Action Plan – Will obtain sufficient collateral.  
 Completion Date – December 20, 2022

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
 STAPLES, MINNESOTA  
 UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE  
 June 30, 2022**

District Name:	INDEPENDENT SCHOOL DISTRICT NO. 2170	District Number:	2170	Audit	UFARS	Variance	Audit	UFARS	Variance
<b>01 GENERAL FUND</b>									
Total Revenue	14,532,730	14,532,731	(1)	(110,118)	(110,118)		(110,118)	(110,118)	
Total Expenditures	13,532,484	13,592,494		3,218,008	3,218,008		3,218,008	3,218,008	
Non Spendable									
460 Non-Spendable Fund Balance	110,267	110,267							
Restrictor/Reserve:									
400 Capital Projects Levy	80,638	80,638							
402 School Activities									
407 Capital Projects Levy	77,642	77,642		6,165,771	6,165,771		6,165,771	6,165,771	
408 Cooperative Revenue									
413 Project Funded by COP				2,317,909	2,317,909		2,317,909	2,317,909	
416 Building Debt									
418 Law Practice									
417 Tacoma Building Maintenance				11,591,568	11,591,568		11,591,568	11,591,568	
424 Operating Capital	414,684	414,684							
427 Disabled Accessibility				355,093	355,093		355,093	355,093	
428 Printing & Computer				343,525	343,525		343,525	343,525	
434 Area Use Contract	1	1	(1)						
435 Contracted All Programs									
436 State Approved All Program									
438 Gifted & Talented	38,606	38,606							
440 Teacher Development and Eval.									
448 Academic Programs									
449 Safe Schools Levy	56,900	56,900		218,174	218,174		218,174	218,174	
451 OZAB Payments									
452 OFFEB Lab Not In Trust									
453 Unfunded Sev & Retirement Levy	1,328,516	1,328,516							
457 Long Term Facilities Maintenance	183,767	183,767							
472 Mental Assistance									
Restricted									
464 Restricted Fund Balance				916,792	916,791		916,792	916,791	
Committed									
418 Committed for Separation	10,450	10,450							
461 Committed									
Assigned									
462 Assigned Fund Balance	109,092	109,092							
Unassigned									
422 Unassigned Fund Balance	3,162,443	3,162,441	2						
Reconciliation of General	33,698,221	33,698,221							
<b>02 FOOD SERVICE</b>									
Total Revenue	991,300	991,269	1						
Total Expenditures	736,316	736,316							
Non-Spendable									
460 Non-Spendable Fund Balance	17,735	17,735							
Restrictor/Reserve:									
452 OPEB Lab Not In Trust									
Restricted									
464 Restricted Fund Balance	531,212	531,210	2						
Unassigned									
463 Unassigned Fund Balance									
Reconciliation of Food Service	2,276,565	2,276,560	3						
<b>04 COMMUNITY SERVICE</b>									
Total Revenue	566,663	566,663							
Total Expenditures	455,496	455,496							
Non-Spendable									
460 Non-Spendable Fund Balance	3,686	3,687	(1)						
Restrictor/Reserve:									
428 \$25 Tacoma	184,871	184,871							
431 Community Education	(50,809)	(50,809)							
432 E.C.F.E.									
444 Teacher Development and Eval.	132,160	132,160							
446 School Resumes	3,786	3,786							
447 School Resumes									
452 OPEB Lab Not In Trust	203,248	203,245	3						
Restricted									
464 Restricted Fund Balance									
Unassigned									
463 Unassigned Fund Balance	1,501,102	1,501,100	2						
Reconciliation of Community Service									

**FORM OF LEGAL OPINION**

(See following pages)



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

\$ \_\_\_\_\_  
**CERTIFICATES OF PARTICIPATION, SERIES 2023A**  
 Evidencing the Proportional Interests of the Registered Owners thereof in  
 Lease Payments under a Lease-Purchase Agreement, dated as of April 1, 2023  
 between INDEPENDENT SCHOOL DISTRICT NO. 2170 (STAPLES-MOTLEY),  
 CASS, MORRISON, TODD, AND WADENA COUNTIES, MINNESOTA, as Lessee, and  
 ZIONS BANCORPORATION, NATIONAL ASSOCIATION, as Lessor

We have acted as bond counsel to Independent School District No. 2170 (Staples-Motley), Cass, Morrison, Todd, and Wadena Counties, Minnesota (the “District”), in connection with the issuance of the Certificates of Participation, Series 2023A (the “Series 2023A Certificates”), originally dated the date hereof, and issued in the original aggregate principal amount of \$ \_\_\_\_\_. In connection with the issuance of the Series 2023A Certificates, we have examined executed counterparts, or copies otherwise identified to our satisfaction, of the following: (i) the Lease-Purchase Agreement, dated as of April 1, 2023 (the “Lease-Purchase Agreement”), between the District, as lessee, and Zions Bancorporation, National Association, as lessor (the “Trustee”); (ii) the Ground Lease, dated as of April 1, 2023 (the “Ground Lease”), between the Trustee, as lessee, and the District, as lessor; (iii) the Indenture of Trust, dated as of April 1, 2023 (the “Indenture”), by the Trustee and joined in by the District; (iv) the Continuing Disclosure Certificate, of even date herewith (the “Continuing Disclosure Certificate”), of the District; and (v) certified copies of certain proceedings, including the resolution adopted by the School Board (the “Board”) of the District on March 10, 2023 (the “Resolution”), certificates, instruments, and affidavits furnished by the District and the Trustee, in the authorization, execution, and delivery of the Series 2023A Certificates and the Lease-Purchase Agreement. The Indenture, the Lease-Purchase Agreement, the Ground Lease, and the Continuing Disclosure Certificate are collectively referred to herein as the “Financing Documents.” Capitalized terms that are used herein but are otherwise not defined shall have the meanings assigned to such terms in the Indenture or the Lease-Purchase Agreement.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Resolution, the Financing Documents, and other certifications of public officials and the Trustee furnished to us (including, but not limited to, certifications as to the use of proceeds of the Series 2023A Certificates) without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect prior to the date hereof), regulations, rulings, and judicial or other decisions, it is our opinion that:

- (1) The District has the authority to enter into the Lease-Purchase Agreement pursuant to the Constitution of the State of Minnesota (the “State”) and Minnesota Statutes, Section 465.71, as amended.

(2) The District has the power under the laws of the State to enter into the Financing Documents, and the Financing Documents have been duly and validly authorized, executed, and delivered by the District and are valid and binding obligations of the District. The obligations of the District under the Financing Documents are enforceable in accordance with their terms, except to the extent such enforceability is limited by State and federal laws affecting remedies and by bankruptcy, reorganization, or other law relating to or affecting the enforcement of creditors' rights.

(3) The Series 2023A Certificates evidence legal, valid, and binding undivided interests in the right to certain revenues, as provided in the Series 2023A Certificates and the Indenture, from Lease Payments (as defined in the Lease-Purchase Agreement) payable by the District under the Lease-Purchase Agreement, which payments include portions designated and paid as interest and principal, as provided in the Lease-Purchase Agreement.

(4) The Lease Payments and any Additional Lease Payments (as defined in the Lease-Purchase Agreement) payable by the District under the Lease-Purchase Agreement are payable solely from money to be appropriated by the Board for this purpose each year in the District's annual budget but the Board is not required to appropriate or provide money for this purpose. In the event that money is not so appropriated and provided by the District with respect to the Leased Property (as defined in the Lease-Purchase Agreement), the District may, by written notice to the Trustee, discontinue the Lease-Purchase Agreement at the end of any Fiscal Year of the District then in effect. If the District should discontinue the Lease-Purchase Agreement at the end of any such Fiscal Year in the manner provided therein, the Lease-Purchase Agreement is terminated without penalty or liability on the part of the District to pay any Lease Payments coming due after such event of nonappropriation, but in such event the District has the obligation to deliver possession of the Leased Property to the Trustee at the time and in the manner provided in the Lease-Purchase Agreement.

(5) The Lease-Purchase Agreement and the Series 2023A Certificates are not general obligations of the District within the meaning of any constitutional or statutory limitation, and do not constitute or give rise to a charge against its general credit or taxing powers, and no owners of the Series 2023A Certificates shall ever have the power to compel the exercise of any taxing power of the District for the payment of the Series 2023A Certificates. The execution of the Lease-Purchase Agreement and the appropriation of money to pay the Lease Payments and any Additional Lease Payments coming due thereunder do not result in the violation of any constitutional, statutory, or other limitation relating to the manner, form, or amount of indebtedness which may be incurred by the District.

(6) The portion of the Lease Payments paid by the District which is designated and paid as interest, as provided in the Lease-Purchase Agreement, and received by the Owners of the Series 2023A Certificates is excluded from gross income of the recipient for federal income tax purposes and, to the same extent, is excluded 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, and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income.

The opinions expressed in the immediately preceding paragraph are subject to the condition of the District's compliance with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2023A Certificates in order that interest may be, and continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with these continuing requirements. The District's failure to do so could result in the inclusion of interest in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes, retroactive to the date of issuance of the Series 2023A Certificates. In addition, we express no opinion as to the effect of any termination of the District's obligations under the Lease-Purchase Agreement, under certain circumstances as provided in the Lease-Purchase Agreement, upon the treatment for federal or Minnesota income tax purposes of any money received by the Owners of the Series 2023A Certificates subsequent to such termination.

We express no opinion regarding other federal or state tax consequences arising with respect to the Series 2023A Certificates or the Lease-Purchase Agreement.

It is understood that the rights of the owners of the Series 2023A Certificates and the enforceability of the Series 2023A Certificates, the Resolution, and the Financing Documents may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

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 Certificates, 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 \_\_\_\_\_, 2023 at Minneapolis, Minnesota.

### 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](http://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.

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

(See following pages)

§ \_\_\_\_\_  
CERTIFICATES OF PARTICIPATION, SERIES 2023A  
Evidencing the Proportional Interests of the Registered Owners thereof in  
Lease Payments under a Lease-Purchase Agreement, dated as of April 1, 2023  
between INDEPENDENT SCHOOL DISTRICT NO. 2170 (STAPLES-MOTLEY),  
CASS, MORRISON, TODD, AND WADENA COUNTIES, MINNESOTA, as Lessee, and  
ZIONS BANCORPORATION, NATIONAL ASSOCIATION, as Lessor

**CONTINUING DISCLOSURE CERTIFICATE**

April \_\_, 2023

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Independent School District No. 2170 (Staples-Motley), Cass, Morrison, Todd, and Wadena Counties, Minnesota (the “District”), in connection with the issuance of the Certificates of Participation, Series 2023A (the “Series 2023A Certificates”), in the original aggregate principal amount of \$\_\_\_\_\_. The Series 2023A Certificates are being issued pursuant to a resolution adopted by the School Board of the District (the “Resolution”) and pursuant to the terms of an Indenture of Trust, dated as of April 1, 2023 (the “Indenture”), by Zions Bancorporation, National Association, as trustee, and joined in by the District. The Series 2023A Certificates are being delivered to \_\_\_\_\_, [as syndicate manager] (the “Purchaser”) on the date hereof. Pursuant to the Resolution, the District has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders (as defined herein) of the Series 2023A Certificates 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 Series 2023A Certificates 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.

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“District” means Independent School District No. 2170 (Staples-Motley), Cass, Morrison, Todd, and Wadena Counties, Minnesota, which is the obligated person with respect to the Series 2023A Certificates.

“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 \_\_\_\_\_, 2023, which constitutes the final official statement delivered in connection with the Series 2023A Certificates, 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 Series 2023A Certificate is registered or a beneficial owner of such a Series 2023A Certificate.

“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 Series 2023A Certificates (including the Purchaser) required to comply with the Rule in connection with the offering of the Series 2023A Certificates.

“Purchaser” means \_\_\_\_\_, [as syndicate manager].

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

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

“SEC” means Securities and Exchange Commission, and any successor thereto.

“Series 2023A Certificates” means the Certificates of Participation, Series 2023A, issued in accordance with the Indenture in the original aggregate principal amount of \$\_\_\_\_\_.

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

(a) The District shall provide to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends June 30, 2023, 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 Statement 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 Series 2023A Certificates:

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 Series 2023A Certificates or payment in full of all Series 2023A Certificates.

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 Series 2023A Certificates. 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 Series 2023A Certificates, 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 Series 2023A Certificates 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 Series 2023A Certificates 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 Series 2023A Certificates, and shall create no rights in any other person or entity.

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

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

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

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Board Chair

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Clerk



**TERMS OF PROPOSAL**

**\$2,125,000\* CERTIFICATES OF PARTICIPATION, SERIES 2023A  
INDEPENDENT SCHOOL DISTRICT NO. 2170 (STAPLES-MOTLEY), MINNESOTA**

Proposals for the purchase of \$2,125,000\* Certificates of Participation, Series 2023A (the "Certificates") of Independent School District No. 2170 (Staples-Motley), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 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 March 9, 2023, at which time they will be opened, read and tabulated. On February 27, 2023 the School Board will adopt a resolution which will authorize designated officials of the District to accept proposals on the Certificates on March 9, 2023. The School Board will meet on March 10, 2023 at 7:30 A.M. to ratify and approve the sale of the Certificates. The proposal offering to purchase the Certificates upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

**AUTHORITY; PURPOSE**

The Certificates are being issued pursuant to Minnesota Statutes, Section 465.71, as amended, by the District for the purpose of financing the construction of a building addition for a gymnasium at Staples-Motley Elementary School. The Certificates will be limited special obligations of the District payable from and secured by a pledge of lease payments required to be made by the District to Zions Bancorporation, National Association (the "Trustee") pursuant to a Lease-Purchase Agreement (the "Lease") to be entered into between the District, as lessee, and the Trustee, as lessor, subject to the District's right of non-appropriation. **THE CERTIFICATES DO NOT CONSTITUTE A GENERAL OR MORAL OBLIGATION OF THE DISTRICT AND ARE NOT A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE DISTRICT.**

**DATES AND MATURITIES**

The Certificates will be dated April 6, 2023, will be issued as fully registered Certificates in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on April 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2024	\$100,000	2029	\$125,000	2034	\$160,000
2025	105,000	2030	130,000	2035	170,000
2026	110,000	2031	140,000	2036	175,000
2027	115,000	2032	145,000	2037	185,000
2028	120,000	2033	155,000	2038	190,000

**ADJUSTMENT OPTION**

\* The District reserves the right to increase or decrease the principal amount of the Certificates 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 CERTIFICATE OPTION

Proposals for the Certificates may contain a maturity schedule providing for any combination of serial Certificates and term Certificates, 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 April 1 and October 1 of each year, commencing October 1, 2023, to the registered owners of the Certificates appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2024 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Certificates 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 Certificates 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 Certificates, 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 Certificates. So long as Cede & Co. is the registered owner of the Certificates, 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 Certificates.

## PAYING AGENT / ESCROW AGENT / TRUSTEE

The District has selected Zions Bancorporation, National Association, Chicago, Illinois, to act as paying agent (the "Paying Agent"), as escrow agent (the "Escrow Agent") and trustee (the "Trustee"). The District will pay the charges for Paying Agent, Escrow Agent and Trustee services. The District reserves the right to remove the Paying Agent, Escrow Agent and/or Trustee and to appoint a successor.

## OPTIONAL REDEMPTION AND EXTRAORDINARY REDEMPTION

At the option of the District, the Certificates maturing on or after April 1, 2032 shall be subject to optional redemption prior to maturity on April 1, 2031 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

The Certificates shall be subject to extraordinary redemption and prepayment, in whole or in part, at the option of the District on any date, in certain cases of damage, destruction or condemnation as described in the Lease-Purchase Agreement, and subject to a determination by the District that rebuilding, restoration and replacement of the Project would not be economically feasible.

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

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

## DELIVERY

On or about April 6, 2023, the Certificates 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 Certificates is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Certificates 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 Certificates and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the District ("Bond Counsel"), and will be available at the time of delivery of the Certificates. The legal opinion will state that the Certificates are valid and binding special obligations of the District; provided that the rights of the owners of the Certificates and the enforceability of the Certificates 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 \$2,125,000 plus accrued interest on the principal sum of \$2,125,000 from date of original issue of the Certificates 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](mailto: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 \$42,500 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 Certificates 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 Certificates 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 Certificates is adjourned, recessed, or continued to another date without award of the Certificates having been made.

### **AWARD**

The Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Certificates.

### **CUSIP NUMBERS**

The District will assume no obligation for the assignment or printing of CUSIP numbers on the Certificates 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 Certificates 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 Underwriter (Syndicate Manager) 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 Certificates. 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 Certificates 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 Certificates 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 Certificates, 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 Certificates 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 Certificates) will apply to the initial sale of the Certificates (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 Certificates to the bidder who submits a firm offer to purchase the Certificates 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 Certificates, 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 Certificates 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 Certificates. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Certificates: (1) the first price at which 10% of a maturity of the Certificates (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 Certificates (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Certificates 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 Certificates, that the underwriters will neither offer nor sell unsold Certificates 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<sup>th</sup>) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Certificates 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<sup>th</sup>) business day after the sale whether it has sold 10% of that maturity of the Certificates 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 Certificates, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Certificates, 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 Certificates 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 Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, 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 Certificates 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 Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, 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 Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, 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 Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Certificates.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the District, Bond Counsel and Ehlers the prices at which the Certificates have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Certificates of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Certificates, 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Certificates 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 Certificates to any person that is a related party to an underwriter participating in the initial sale of the Certificates 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 Certificates 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 Certificates 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 Certificates to the public),
- (iii) a purchaser of any of the Certificates 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 Certificates 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 Certificates prior to the proposal opening by request from Ehlers at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

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

By Order of the School Board

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



PROPOSAL FORM

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

March 9, 2023

RE: \$2,125,000\* Certificates of Participation, Series 2023A (the "Certificates")
DATED: April 6, 2023

For all or none of the above Certificates, 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 \$2,125,000) plus accrued interest to date of delivery for fully registered Certificates bearing interest rates and maturing in the stated years as follows:

Table with 3 columns of interest rates and maturity dates from 2024 to 2038.

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

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

A good faith deposit ("Deposit") in the amount of \$42,500 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 Certificates 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 Certificates 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 Certificates to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about April 6, 2023.

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 Certificates.

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 Underwriter (Syndicate Manager), we agree to provide the District with the reoffering price of the Certificates within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Certificates 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 Certificates.

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 April 6, 2023 of the above proposal is \$ and the true interest cost (TIC) is %.

The foregoing offer is hereby accepted by and on behalf of the School Board of Independent School District No. 2170 (Staples-Motley), Minnesota, on March 9, 2023.

By: By:
Title: Title: