PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 7, 2020

The information contained in this Preliminary Official Statement is deemed by the District to be final as of the date hereof; however, the pricing and underwriting information is subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

NEW ISSUE **S&P MNSDCEP Rating: Requested**
NOT BANK QUALIFIED **S&P Underlying Rating: Requested**

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions. The District will not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986. See "TAX CONSIDERATIONS" herein.

$37,295,000*
Independent School District No. 2853
(Lac qui Parle Valley), Minnesota
General Obligation School Building Bonds, Series 2020A
(Minnesota School District Credit Enhancement Program)
(Book Entry Only)

Dated Date: Date of Delivery **Interest Due: Each February 1 and August 1, commencing August 1, 2020**

The Bonds (as defined herein) will mature February 1 in the years and amounts* as follows:

2021	$1,105,000	2025	$1,400,000	2029	$1,705,000	2033	$2,120,000	2037	$2,385,000
2022	$1,100,000	2026	$1,470,000	2030	$1,885,000	2034	$2,185,000	2038	$2,455,000
2023	$1,270,000	2027	$1,550,000	2031	$1,960,000	2035	$2,250,000	2039	$2,530,000
2024	$1,335,000	2028	$1,625,000	2032	$2,040,000	2036	$2,315,000	2040	$2,610,000

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above.

The District may elect on February 1, 2028, and on any day thereafter, to redeem Bonds due on or after February 1, 2029 at a price of par plus accrued interest.

The Bonds are general obligations of the District for which the District pledges its full faith and credit and power to levy direct general ad valorem taxes. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Bonds when due if the District is unable to make a principal or interest payment. The proceeds of the Bonds will be used for the acquisition and betterment of school sites and facilities within the District.

Proposals shall be for not less than $37,295,000 (Par) plus accrued interest, if any, on the total principal amount of the Bonds. Proposals shall specify rates in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Following receipt of proposals, a good faith deposit will be required to be delivered to the District by the lowest bidder as described in the "Terms of Proposal" herein. Award of the Bonds will be made on the basis of True Interest Cost (TIC).

The Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Investors will not receive physical certificates representing their interest in the Bonds purchased. (See "Book Entry System" herein.) Amalgamated Bank of Chicago, Chicago, Illinois will serve as registrar (the "Registrar") for the Bonds. The Bonds will be available for delivery at DTC on or about February 27, 2020.

PROPOSALS RECEIVED: Monday, January 27, 2020 until 10:30 A.M., Central Time
CONSIDERATION OF AWARD: Board meeting commencing at 7:00 P.M., CT on Monday, January 27, 2020

bakertilly
MUNICIPAL ADVISORS
now joined with
Springsted and Umbaugh

Further information may be obtained from Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887 (651) 223-3000.

* *Preliminary; subject to change.*

INDEPENDENT SCHOOL DISTRICT NO. 2853
(LAC QUI PARLE VALLEY), MINNESOTA

SCHOOL BOARD

Cory Thorsland	Chairperson
Erik Bjerke	Vice Chairperson
Scott Conn	Clerk
Earl Molden	Treasurer
Shannon Boehnke	Member
Stephen Enger	Member

SUPERINTENDENT

Greg Schmidt

DIRECTOR OF FINANCE

Brenda Domeier

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Saint Paul, Minnesota

BOND COUNSEL

Dorsey & Whitney LLP
Minneapolis, Minnesota

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the District from time to time, may be treated as a Preliminary Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the District.

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the District agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded copies of the Final Official Statement in the amount specified in the Terms of Proposal.

No dealer, broker, salesman or other person has been authorized by the District to give any information or to make any representations with respect to the Bonds, other than as contained in the Preliminary Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District.

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the District and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE PRELIMINARY OFFICIAL STATEMENT NOR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE DISTRICT SINCE THE RESPECTIVE DATE THEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

Any CUSIP numbers for the Bonds included in the Final Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Bonds are assigned by an organization unaffiliated with the District. The District is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Bonds or as set forth in the Final Official Statement. No assurance can be given by the District that the CUSIP numbers for the Bonds will remain the same after the delivery of the Final Official Statement or the date of issuance and delivery of the Bonds.

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THE DISTRICT HAS AUTHORIZED BAKER TILLY MUNICIPAL ADVISORS, LLC TO NEGOTIATE THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:

TERMS OF PROPOSAL

$37,295,000*

INDEPENDENT SCHOOL DISTRICT NO. 2853
(LAC QUI PARLE VALLEY), MINNESOTA

GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2020A

(MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM)

(BOOK ENTRY ONLY)

Proposals for the above-referenced obligations (the "Bonds") will be received by Independent School District No. 2853 (Lac qui Parle Valley), Minnesota (the "District") on Monday, January 27, 2020, (the "Sale Date") until 10:30 A.M., Central Time at the offices of Baker Tilly Municipal Advisors, LLC ("Baker Tilly MA"), 380 Jackson Street, Suite 300, Saint Paul, Minnesota, 55101, after which time proposals will be opened and tabulated. Consideration for award of the Bonds will be by the School Board at its meeting commencing at 7:00 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

Baker Tilly MA will assume no liability for the inability of a bidder to reach Baker Tilly MA prior to the time of sale specified above. All bidders are advised that each proposal shall be deemed to constitute a contract between the bidder and the District to purchase the Bonds regardless of the manner in which the proposal is submitted.

(a) ***Sealed Bidding.*** Proposals may be submitted in a sealed envelope or by fax (651) 223-3046 to Baker Tilly MA. Signed proposals, without final price or coupons, may be submitted to Baker Tilly MA prior to the time of sale. The bidder shall be responsible for submitting to Baker Tilly MA the final proposal price and coupons, by telephone (651) 223-3000 or fax (651) 223-3046 for inclusion in the submitted proposal.

OR

(b) ***Electronic Bidding.*** Notice is hereby given that electronic proposals will be received via PARITY®. For purposes of the electronic bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all proposals submitted to PARITY®. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY® for purposes of submitting its electronic proposal in a timely manner and in compliance with the requirements of the Terms of Proposal*. Neither the District, its agents, nor PARITY® shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the District, its agents, nor PARITY® shall be responsible for a bidder's failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY®. The District is using the services of PARITY® solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY® is not an agent of the District.

* *Preliminary; subject to change.*

If any provisions of this Terms of Proposal conflict with information provided by PARITY®, this Terms of Proposal shall control. Further information about PARITY®, including any fee charged, may be obtained from:

PARITY®, 1359 Broadway, 2nd Floor, New York, New York 10018
Customer Support: (212) 849-5000

DETAILS OF THE BONDS

The Bonds will be dated as of the date of delivery and will bear interest payable on February 1 and August 1 of each year, commencing August 1, 2020. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature February 1 in the years and amounts* as follows:

2021	$1,105,000	2025	$1,400,000	2029	$1,705,000	2033	$2,120,000	2037	$2,385,000
2022	$1,100,000	2026	$1,470,000	2030	$1,885,000	2034	$2,185,000	2038	$2,455,000
2023	$1,270,000	2027	$1,550,000	2031	$1,960,000	2035	$2,250,000	2039	$2,530,000
2024	$1,335,000	2028	$1,625,000	2032	$2,040,000	2036	$2,315,000	2040	$2,610,000

* *The District reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Bonds or the amount of any maturity or maturities in multiples of $5,000. In the event the amount of any maturity is modified, the aggregate purchase price will be adjusted to result in the same gross spread per $1,000 of Bonds as that of the original proposal. Gross spread for this purpose is the differential between the price paid to the District for the new issue and the prices at which the proposal indicates the securities will be initially offered to the investing public.*

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above. In order to designate term bonds, the proposal must specify "Years of Term Maturities" in the spaces provided on the proposal form.

BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The lowest bidder (the "Purchaser"), as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

REGISTRAR

The District will name the registrar which shall be subject to applicable regulations of the Securities and Exchange Commission. The District will pay for the services of the registrar.

OPTIONAL REDEMPTION

The District may elect on February 1, 2028, and on any day thereafter, to redeem Bonds due on or after February 1, 2029. Redemption may be in whole or in part and if in part at the option of the District and in such manner as the District shall determine. If less than all Bonds of a maturity are called for redemption, the District 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 interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be general obligations of the District for which the District will pledge its full faith and credit and power to levy direct general ad valorem taxes. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Bonds when due if the District is unable to make a principal or interest payment. The proceeds of the Bonds will be used for the acquisition and betterment of school sites and facilities within the District.

BIDDING PARAMETERS

Proposals shall be for not less than $37,295,000 (Par) plus accrued interest, if any, on the total principal amount of the Bonds. No proposal can be withdrawn or amended after the time set for receiving proposals on the Sale Date unless the meeting of the District scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

ESTABLISHMENT OF ISSUE PRICE

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

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

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

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

<u>If the District advises the Purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies</u>, the Purchaser will be required to deliver to the District at or prior to closing a certification, substantially in the form attached hereto as Exhibit A, as to the reasonably expected initial offering price as of the award date.

<u>If the District advises the Purchaser that the requirements for a competitive sale have not been satisfied, the hold-the-offering price rule will apply.</u> The Purchaser shall (1) upon the request of the District confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the

initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the District a certification substantially in the form attached hereto as Exhibit B, together with a copy of the pricing wire.

Any action to be taken or documentation to be received by the District pursuant hereto may be taken or received on behalf of the District by Baker Tilly MA.

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

GOOD FAITH DEPOSIT

To have its proposal considered for award, the Purchaser is required to submit a good faith deposit to the District in the amount of $372,950 (the "Deposit") no later than 1:30 P.M., Central Time on the Sale Date. The Deposit may be delivered as described herein in the form of either (i) a certified or cashier's check payable to the District; or (ii) a wire transfer. The Purchaser shall be solely responsible for the timely delivery of its Deposit whether by check or wire transfer. Neither the District nor Baker Tilly MA have any liability for delays in the receipt of the Deposit. If the Deposit is not received by the specified time, the District may, at its sole discretion, reject the proposal of the lowest bidder, direct the second lowest bidder to submit a Deposit, and thereafter award the sale to such bidder.

Certified or Cashier's Check. A Deposit made by certified or cashier's check will be considered timely delivered to the District if it is made payable to the District and delivered to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101 by the time specified above.

Wire Transfer. A Deposit made by wire will be considered timely delivered to the District upon submission of a federal wire reference number by the specified time. Wire transfer instructions will be available from Baker Tilly MA following the receipt and tabulation of proposals. The successful bidder must send an e-mail including the following information: (i) the federal reference number and time released; (ii) the amount of the wire transfer; and (iii) the issue to which it applies.

Once an award has been made, the Deposit received from the Purchaser will be retained by the District and no interest will accrue to the Purchaser. The amount of the Deposit will be deducted at settlement from the purchase price. In the event the Purchaser fails to comply with the accepted proposal, said amount will be retained by the District.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis calculated on the proposal prior to any adjustment made by the District. The District's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The District will reserve the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, (ii) reject all proposals without cause, and (iii) reject any proposal that the District determines to have failed to comply with the terms herein.

BOND INSURANCE AT PURCHASER'S OPTION

The District has **not** applied for or pre-approved a commitment for any policy of municipal bond insurance with respect to the Bonds. If the Bonds qualify for municipal bond insurance and a bidder desires to purchase a policy, such indication, the maturities to be insured, and the name of the desired insurer must be set forth on the bidder's proposal. The District specifically reserves the right to reject any proposal specifying municipal bond insurance, even though such proposal may result in the lowest TIC to the District. All costs associated with the issuance and administration of such policy and associated ratings and expenses (other than any independent rating requested by the District) shall be paid by the successful bidder. Failure of the municipal bond insurer to issue the policy after the award of the Bonds shall not constitute cause for failure or refusal by the successful bidder to accept delivery of the Bonds.

CUSIP NUMBERS

If the Bonds qualify for the assignment of CUSIP numbers such numbers will be printed on the Bonds; however, neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds. Baker Tilly MA will apply for CUSIP numbers pursuant to Rule G-34 implemented by the Municipal Securities Rulemaking Board. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

SETTLEMENT

On or about February 27, 2020, the Bonds will be delivered without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Dorsey & Whitney LLP of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds that shall be received at the offices of the District or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Bonds has been made impossible by action of the District, or its agents, the Purchaser shall be liable to the District for any loss suffered by the District by reason of the Purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

On the date of the actual issuance and delivery of the Bonds, the District will execute and deliver a Continuing Disclosure Undertaking (the “Undertaking”) whereunder the District will covenant to provide, or cause to be provided, annual financial information, including audited financial statements of the District, and notices of certain material events, as specified in and required by SEC Rule 15c2-12(b)(5).

OFFICIAL STATEMENT

The District has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Bonds, and said Preliminary Official Statement has been deemed final by the District as of the date thereof within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Preliminary Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the District, Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101, telephone (651) 223-3000.

A Final Official Statement (as that term is defined in Rule 15c2-12) will be prepared, specifying the maturity dates, principal amounts, and interest rates of the Bonds, together with any other information required by law. By awarding the Bonds to the Purchaser, the District agrees that, no more than seven business days after the date of such award, it shall provide without cost to the Purchaser up to 25 copies of the Final Official Statement. The District designates the Purchaser as its agent for purposes of distributing copies of the Final Official Statement to each syndicate member, if applicable. The Purchaser agrees that if its proposal is accepted by the District, (i) it shall accept designation and (ii) it shall enter into a contractual relationship with its syndicate members for purposes of assuring the receipt of the Final Official Statement by each such syndicate member.

Dated December 19, 2019 BY ORDER OF THE SCHOOL BOARD

/s/ Scott Conn
Clerk

EXHIBIT A

ISSUE PRICE CERTIFICATE – COMPETITIVE SALES WITH AT LEAST THREE BIDS FROM ESTABLISHED UNDERWRITERS

$[PRINCIPAL AMOUNT]
[BOND CAPTION]

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] ("[SHORT NAME OF UNDERWRITER]"), hereby certifies as set forth below with respect to the sale of the obligations named above (the "Bonds").

1. ***Reasonably Expected Initial Offering Price***.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. ***Defined Terms***. For purposes of this Issue Price Certificate:

(a) *District* means [DESCRIBE ISSUER].

(b) *Maturity* means Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Member of the Distribution Group* means (i) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(d) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a "related party" to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 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), (ii) 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 (iii) 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).

(e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the District[and BORROWER (the "Borrower")] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the District[and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER]

By:____________________________________
Name:__________________________________

Dated: [ISSUE DATE]

SCHEDULE A

EXPECTED OFFERING PRICES

(*Attached*)

SCHEDULE B

COPY OF UNDERWRITER'S BID

(*Attached*)

EXHIBIT B

ISSUE PRICE CERTIFICATE – COMPETITIVE SALES WITH FEWER THAN THREE BIDS FROM ESTABLISHED UNDERWRITERS

$[PRINCIPAL AMOUNT]
[BOND CAPTION]

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] (["[SHORT NAME OF UNDERWRITER]")][the "Representative")][, on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the "Underwriting Group"),] hereby certifies as set forth below with respect to the sale of the obligations named above (the "Bonds").

1. ***Initial Offering Price of the Bonds***. [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Bonds to the Public for purchase at the specified initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire for the Bonds is attached to this certificate as Schedule B.

2. ***First Price at which Sold to the Public*****.** On the Sale Date, at least 10% of each Maturity [listed in Schedule C] was first sold to the Public at the respective Initial Offering Price [or price specified [therein][in Schedule C], if different].

3. ***Hold the Offering Price Rule***. [SHORT NAME OF UNDERWRITER][Each member of the Underwriting Group] has agreed in writing that, (i) for each Maturity less than 10% of which was first sold to the Public at a single price as of the Sale Date, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "Hold-the-Offering-Price Rule"), and (ii) any agreement among underwriters, selling group agreement, or third-party distribution agreement contains the agreement of each underwriter, dealer, or broker-dealer who is a party to such agreement to comply with the Hold-the-Offering-Price Rule. Based on the [Representative][SHORT NAME OF UNDERWRITER]'s own knowledge and, in the case of sales by other Members of the Distribution Group, representations obtained from the other Members of the Distribution Group, no Member of the Distribution Group has offered or sold any such Maturity at a price that is higher than the respective Initial Offering Price during the respective Holding Period.

4. ***Defined Terms***. For purposes of this Issue Price Certificate:

(a) *Holding Period* means the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which Members of the Distribution Group have sold at least 10% of such Maturity to the Public at one or more prices, none of which is higher than the Initial Offering Price for such Maturity.

(b) *District* means [DESCRIBE ISSUER].

(c) *Maturity* means Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or with the same maturity date but different stated interest rates, are treated as separate Maturities.

(d) *Member of the Distribution Group* means (i) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(e) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a "related party" to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 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), (ii) 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 (iii) 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).

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDEWRITING FIRM][the Representative's] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the District[and BORROWER (the "Borrower")] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the District[and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER][REPRESENTATIVE]

By:___________________________________
Name:_________________________________

Dated: [ISSUE DATE]

SCHEDULE A

INITIAL OFFERING PRICES OF THE BONDS

(*Attached*)

SCHEDULE B

PRICING WIRE

(*Attached*)

SCHEDULE C

SALES OF AT LEAST 10% OF MATURITY TO THE PUBLIC ON THE SALE DATE AT THE INITIAL OFFERING PRICE

(*Attached*)

OFFICIAL STATEMENT

$37,295,000*

INDEPENDENT SCHOOL DISTRICT NO. 2853
(LAC QUI PARLE VALLEY), MINNESOTA

GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2020A

(MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM)

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement contains certain information relating to Independent School District No. 2853 (Lac qui Parle Valley), Minnesota (the "District") and its issuance of $37,295,000* General Obligation School Building Bonds, Series 2020A (the "Bonds"). The Bonds are general obligations of the District for which it pledges its full faith and credit and power to levy direct general ad valorem taxes. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Bonds when due if the District is unable to make a principal or interest payment.

Inquiries may be directed to Ms. Brenda Domeier, Director of Finance, Independent School District No. 2853, 2860 291st Avenue, Madison, Minnesota 56256-9631, by telephoning (320) 752-4815, or by e-mailing bdomeier@lqpv.org. Inquiries may also be made to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887, by telephoning (651) 223-3000, or by emailing bondservice@bakertilly.com.

CONTINUING DISCLOSURE

In order to permit bidders for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the District will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the Resolution, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix II to this Official Statement.

The District believes it has complied for the past five years in accordance with the terms of its previous continuing disclosure undertakings entered into pursuant to the Rule. Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the Bonds or the Resolution. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the District to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market place.

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* *Preliminary; subject to change.*

THE BONDS

General Description

The Bonds are dated as of the date of delivery and will mature annually on February 1 as set forth on the front cover of this Official Statement. The Bonds are issued in book entry form. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2020. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar as of the fifteenth day of the calendar month next preceding such interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Principal of and interest on the Bonds will be paid as described in the section herein entitled "Book Entry System." Amalgamated Bank of Chicago, Chicago, Illinois will serve as Registrar for the Bonds, and the District will pay for registrar services.

Redemption Provisions

Mailed notice of redemption shall be given to the registered owner(s) of the Bonds in accordance with the requirements of DTC which currently requires no less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Failure to give such written notice to any registered owner of the Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Bonds. All Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

Optional Redemption

The District may elect on February 1, 2028, and on any day thereafter, to redeem Bonds due on or after February 1, 2029. Redemption may be in whole or in part and if in part at the option of the District and in such manner as the District shall determine. If less than all the Bonds of a maturity are called for redemption, the District 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 interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

Book Entry System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds 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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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"). 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds 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 its agent on the 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 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 its 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.

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

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, certificates will be printed and delivered to DTC.

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.

AUTHORITY AND PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and a referendum held on November 5, 2019. The referendum passed with a vote of 1,030 in favor to 302 against. The proceeds of the Bonds will be used for the acquisition and betterment of school sites and facilities within the District.

SOURCES AND USES OF FUNDS

The composition of the Bonds is estimated to be as follows:

Sources of Funds:	
Principal Amount	$37,295,000
Estimated Reoffering Premium	2,657,722
Total Sources of Funds	$39,952,722
Uses of Funds:	
Deposit to Project Fund	$39,500,000
Estimated Underwriter's Compensation	317,007
Costs of Issuance	135,715
Total Uses of Funds	$39,952,722

SECURITY AND FINANCING

The Bonds will be general obligations of the District for which the District will pledge its full faith and credit and power to levy direct general ad valorem taxes. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute pursuant to which the State of Minnesota (the "State") will appropriate money to the payment of the principal and interest on the Bonds when due if the District is unable to make a principal or interest payment. The District made its first levy for the Bonds in 2019 for collection in 2020. Each year's collection of taxes, if collected in full, will be sufficient to pay 105% of the interest payment due August 1 of the collection year and the principal and interest payment due February 1 of the following year.

MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM

By resolution adopted for this issue on December 19, 2019 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

The Law also requires the Registrar for this issue to notify the Commissioner of Education if it becomes aware of a potential default in the payment of principal and interest on these obligations, or if, on the day two business days prior to the payment date, there are insufficient funds to make the payment or deposit with the Registrar. The Law also requires, after receipt of a notice which requests a payment pursuant to the Law, after consultation with the Registrar and the District, and after verifying the accuracy of the information provided, the Commissioner of Education shall notify the Commissioner of Management and Budget of the potential default. The State Payment Law provides that "upon receipt of this notice . . . the Commissioner of Management and Budget shall issue a warrant and authorize the Commissioner of Education to pay to the Registrar for the debt obligation the specified amount on or before the date due. The amounts needed for purposes of subdivision are annually appropriated to the Department of Education from the state general fund."

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

In its Final Official Statement dated August 6, 2019 related to its 2019 General Obligation State Bonds, the State disclosed the following information about the State Credit Enhancement Program for school districts:

> "Minnesota Statutes, Section 126C.55, establishes a school district credit enhancement program. The law authorizes and directs the Commissioner of Management and Budget, under certain circumstances and subject to the availability of funds, to issue a warrant and authorize the Commissioner of Education to pay debt service due on school district and intermediate school district certificates of indebtedness issued under Minnesota Statutes, Section 126D.52, certificates of indebtedness and capital notes for equipment, certificates of participation issued under Minnesota Statutes, Section 126D.40, subdivision 6, and school district and intermediate school district general obligation bonds, in the event that the school district or intermediate school district notifies the Commissioner of Education that it does not have sufficient money in its debt service fund for this purpose, or the paying agent informs the Commissioner of Education that it has not received from the school district timely payment of moneys to be used to pay debt service. The legislation appropriates annually form the General Fund to the Commissioner of Education the amounts needed to pay any warrants which are issued.
>
> …As of the date of this Official Statement, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2046, is approximately $15.1 billion. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of the date of this Official Statement is currently estimated at $2.3 billion, with the maximum amount of principal and interest payable in

any one month being $889.3 million. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.

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

FUTURE FINANCING

The District anticipates issuing approximately $3,000,000 general obligation facility maintenance bonds in the spring of 2020. COPs??

LITIGATION

The District is not aware of any threatened or pending litigation affecting the validity of the Bonds or the District's ability to meet its financial obligations.

LEGALITY

The Bonds are subject to approval as to certain matters by Dorsey & Whitney LLP, of Minneapolis, Minnesota, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto. A legal opinion in substantially the form set out in Appendix I herein will be delivered at closing.

TAX CONSIDERATIONS

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

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

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Bonds. It does not address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent expressly specified herein. This summary is limited to consequences to U.S. holders that purchase the Bonds for cash at original issue and hold the Bonds as "capital assets" (generally, property held for investment).

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

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

Tax-Exempt Interest

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

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

Original Issue Discount

Bonds may be issued at a discount from their principal amount (any such Bonds being "Discount Bonds"). The excess of the principal amount payable on Bonds of a given maturity over their issue price constitutes "original issue discount" ("OID"). OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a

Discount Bond is added to the holder’s federal and Minnesota tax bases. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

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

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

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

Market Discount

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

Bond Premium

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

Related Tax Considerations

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

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally, no deduction is allowed under section 265(b) the Code for that portion of the holder’s interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations." Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds. The Bonds are not "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

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

Sale or Other Disposition

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

Information Reporting and Backup Withholding

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

NOT BANK-QUALIFIED TAX-EXEMPT BONDS

The District will not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

RATINGS

Application for a rating of the Bonds has been made to S&P Global Ratings ("S&P"), 55 Water Street, New York, New York. In addition, the District expects the Bonds to be rated by S&P based on the Minnesota School District Credit Enhancement Program. If the ratings are assigned, they will reflect only the opinion of S&P. Any explanation of the significance of the ratings may be obtained only from S&P.

There is no assurance that a rating, if assigned, will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

The District has retained Baker Tilly Municipal Advisors, LLC, of Saint Paul, Minnesota as municipal advisor in connection with certain aspects of the issuance of the Bonds. In preparing this Official Statement, Baker Tilly Municipal Advisors, LLC has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for this Official Statement. Baker Tilly Municipal Advisors, LLC has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. Baker Tilly Municipal Advisors, LLC is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

CERTIFICATION

The District has authorized the distribution of the Preliminary Official Statement for use in connection with the initial sale of the Bonds and a Final Official Statement following award of the Bonds. The Purchaser will be furnished with a certificate signed by the appropriate officers of the District stating that the District examined each document and that, as of the respective date of each document and the date of such certificate, each document did not and does not contain any untrue statement of material fact or omit to state a material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

DISTRICT PROPERTY VALUES

Trend of Values[(a)]

Assessment/ Collection Year	Assessor's Estimated Market Value	Sales Ratio[(b)]	Economic Market Value[(c)]	Market Value Homestead Exclusion	Taxable Market Value	Adjusted Taxable Net Tax Capacity
2018/19	$2,228,899,000	103.2%	$2,151,450,964	$44,511,423	$2,179,480,914	$17,825,195
2017/18	2,066,371,700	95.3	2,268,910,885	44,881,427	2,112,140,742	17,118,760
2016/17	2,215,859,300	100.7	2,195,903,459	38,095,022	2,165,983,126	17,400,253
2015/16	2,347,590,800	103.5	2,264,497,155	38,602,318	2,297,097,482	18,399,517
2014/15	2,385,869,600	91.9	2,591,952,720	38,467,800	2,334,943,500	18,925,231

(a) *For a description of the Minnesota property tax system, see Appendix III.*

(b) *Sales Ratio Study for the year of assessment as posted by the Minnesota Department of Revenue, https://www.revenue.state.mn.us/economic-market-values.*

(c) *Economic market values for the year of assessment as posted by the Minnesota Department of Revenue, https://www.revenue.state.mn.us/economic-market-values.*

Sources: Big Stone, Chippewa, Lac que Parle, Stevens, and Swift Counties, Minnesota, December 2019, except as otherwise noted.

2018/19 Net Tax Capacity: $17,868,879*

	Real Estate	Personal Property	Total
Big Stone County	$ 2,736,920	$ 8,271	$ 2,745,191
Chippewa County	908,278	7,326	915,604
Lac qui Parle County	7,303,577	101,022	7,404,599
Stevens County	12,865	0	12,865
Swift County	6,708,882	81,738	6,790,620
Total	$17,670,522	$198,357	$17,868,879

* *Excludes mobile home valuations of $43, $118, and $1,060 for Big Stone, Lac qui Parle, and Swift counties, respectively.*

2018/19 Adjusted Taxable Net Tax Capacity: $17,825,195*

Real Estate:		
Agricultural	$15,277,734	85.5%
Commercial/Industrial, Railroad, and Public Utility	1,183,967	6.6
Residential Homestead	852,558	4.8
Residential Non-Homestead	310,481	1.7
Seasonal Recreational	45,782	0.3
Personal Property	198,357	1.1
2018/19 Net Tax Capacity	$17,868,879	100.0%
Less: Captured Tax Increment	(43,684)	
2018/19 Adjusted Taxable Net Tax Capacity	$17,825,195	

* *Excludes mobile home valuation of $1,221.*

Ten of the Largest Taxpayers in the District

Taxpayer	Type of Property	2018/19 Net Tax Capacity
Western Consolidated Co-Op	Commercial	$ 361,321
Corrections Corp of America	Prison	294,250
Jorgenson Family Trust	Agricultural	122,680
BNSF Railway Company	Railroad	93,804
Otter Tail Power Co.	Utility	78,832
Individuals	Agricultural	73,711
Fagen Farms LLP	Agricultural	65,546
Individuals	Agricultural	62,881
Cargill Inc.	Commercial	55,714
Individuals	Agricultural	54,933
Total		$1,263,672*

* *Represents 7.1% of the District's 2018/19 adjusted taxable net tax capacity.*

DISTRICT INDEBTEDNESS

Legal Debt Limit and Debt Margin*

Legal Debt Limit (15% of 2018/19 Estimated Market Value of $2,228,899,000)	$334,334,850
Less: Outstanding Debt Subject to Limit (Including the Bonds)	(37,295,000)
Legal Debt Margin as of February 27, 2019	$297,039,850

* *The legal debt margin is referred to statutorily as the "Net Debt Limit" and may be increased by debt service funds and current revenues which are applicable to the payment of debt in the current fiscal year.*

NOTES: Certain types of debt are not subject to the legal debt limit. See Appendix III – Debt Limitations.

Minnesota Statutes limits the "net debt" of a school district to 15% of its actual market value. Actual market value is either the District's Estimated Market Value or Economic Market Value, whichever is higher.

General Obligation Debt Supported Solely by Taxes[(a)]

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 2-27-20
8-1-09	$ 1,400,000	Taxable OPEB	2-1-2022	$ 260,000[(b)]
2-27-20	37,295,000	School Building (the Bonds)	2-1-2040	37,295,000
Total				$37,555,000

(a) *These issues are subject to the legal debt limit except where noted.*

(b) *This issue is not subject to the legal debt limit.*

General Obligation Tax Abatement Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 2-27-20
5-1-13	$1,425,000	Tax Abatement	2-1-2029	$890,000

Estimated Calendar Year Debt Service Payments Including the Bonds

	G.O. Debt Supported Solely by Taxes		G.O. Tax Abatement Debt	
Year	Principal	Principal & Interest[(a)]	Principal	Principal & Interest
2020 (at 2-27)	(Paid)	$ 612,431	(Paid)	$ 9,640
2021	$ 1,255,000	2,652,830	$ 90,000	108,740
2022	1,210,000	2,545,890	95,000	112,488
2023	1,270,000	2,543,725	95,000	111,063
2024	1,335,000	2,543,600	95,000	109,400
2025	1,400,000	2,540,225	100,000	112,450
2026	1,470,000	2,538,475	100,000	110,200
2027	1,550,000	2,542,975	100,000	107,700
2028	1,625,000	2,538,600	105,000	109,875
2029	1,705,000	2,543,875	110,000	111,650
2030	1,885,000	2,652,075		
2031	1,960,000	2,650,175		
2032	2,040,000	2,650,175		
2033	2,120,000	2,657,575		
2034	2,185,000	2,658,000		
2035	2,250,000	2,656,475		
2036	2,315,000	2,653,000		
2037	2,385,000	2,652,500		
2038	2,455,000	2,649,900		
2039	2,530,000	2,649,493		
2040	2,610,000	2,650,455		
Total	$37,555,000[(b)]	$52,782,449	$890,000	$1,003,206

(a) *Includes the Bonds at an assumed average annual interest rate of 3.43%.*

(b) *39.2% of this debt will be retired within ten years.*

Other Debt Obligations

Operating Leases

The District has entered into various operating leases for copy machines, a bus garage, and buildings. These leases terms range from 36 to 60 months. Lease expense for the fiscal year ended June 30, 2019 was $46,431. The following is a schedule by years of future minimum lease payments required under these operating leases as of June 30:

Year Ending June 30	
2020	$42,081
2021	34,336
2022	11,100
2023	8,600
Total	$96,117

Overlapping Debt

Taxing Unit[a]	2018/19 Adjusted Taxable Net Tax Capacity	Est. G.O. Debt As of 2-27-20[b]	Debt Applicable to Tax Capacity in District: Percent	Debt Applicable to Tax Capacity in District: Amount
Big Stone County	$12,125,114	$ 6,675,000	7.6%	$ 507,300
Stevens County	20,316,513	5,965,000	0.1	5,965
Swift County	25,213,097	11,625,000	26.8	3,115,500
City of Appleton	729,858	1,694,000	100.0	1,694,000
City of Madison	459,189	6,050,000	100.0	6,050,000
City of Milan	92,654	1,312,000[c]	100.0	1,312,000
City of Watson	31,311	1,455,000[c]	11.1	161,505
Total				$12,846,270

[a] *Only those units with outstanding general obligation debt are shown here.*

[b] *Excludes general obligation tax and aid anticipation certificates and revenue-supported debt.*

[c] *Debt as of December 31, 2018; most recent information available.*

Debt Ratios*

	G.O. Direct Debt	G.O. Direct & Overlapping Debt
To 2018/19 Estimated Market Value ($2,228,899,000)	1.72%	2.30%
Per Capita - (6,143 - 2019 District Estimate)	$6,258	$8,350

* *Excludes other debt obligations.*

DISTRICT TAX RATES, LEVIES AND COLLECTIONS

Tax Capacity Rates for a District Resident

City of Appleton

	2014/15	2015/16	2016/17	2017/18	2018/19
Swift County	36.721%	38.254%	42.168%	42.103%	43.615%
City of Appleton	191.238	201.567	210.082	203.758	205.623
I.S.D. No. 2853 (Lac qui Parle Valley)[(a)]	5.698	6.136	6.937	7.316	5.890
Upper MN Watershed	1.633	2.189	2.233	0.000	4.385
Total	235.290%	248.146%	261.420%	253.177%	259.513%

City of Madison

	2014/15	2015/16	2016/17	2017/18	2018/19
Lac qui Parle County	24.201%	27.376%	29.985%	32.322%	30.708%
City of Madison	129.094	118.530	122.649	126.397	120.698
I.S.D. No. 2853 (Lac qui Parle Valley)[(a)]	5.698	6.136	6.937	7.316	5.890
Special Districts[(b)]	1.304	1.556	1.503	1.609	1.502
Total	160.297%	153.598%	161.074%	167.644%	158.798%

(a) *In addition, Independent School District No. 2853 (Lac qui Parle Valley) has a 2018/19 market value tax rate of 0.20712% spread across the market value of property in support of an excess operating levy.*

(b) *Special districts include the 6W Regional Development District and Lac qui Parle Yellow Bank Watershed District.*

NOTE: This table includes only net tax capacity-based rates. Certain other tax rates are based on market value. See Appendix III.

Tax Levies and Collections

Levy/Collect	Net Levy*	Collected During Collection Year Amount	Collected During Collection Year Percent	Collected and/or Abated as of 12-31-18 Amount	Collected and/or Abated as of 12-31-18 Percent
2018/19	$1,514,877	(In Process of Collection)			
2017/18	1,685,092	$1,666,945	98.9%	$1,672,444	99.2%
2016/17	1,676,452	1,657,339	98.9	1,673,268	99.8
2015/16	1,608,029	1,588,111	98.8	1,606,154	99.9
2014/15	1,559,017	1,538,404	98.7	1,557,971	99.9

* *The net levy excludes state aid for property tax relief and fiscal disparities, if applicable. The net levy is the basis for computing tax capacity rates. See Appendix III.*

FUNDS ON HAND
As of November 30, 2019

Fund	Cash and Investments
General	$4,491,608
Food Service	123,760
Community Service	320,261
Debt Service	118,582
OPEB Debt Service	192,150
Total	$5,246,361

INVESTMENTS

The District has a formal investment policy and invests in accordance with Minnesota Statutes. As of November 30, 2019, the District's cash and investments totaled $5,246,361. Cash is held at United Prairie Bank in Madison, Minnesota. The District's investments are held with Minnesota School District Liquid Asset Fund ("MSDLAF") and with Morgan Stanley.

The MSDLAF was established in 1984 under Minnesota laws to permit school districts to pool their investment funds to obtain the highest possible yield and maintain the preservation of capital and liquidity. Investments are made in instruments permitted by Minnesota law. In addition, it is the MSDLAF's policy regarding commercial paper to permit investing only in "A1"-"P1" commercial paper, although State statutes allow for a lower rating.

The Liquid Class, made up of only permitted investments, is 100% liquid at all times and allows for unlimited check writing services. The MAX Class is invested in the same types of investments as other MSDLAF portfolios, but requires investment in this Portfolio to be deposited for a minimum of 14 days with one banking day notice required for withdrawals, except for State aid payments which are scheduled for payment on the 15th and the 30th of each month. Funds from these deposits are 100% liquid at any time and not subject to the previously mentioned withdrawal requirements for the MAX Class.

GENERAL INFORMATION CONCERNING THE DISTRICT

The District is located in Big Stone, Chippewa, Lac qui Parle, Stevens, and Swift counties in western Minnesota. The District is headquarted in rural Lac qui Parle County, which lies approximately 155 miles west of the Minneapolis/Saint Paul metropolitan area. The District covers an area of approximately 761 square miles (487,161 acres) and estimates its current population to be 6,143.

School Board and Administration

The District's governing body is the School Board, comprised of six members elected at-large to overlapping four-year terms of office. Elections are held on the first Tuesday in November of even numbered years. Current Board members are listed below:

		Expiration of Term
Cory Thorsland	Chairperson	January 2, 2023
Erik Bjerke	Vice Chairperson	January 4, 2021
Scott Conn	Clerk	January 2, 2023
Earl Molden	Treasurer	January 4, 2021
Shannon Boehnke	Member	January 4, 2021
Stephen Enger	Member	January 2, 2023

Mr. Gregory Schmidt is the Superintendent and is responsible for the daily administration of Board policy. The Superintendent is hired by the Board and serves at its discretion. Mr. Schmidt has been the District's Superintendent since July 1, 2017. Previously, Mr. Schmidt was the Superintendent at Independent School District No. 2149 (Minnewaska Area Schools), Minnesota for four years. Ms. Brenda Domeier has been the District's Director of Finance since October 30, 1995.

Enrollment

Following is the trend of enrollments for the past five years:

School	Grades		Total
Year	K-6	7-12	Enrollment
2019/20	425	334	759
2018/19	451	316	767
2017/18	431	331	762
2016/17	421	321	742
2015/16	427	323	750

Source: Minnesota Department of Education, www.education.state.mn.us.

Employment

Following is the District's employment trend for the past five years:

School Year	Licensed Employees	Unlicensed Employees	Total Employees
2019/20	76	91	167
2018/19	77	89	166
2017/18	75	91	166
2016/17	75	80	155
2015/16	76	90	166

Labor Contracts

Pursuant to State law, all school districts in the State negotiate teacher contracts every two years. The status of labor contracts in the District is as follows:

Bargaining Unit	No. of Employees	Expiration Date of Current Contract
Teachers	72	June 30, 2019*
Clerical	5	June 30, 2020
Custodial	8	June 30, 2020
Food Service	8	June 30, 2020
Principals	3	June 30, 2019*
Other Administrators	2	June 30, 2019*
Paraprofessionals	52	June 30, 2020
Superintendent	1	June 30, 2020
Subtotal	150	
Bus Drivers	11	
Non-unionized employees	5	
Total employees	167	

* *In negotiations.*

Physical Plant

Facility	Original Construction and Additions	Location	Square Footage
Lac qui Parle Valley Middle and High School	1989	City of Madison	196,000
Appleton-Milan Elementary	1962	City of Appleton	30,660
Madison-Marietta-Nassau Elementary	1937, 1959, 1969	City of Madison	108,941
Appleton Bus Garage	1954	City of Appleton	9,257

Student Transportation

The District provides bussing. The District owns a fleet of 21 buses with an original investment amount of $1,284,537. A total of 11 regular and special education routes are operated, with 100% of the student population bused.

Budget Summary

Fund	June 30, 2019 Actual Fund Balance	2019-20 Projected Revenues and Transfers In	2019-20 Projected Expenditures and Transfers Out	June 30, 2020 Projected Fund Balance
General	$4,425,956	$10,848,889	$11,219,077	$ 4,055,768
Food Service	202,801	531,841	572,849	161,793
Community Service	202,787	813,414	763,478	252,723
Building Construction	0	39,975,000	2,000,000	37,975,000
Debt Service	31,852	113,072	110,950	33,974
Trust	1,471,329	196,555	262,243	1,405,641
Total All Funds	$6,334,725	$52,478,771	$14,928,597	$43,884,899

Major General Fund Revenue Sources

Revenue	2015	2016	2017	2018	2019
State Sources	$7,416,435	$7,931,802	$8,044,704	$8,308,535	$9,118,060
Property Taxes	1,206,143	1,211,951	1,251,506	1,309,912	1,366,668
Other Local Sources	709,102	546,243	506,007	413,068	569,973
Federal Sources	341,055	376,569	348,245	327,931	400,028
Sales and Other Conversions	26,955	12,324	10,148	37,119	61,888

Sources: District's Annual Financial Statements.

Post-Secondary Education

Post-secondary education is available at the Minnesota West Community and Technical College ("Minnesota West") located in the nearby City of Granite Falls, with eight other southern Minnesota locations, and at Ridgewater College, located in the City of Willmar. Both schools offer associates degrees designed to transfer to a baccalaureate degree at four-year colleges and universities, and technical career training.

Many District graduates also attend the Alexandria Technical and Community College (ATCC), which is part of the State university system. ATCC offers associate degrees, diplomas, and certificates in more than 40 programs. In addition, ATCC provides adult education to community residents.

Employee Pensions

All teachers of the District are covered by the Teachers Retirement Association ("TRA"). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

All other full-time and certain part-time employees are covered by the Public Employees Retirement Association ("PERA"). PERA administers the General Employees Retirement Fund ("GERF"), which is a cost-sharing, multiple-employer retirement plan. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

The District's contributions to the TRA and the GERF for the past five years are as follows:

	TRA	GERF
2019	$377,235	$153,274
2018	353,299	145,075
2017	338,757	140,533
2016	333,322	134,445
2015	310,497	125,348

Both TRA and PERA are managed by the State of Minnesota; the District, therefore, has no responsibility for the administration of either program.

The District also provides future retirement benefits to eligible employees through the District's 403(b) Plan. All teachers in the District are eligible to participate. Any District contribution to the teacher's 403(b) plan will be deducted from the teacher's retirement benefit payment. The District will match the employees' deferral up to the following maximums:

Years of Service	Maximum Match
1-5	$ 375
6-10	575
11-15	825
16-20	1,150
21+	1,650

For more information regarding the liability of the District with respect to its employees, please reference "Note 8, Defined Benefit Pension Plans" and "Note 10, Employee Benefit Plan 403(B)" of the District's Financial Statements for fiscal year ended June 30, 2019, an excerpt of which is included as Appendix IV of this Official Statement.

GASB 68

The Government Accounting Standards Board (GASB) has issued Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment to GASB 68, which revised existing standards for measuring and reporting pension liabilities for pension plans provided to District employees and require recognition of a liability equal to the District's proportionate share of net pension liability, which is measured as the total pension liability less the amount of the pension plan's fiduciary net position.

The District's proportionate shares of the pension costs and the District's net pension liability for GERF and TRA for the past five years are as follows:

	GERF		TRA	
	Proportionate Share of Pension Costs	Net Pension Liability	Proportionate Share of Pension Costs	Net Pension Liability
2019	0.0288%	$1,597,706	0.0853%	$ 5,355,270
2018	0.0291	1,857,725	0.0839	16,747,962
2017	0.0289	2,346,537	0.0854	20,369,938
2016	0.0289	1,497,748	0.0816	5,047,767
2015	0.0314	1,475,015	0.0861	3,967,426

For more information regarding the liability of the District with respect to its employees, please reference "Note 8, Defined Benefit Pension Plans" of the District's Financial Statements for fiscal year ended June 30, 2019, an excerpt of which is included as Appendix IV of this Official Statement.

Additional and detailed information about GERF's net position is available in a separately-issued PERA financial report, which may be obtained at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, Saint Paul, Minnesota, 55103-2088; or by calling 1-800-652-9026. Additional and detailed information about TRA's net position is available in a separately-issued TRA financial report, which may be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, Saint Paul, Minnesota, 55103-2088; or by calling 1-800-652-9026.

Sources: District's Annual Financial Statements.

Other Postemployment Benefits

The Government Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), establishing new accounting and financial reporting requirements related to post-employment healthcare and other non-pension benefits (referred to as Other Postemployment Benefits or "OPEB").

All employees are allowed, upon meeting eligibility requirements, to participate in the District's health insurance plan after retirement. This plan covers active and retired employees who have reached age 55, with teachers needed at least three years of service and all other District employees needed five years of service. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period.

The contract groups have access to other post-retirement benefits of blended medical premiums. The implicit rate subsidy is only until Medicare eligibility. The following employees were covered by the benefit terms as of June 30, 2019:

Inactive employees/beneficiaries currently receiving benefit payments	8
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	164
Total	172

The Schedule of Changes in the District's Total OPEB Liability and Related Ratios are as follows:

	June 30, 2018	June 30, 2019
Service cost	$ 33,191	$ 29,307
Interest	15,759	16,131
Assumption changes	0	994
Plan changes	0	183,219
Differences between expected and actual experience	0	72,390
Benefit payments	(40,157)	(27,970)
Net change in total OPEB liability	$ 8,793	$ 274,071
Total OPEB liability – beginning of year	450,216	459,009
Total OPEB liability – end of year	$ 459,009	$ 733,080
Covered-employee payroll	$6,083,640	$6,398,510
District's total OPEB liability as a percentage of covered-employee payroll	7.54%	11.46%

NOTE: This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

For more information regarding GASB 75 with respect to the District, please reference "Note 7, Other Post-Employment Benefits" and "Required Supplementary Information" of the District's Annual Financial Statements for fiscal year ended June 30, 2019, an excerpt of which is included as Appendix IV of this Official Statement.

Sources: District's Annual Financial Statements.

AREA ECONOMY

Labor Force Data

	Annual Average				November
	2015	2016	2017	2018	2019
Labor Force:					
Big Stone County	2,682	2,711	2,570	2,517	2,491
Chippewa County	6,943	6,985	6,925	6,887	7,115
Lac qui Parle County	3,763	3,629	3,524	3,528	3,569
Stevens County	5,709	5,667	5,508	5,457	5,602
Swift County	5,170	5,060	5,048	5,037	5,246
State of Minnesota	2,3697,748	3,033,406	3,057,014	3,070,223	3,129,485
Unemployment Rate:					
Big Stone County	4.4%	4.8%	4.4%	3.8%	3.4%
Chippewa County	4.4	4.5	3.9	3.2	3.0
Lac qui Parle County	4.1	4.3	3.4	3.6	2.7
Stevens County	2.8	3.0	2.6	2.4	2.2
Swift County	6.0	5.4	4.0	3.7	5.0
State of Minnesota	3.7	3.9	3.4	2.9	2.9

Source: Minnesota Department of Employment and Economic Development, https://apps.deed.state.mn.us/lmi/laus. 2019 data are preliminary.

Retail Sales and Effective Buying Income (EBI)

Big Stone County

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/20	N/A	$124,285	$43,926
2018/19	$51,686	121,811	43,852
2017/18	44,862	122,428	44,430
2016/17	34,326	125,997	44,443
2015/16	62,663	119,045	41,868

Chippewa County

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/20	N/A	$310,863	$51,408
2018/19	$280,524	298,191	50,056
2017/18	236,203	276,494	45,540
2016/17	260,968	279,697	46,308
2015/16	286,182	284,325	45,621

Lac qui Parle County

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/20	N/A	$171,350	$43,238
2018/19	$91,454	179,516	45,526
2017/18	73,375	172,456	44,588
2016/17	71,914	175,070	43,971
2015/16	91,042	171,365	43,992

Stevens County

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/20	N/A	$263,578	$50,891
2018/19	$311,208	234,276	49,770
2017/18	229,288	219,736	47,046
2016/17	286,086	214,289	46,122
2015/16	293,342	203,635	46,837

Swift County

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/20	N/A	$233,574	$43,653
2018/19	$138,389	241,497	45,951
2017/18	112,176	228,566	45,937
2016/17	121,292	237,013	47,025
2015/16	134,833	221,920	45,148

The 2019/20 Median Household EBI for the State of Minnesota was $60,916. The 2019/20 Median Household EBI for the United States was $54,686.

Sources: Environics Analytics, Claritas, Inc. and The Nielsen Company.

Major Employers

Employer	Product/Service	Approximate Number of Employees
Madison Lutheran Home	Nursing Care Facility	175
Appleton Area Health	Medical Services	183
ISD No. 2853 (Lac qui Parle Valley)	Public Education	167
Western Consolidated Co-op	Agricultural Supplies/Storage	55
Lac qui Parle County	Municipal Government	78
City of Madison	Municipal Government	42
City of Appleton	Municipal Government	44
Lund Implement Co.	Farm equipment	25

Source: *This does not purport to be a comprehensive list and is based on a December 2019 best efforts telephone survey of individual employers. Some employers do not respond to inquiries.*

Financial Institutions

The following full-service banks are located in the District:

	Deposits As of 9-30-19
Prairie Sun Bank	$44,217,000
Farmers and Merchants State Bank of Appleton	39,587,000
Total	$83,804,000

In addition, branch offices of Cornerstone State Bank; Old National Bank; and United Prairie Bank; are located throughout the District.

* *This does not purport to be a comprehensive list.*

Source: *Federal Deposit Insurance Corporation, https://www.fdic.gov/.*

Health Care Services

The following is a summary of health care facilities located in the District:

Facility	Location	No. of Beds
Appleton Municipal Hospital	City of Appleton	15 Hospital Bids 1 Infant Bassinet 50 Nursing Home Beds
Madison Healthcare Services	City of Madison	56 Nursing Home Beds
Madison Hospital	City of Madison	12 Hospital Beds 2 Infant Bassinets

Source: *Minnesota Department of Health, http://www.health.state.mn.us/.*

PROPOSED FORM OF LEGAL OPINION

DORSEY

Independent School District No. 2853
Madison, Minnesota

[Original Purchaser]

Re: **$**37,295,000* General Obligation School Building Bonds, Series 2020A
Independent School District No. 2853 (Lac qui Parle Valley), Minnesota
Big Stone, Lac qui Parle, Stevens and Swift Counties, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Independent School District No. 2853 (Lac qui Parle Valley), Minnesota (the District), of the obligations described above, dated, as originally issued, as of February 27, 2020 (the Bonds), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the District in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

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

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

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

4. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the Code) and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.

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

* *Preliminary; subject to change.*

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

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

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

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

Dated this 27th day of February, 2020.

Very truly yours,

CONTINUING DISCLOSURE COVENANTS

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

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

(1) on or before twelve (12) months after the end of each fiscal year of the District, commencing with the fiscal year ending June 30, 2020, the following financial information and operating data in respect of the District (the Disclosure Information):

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

(B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: District Property Values; District Indebtedness; District Tax Rates, and Levies and Collections, which information may be unaudited.

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

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

(A) principal and interest payment delinquencies;
(B) non-payment related defaults, if material;
(C) unscheduled draws on debt service reserves reflecting financial difficulties;
(D) unscheduled draws on credit enhancements reflecting financial difficulties;
(E) substitution of credit or liquidity providers, or their failure to perform;
(F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
(G) modifications to rights of Bond holders, if material;
(H) Bond calls, if material and tender offers;
(I) defeasances;
(J) release, substitution, or sale of property securing repayment of the Bonds if material;
(K) rating changes;
(L) bankruptcy, insolvency, receivership, or similar event of the obligated person;
(M) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(N) appointment of a successor or additional trustee or the change of name of a trustee, if material;
(O) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; "financial obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule; and

(P) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

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

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

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

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

(c) Manner of Disclosure.

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

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

(d) Term; Amendments; Interpretation.

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

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

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

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

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

SUMMARY OF TAX LEVIES, PAYMENT PROVISIONS, AND MINNESOTA REAL PROPERTY VALUATION

Following is a summary of certain statutory provisions relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed, and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

Property Valuations (Chapter 273, Minnesota Statutes)

Assessor's Estimated Market Value. Each parcel of real property subject to taxation must, by statute, be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be fairly worth, and which is referred to as the "Estimated Market Value." The 2013 Minnesota Legislature established the Estimated Market Value as the value used to calculate a municipality's legal debt limit.

Economic Market Value. The Economic Market Value is the value of locally assessed real property (Assessor's Estimated Market Value) divided by the sales ratio as provided by the State of Minnesota Department of Revenue plus the estimated market value of personal property, utilities, railroad, and minerals.

Taxable Market Value. The Taxable Market Value is the value that Net Tax Capacity is based on, after all reductions, limitations, exemptions and deferrals.

Net Tax Capacity. The Net Tax Capacity is the value upon which net taxes are levied, extended and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State's property tax relief system and are subject to annual revisions by the State Legislature. Property taxes are the sum of the amounts determined by (i) multiplying the Net Tax Capacity by the tax capacity rate, and (ii) multiplying the referendum market value by the market value rate.

Market Value Homestead Exclusion. In 2011, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Assessor's Estimated Market Value up to $413,800 in an attempt to result in a property tax similar to the effective property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a, and causes a decrease in the District's aggregate Taxable Market Value, even if the Assessor's Estimated Market Value on the same properties did not decline.

Property Tax Payments and Delinquencies (Chapters 275, 276, 277, 279-282 and 549, Minnesota Statutes)

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on nonhomestead property is assessed at a rate of 4% until May 31 and increased to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes due October 15, a penalty of 2% on homestead property and 4% on nonhomestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for nonhomestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have three years (3) to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

Property Tax Credits (Chapter 273, Minnesota Statutes)

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are: property tax levy reduction aids; the homestead credit refund and the renter's property tax refund, which relate property taxes to income and provide relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The homestead credit refund, the renter's property tax refund, and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

Debt Limitations

All Minnesota municipalities (counties, cities, towns and school districts) are subject to statutory "net debt" limitations under the provisions of Minnesota Statutes, Section 475.53. Net debt is defined as the amount remaining after deducting from gross debt the amount of current revenues that are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

1. Obligations issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursement in whole or in part from the proceeds of the special assessments.

2. Warrants or orders having no definite or fixed maturity.

3. Obligations payable wholly from the income from revenue producing conveniences.

4. Obligations issued to create or maintain a permanent improvement revolving fund.

5. Obligations issued for the acquisition, and betterment of public waterworks systems, and public lighting, heating or power systems, and of any combination thereof or for any other public convenience from which a revenue is or may be derived.

6. Debt service loans and capital loans made to a school district under the provisions of Minnesota Statutes, Sections 126C.68 and 126C.69.

7. Amount of all money and the face value of all securities held as a debt service fund for the extinguishment of obligations other than those deductible under this subdivision.

8. Obligations to repay loans made under Minnesota Statutes, Section 216C.37.

9. Obligations to repay loans made from money received from litigation or settlement of alleged violations of federal petroleum pricing regulations.

10. Obligations issued to pay pension fund or other postemployment benefit liabilities under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.

11. Obligations issued to pay judgments against the municipality under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.

12. All other obligations which under the provisions of law authorizing their issuance are not to be included in computing the net debt of the municipality.

Levies for General Obligation Debt
(Sections 475.61 and 475.74, Minnesota Statutes)

Any municipality that issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

STATUTORY FORMULAE: CONVERSION OF TAXABLE MARKET VALUE (TMV) TO NET TAX CAPACITY FOR MAJOR PROPERTY CLASSIFICATIONS

Property Type	Local Tax Payable 2015-2019
Residential Homestead (1a)	
Up to $500,000	1.00%
Over $500,000	1.25%
Residential Non-homestead	
Single Unit (4bb)	
Up to $500,000	1.00%
Over $500,000	1.25%
1-3 unit and undeveloped land (4b1)	1.25%
Market Rate Apartments	
Regular (4a)	1.25%
Low-Income (4d)	
Up to $139,000[c]	0.75%
Over $139,000[c]	0.25%
Commercial/Industrial/Public Utility (3a)	
Up to $150,000	1.50%[a]
Over $150,000	2.00%[a]
Electric Generation Machinery	2.00%
Commercial Seasonal Residential	
Homestead Resorts (1c)	
Up to $600,000	0.50%
$600,000 - $2,300,000	1.00%
Over $2,300,000	1.25%[a]
Seasonal Resorts (4c)	
Up to $500,000	1.00%[a]
Over $500,000	1.25%[a]
Non-Commercial (4c12)	
Up to $500,000	1.00%[a][b]
Over $500,000	1.25%[a][b]
Disabled Homestead (1b)	
Up to $50,000	0.45%
Agricultural Land & Buildings	
Homestead (2a)	
Up to $500,000	1.00%
Over $500,000	1.25%
Remainder of Farm	
Up to $1,900,000[d]	0.50%[b]
Over $1,900,000[d]	1.00%[b]
Non-homestead (2b)	1.00%[b]

[a] *State tax is applicable to these classifications.*

[b] *Exempt from referendum market value based taxes.*

[c] *Legislative increases, payable 2019. Historical valuations are: Payable 2018 - $121,000; Payable 2017 - $115,000; Payable 2016 - $106,000; and Payable 2015 - $100,000.*

[d] *Legislative increases, payable 2019. Historical valuations are: Payable 2018 - $1,940,000; Payable 2017 - $2,050,000; Payable 2016 - $2,140,000; and Payable 2015 - $1,900,000.*

NOTE: For purposes of the State general property tax only, the net tax capacity of non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure: First $76,000 – 0.40%; $76,000 to $500,000 – 1.00%; and over $500,000 – 1.25%. In addition to the State tax base exemptions referenced by property classification, airport property exempt from city and school district property taxes under M.S. 473.625 is exempt from the State general property tax (MSP International Airport and Holman Field in Saint Paul are exempt under this provision).

EXCERPT OF 2019 ANNUAL FINANCIAL STATEMENTS

Data on the following pages was extracted from the District's Annual Financial Statements for fiscal year ended June 30, 2019. The reader should be aware that the complete financial statements may contain additional information which may interpret, explain or modify the data presented here.

Independent Auditor's Report

The School Board of
Independent School District No. 2853
Lac Qui Parle Valley School District
Madison, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lac Qui Parle Valley School District, Madison, MN (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Management has omitted budgetary comparison schedules for the Community Service special revenue fund that U.S. generally accepted accounting principles requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting to place the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The school board and administration, combining and individual fund schedules, schedules of changes in student activity cash balances, and Uniform Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund schedules, uniform accounting and reporting standards compliance table, and schedule of changes in student activity cash balances are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2019 on our consideration of the District's 's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements
In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated November 20, 2019 on our consideration of the District's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's Minnesota Legal Compliance Audit Guide for School Districts in considering the District's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

Eide Bailly LLP

Fargo, North Dakota
November 20, 2019

This section of Independent School District No. 2853's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019.

Financial Highlights

Key Financial Highlights for the 2019 Fiscal Year:

- General Fund revenues were $11,516,617.
- General Fund expenditures totaled $10,945,379.
- The General Fund unassigned fund balance decreased by $30,092 to a total of $1,672,996.
- The General Fund committed and assigned fund balances increased by $193,295 to a total of $1,290,058.

Overview of the Financial Statements

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

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

- The governmental 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 following outline shows how the various parts of this annual report are arranged and related to one another.

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

Footnote 1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources – are one way to measure the District's financial health or position.

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

- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has two kinds of funds:

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

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.

Financial Analysis of the District as A Whole

Net Position – The District's combined net position was a positive $4,090,863 on June 30, 2019. A condensed version of the Statement of Net Position at June 30, 2019 and 2018 is as follows:

Statement of Net Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets	$ 8,424,249	$ 8,046,562
Capital assets	9,440,217	9,689,520
Total assets	17,864,466	17,736,082
Deferred Outflows of Resources	8,124,584	10,515,764
Liabilities		
Other liabilities	585,668	525,990
Long-term liabilities	9,529,196	21,074,653
Total liabilities	10,114,864	21,600,643
Deferred Inflows of Resources	11,783,323	4,841,104
Net Position		
Net investment in capital assets	9,440,217	9,689,520
Restricted for specific purposes	1,900,032	1,671,785
Unrestricted	(7,249,386)	(9,551,206)
Total net position	$ 4,090,863	$ 1,810,099

Independent School District No. 2853
Lac Qui Parle Valley School District
Management's Discussion and Analysis
June 30, 2019

Change in Net Position: The District's total revenues were $13,014,603 for the year ended June 30, 2019. Property taxes and state and federal formula aid accounted for 75% of total revenue for the year. Another 23% came from other program revenues and investment earnings.

The total cost of all programs and services was $10,733,839. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 6% of total costs.

Total revenues exceeded expenses, increasing the net position by $2,280,764 for fiscal year 2019.

A condensed version of the Statement of Activities for the years ended June 30, 2019 and 2018 is as follows:

Statement of Activities
for the Years Ended June 30, 2019 and 2018

	2019	2018
Revenues		
Program revenues		
Charges for service	$ 601,588	$ 543,357
Operating grants and contributions	2,212,209	1,929,557
General		
Property taxes	1,757,263	1,725,181
Aids and payments from state and other	8,053,218	7,282,950
Federal aids and payments	9,433	20,073
Unrestricted investment earnings	157,749	66,311
Sale of materials	19,855	22,770
Miscellaneous revenues	203,288	134,109
Total revenues	13,014,603	11,724,308
Expenses		
Administration	645,939	575,972
District support services	472,463	260,871
Regular instruction	3,135,906	7,065,585
Vocational education instruction	282,604	297,419
Special education instruction	1,868,256	1,746,185
Community education and services	617,051	441,363
Instructional support services	582,824	543,353
Pupil support services	1,527,142	1,608,804
Sites and buildings	1,406,954	1,331,433
Fiscal and other fixed-cost programs	194,700	174,873
Total expenses	10,733,839	14,045,858
Change in Net Position	2,280,764	(2,321,550)
Net Position - Beginning	1,810,099	4,131,649
Net Position - Ending	$ 4,090,863	$ 1,810,099

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $4,913,039. Approximately $1,291,000 of that total fund balance is assigned or committed for various purposes and approximately $1,950,000 is nonspendable or restricted for various purposes. Revenues for the District's governmental funds were $12,979,046 while total expenditures were $12,446,546.

General Fund

The General Fund includes the primary operations of the District in providing educational services to students from early childhood through grade 12, including pupil transportation activities, buildings and grounds, and capital outlay projects.

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2019	2018		
Local property taxes	$ 1,366,668	$ 1,309,912	$ 56,756	4.3%
Other local sources	569,973	413,068	156,905	38.0%
State sources	9,118,060	8,308,535	809,525	9.7%
Federal sources	400,028	327,931	72,097	22.0%
Sales and other conversions	61,888	37,119	24,769	66.7%
Total General Fund revenues	$ 11,516,617	$ 10,396,565	$ 1,120,052	10.8%

Total General Fund revenue increased by $1,120,052 or 10.8% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue. The variance from 2018 to 2019 is the result of an increase of approximately $332,000 due to the recording of the State of Minnesota's contribution to PERA and TRA. Recording of the State of Minnesota's contribution to PERA and TRA was a new requirement in 2017. In addition, the General Fund had an increase in Special Education aid of approximately $70,000. This aid can vary significantly from year to year due to a variety of factors that are used to calculate this funding. An increase was also noted in the district's General Education aid. The General Education aid increase was due to an increase in enrollment in part due to the addition of the Voluntary Prekindergarten program. Other local sources also increased due to an increase in interest income rates and an increase in donations.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2019	2018		
Salaries and benefits	$ 8,602,838	$ 8,254,589	$ 348,249	4.2%
Purchased services	854,311	821,077	33,234	4.0%
Supplies and materials	779,807	742,328	37,479	5.0%
Capital outlay	314,937	362,294	(47,357)	-13.1%
Other expenditures	393,486	72,013	321,473	446.4%
Total General Fund expenditures	$ 10,945,379	$ 10,252,301	$ 693,078	6.8%

Total General Fund expenditures increased by $693,078 or 6.8% from the previous year. The overall increase in the General Fund is due to salary increases as well as an increase in the expenditure to record the State of Minnesota's contribution to PERA and TRA. Recording of the State of Minnesota's contribution to PERA and TRA was a new requirement in 2017.

General Fund Budgetary Highlights

The District's general fund results when compared to the final budget are:

- Actual revenues were $124,184 more than budget. This was due in part to a gradual increase in enrollment during the year ended June 30, 2019, therefore the District received additional funding for general education and special education. Federal funding and state funding sources can vary from year to year due to enrollment and federal grants.
- Actual expenditures were $238,298 less than budget. This was due to various areas coming in lower than budget such as regular instruction, special education, instructional support services, and pupil support services. In addition, numerous sites and buildings expenditures were not completed in anticipation of the upcoming vote for major building renovations.

Community Service Fund

The Community Service Fund incurred a current year decrease of $24,175. From the standpoint of maintaining current operating expenditures within the range of annual revenue, the Community Service Fund continues to operate on a sound financial basis.

Other Non-Major Funds

The Food Service Fund incurred a current year decrease of $19,361. The Debt Service Fund incurred a current year increase of $2,038. The OPEB Debt Service Fund incurred a current year increase of $2,760. From the standpoint of maintaining current operating expenditures within the range of annual revenue, the Food Service Fund, Debt Service Fund, and OPEB Debt Service Fund continue to operate on a sound financial basis.

Capital Assets

By the end of 2019, the District had invested $25,130,346 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. Current year depreciation expense was $532,220 and total accumulated depreciation at the end of the year was $15,690,129. Additional information on the District's capital assets can be found in the Note 4 to the financial statements.

Capital Assets Governmental Activities
June 30, 2019 and 2018

	2019	2018
Land	$ 602,300	$ 602,300
Buildings and improvements	20,863,875	20,824,272
Equipment and furniture	2,007,426	1,818,625
Vehicles	1,656,745	1,653,642
Accumulated depreciation	(15,690,129)	(15,209,319)
Total capital assets	$ 9,440,217	$ 9,689,520

Long-Term Liabilities

As of June 30, 2019, the District had approximately $1,385,000 in general obligation bonds outstanding. The District also had $464,482 in severance and compensated absences payable as of June 30, 2019. The District had a net pension liability of $6,952,976 at year end. Finally, the District had a total other postemployment benefit liability of $733,080 at year-end.

Additional information on the District's long-term liabilities can be found in the Notes 5, 7, and 8 to the financial statements.

Factors Bearing on the District's Future

With the exception of voter-approved operating levy referendums, the District is primarily dependent on the State of Minnesota for its revenue authority. An operating levy referendum was last passed in November 2014. Although the State did increase funding for public schools, this increase does not completely cover new mandates from the state and federal government.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office, Independent School District No. 2853, Madison, MN 56256.

Assets	
Cash and investments	$ 6,248,368
Receivables	
Current property taxes	815,947
Delinquent property taxes	20,330
Accounts and interest	87,894
Due from other governmental units	1,218,232
Prepaid items	12,588
Inventories	20,890
	8,424,249
Capital assets	
Land	602,300
Buildings and improvements	20,863,875
Equipment and furniture	2,007,426
Vehicles	1,656,745
Less accumulated depreciation	(15,690,129)
Total capital assets, net of depreciation	9,440,217
Total assets	17,864,466
Deferred Outflows of Resources	
Other post-employment benefits	118,718
Pension plans	8,005,866
Total deferred outflows of resources	8,124,584
Liabilities	
Accounts payable	175,165
Due to other governmental units	20,576
Salaries payable	192,470
Accrued interest payable	17,183
Unearned revenue	180,274
Long-term liabilities	
Due within one year - bonds, premiums, severance, and compensated absences	354,427
Due in more than one year - bonds, premiums, severance, and compensated absences	1,488,713
Due in more than one year - other post-employment benefits	733,080
Due in more than one year - net pension liability	6,952,976
Total liabilities	10,114,864
Deferred Inflows of Resources	
Unavailable revenue-property taxes	1,501,793
Pension plans	10,281,530
Total deferred inflows of resources	11,783,323
Net Position (Deficit)	
Investment in capital assets	9,440,217
Restricted for specific purposes	1,900,032
Unrestricted	(7,249,386)
Total net position	$ 4,090,863

The Notes to Financial Statements are an integral part of this statement

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Administration	$ 645,939	$ -	$ -	$ (645,939)
District support services	472,463	-	-	(472,463)
Regular instruction	3,135,906	95,777	86,368	(2,953,761)
Vocational education instruction	282,604	-	-	(282,604)
Special education instruction	1,868,256	-	1,481,862	(386,394)
Community education and services	617,051	283,544	254,695	(78,812)
Instructional support services	582,824	-	-	(582,824)
Pupil support services	1,527,142	187,521	389,284	(950,337)
Sites and buildings	1,406,954	34,746	-	(1,372,208)
Fiscal and other fixed-cost programs	194,700	-	-	(194,700)
Total governmental activities	$ 10,733,839	$ 601,588	$ 2,212,209	(7,920,042)
General revenues				
Property taxes, levied for general purposes				1,422,282
Property taxes, levied for community education				116,607
Property taxes, levied for OPEB debt service				218,374
Federal aid				9,433
Aids and payments from the state				8,024,891
County apportionment				28,327
Unrestricted investment earnings				157,749
Sale of materials				19,855
Miscellaneous revenues				203,288
Total general revenues				10,200,806
Change in net position				2,280,764
Net position - beginning				1,810,099
Net position - ending				$ 4,090,863

The Notes to Financial Statements are an integral part of this statement

Independent School District No. 2853
Lac Qui Parle Valley School District
Governmental Funds
Balance Sheet
June 30, 2019

	General	Community Service	Other Governmental Funds	Totals
Assets				
Cash and investments	$ 4,131,499	$ 367,252	$ 367,731	$ 4,866,482
Receivables				
Current property taxes	602,914	59,330	153,703	815,947
Delinquent property taxes	19,622	163	545	20,330
Accounts and interest	27,027	16,061	6,090	49,178
Due from other governmental units	1,194,125	6,280	17,827	1,218,232
Prepaid items	12,588	-	-	12,588
Inventories	-	-	20,890	20,890
Total assets	$ 5,987,775	$ 449,086	$ 566,786	$ 7,003,647
Liabilities				
Accounts payable	$ 153,950	$ 16,328	$ 4,887	$ 175,165
Due to other governmental units	20,451	125	-	20,576
Salaries payable	142,858	44,431	5,181	192,470
Unearned revenue	113,600	66,008	666	180,274
Total liabilities	430,859	126,892	10,734	568,485
Deferred Inflows of Resources				
Unavailable revenue-property taxes	1,130,961	119,409	271,753	1,522,123
Fund Balance				
Nonspendable	12,588	-	20,890	33,478
Restricted	1,450,313	202,785	263,409	1,916,507
Committed	498,113	-	-	498,113
Assigned	791,945	-	-	791,945
Unassigned	1,672,996	-	-	1,672,996
Total fund balance	4,425,955	202,785	284,299	4,913,039
Total liabilities, deferred inflows of resources, and fund balance	$ 5,987,775	$ 449,086	$ 566,786	$ 7,003,647

The Notes to Financial Statements are an integral part of this statement

Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2019

Total Fund Balances - Governmental Funds	$ 4,913,039
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	9,440,217
Delinquent property taxes are not considered available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	20,330
Total OPEB obligation liabilities are not recognized in the funds.	(733,080)
The internal service fund is used by the District to account for the activities of the OPEB Revocable Trust Fund. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	1,420,602
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.	(2,156,946)
Long-term liabilities, including bonds payable, accrued interest payable, unamortized bond premium, severance payable, net pension liability, and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(8,813,299)
Total Net Position - Governmental Activities	$ 4,090,863

The Notes to Financial Statements are an integral part of this statement

Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2019

	General	Community Service	Other Governmental Funds	Totals
Revenues				
Local property tax levies	$ 1,366,668	$ 112,476	$ 214,703	$ 1,693,847
Other local and county sources	569,973	437,972	17,829	1,025,774
State sources	9,118,060	81,693	99,807	9,299,560
Federal sources	400,028	-	347,609	747,637
Sales and other conversion of assets	61,888	-	150,340	212,228
Total revenues	11,516,617	632,141	830,288	12,979,046
Expenditures				
Administration	571,398	-	-	571,398
District support services	289,140	-	-	289,140
Regular instruction	5,182,075	-	-	5,182,075
Vocational education instruction	279,783	-	-	279,783
Special education instruction	1,868,256	-	-	1,868,256
Community education and service	-	656,316	-	656,316
Instructional support services	611,196	-	-	611,196
Pupil support services	981,322	-	564,856	1,546,178
Sites and buildings	1,070,879	-	-	1,070,879
Fiscal and other fixed cost programs	91,330	-	279,995	371,325
Total expenditures	10,945,379	656,316	844,851	12,446,546
Excess (Deficiency) of Revenues Over (Under) Expenditures	571,238	(24,175)	(14,563)	532,500
Other Financing Sources				
Sale of equipment	6,535	-	-	6,535
Net Change in Fund Balance	577,773	(24,175)	(14,563)	539,035
Fund Balance, Beginning of Year	3,848,182	226,960	298,862	4,374,004
Fund Balance, End of Year	$ 4,425,955	$ 202,785	$ 284,299	$ 4,913,039

The Notes to Financial Statements are an integral part of this statement

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of to the Statement of Activities
Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds	$ 539,035
Amounts reported for governmental activities in the statement of activities are different because	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense and net disposals exceed capital outlays in the current period.	(249,303)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,418
In the statement of activities compensated absences and severance are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	(62,391)
In the statement of activities OPEB obligations 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.	(183,323)
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	2,031,098
Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	232,442
The internal service fund is used by the District to account for the activities of the OPEB Revocable Trust Fund. The net revenue of the internal service fund is reported in governmental activities.	(30,212)
Change in Net Position of Governmental Activities	$ 2,280,764

The Notes to Financial Statements are an integral part of this statement

Independent School District No. 2853
Lac Qui Parle Valley School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local property tax levies	$ 1,372,170	$ 1,372,170	$ 1,366,668	$ (5,502)
Other local and county sources	523,058	554,767	569,973	15,206
State sources	8,641,387	9,002,353	9,118,060	115,707
Federal sources	407,686	402,686	400,028	(2,658)
Sales and other conversion of assets	60,457	60,457	61,888	1,431
Total revenues	11,004,758	11,392,433	11,516,617	124,184
Expenditures				
Administration	567,042	581,042	571,398	9,644
District support services	290,563	295,263	289,140	6,123
Regular instruction	4,801,202	5,240,377	5,182,075	58,302
Vocational education instruction	283,595	286,095	279,783	6,312
Special education instruction	1,949,838	1,908,538	1,868,256	40,282
Instructional support services	620,649	622,149	611,196	10,953
Pupil support services	1,032,424	1,022,024	981,322	40,702
Sites and buildings	1,300,966	1,136,639	1,070,879	65,760
Fiscal and other fixed cost programs	91,550	91,550	91,330	220
Total expenditures	10,937,829	11,183,677	10,945,379	238,298
Excess (Deficiency) of Revenues Over (Under) Expenditures	66,929	208,756	571,238	362,482
Other Financing Sources				
Sale of equipment	-	6,535	6,535	-
Net Change in Fund Balance	$ 66,929	$ 215,291	577,773	$ 362,482
Fund Balance, Beginning of Year			3,848,182	
Fund Balance, End of Year			$ 4,425,955	

The Notes to Financial Statements are an integral part of this statement

	OPEB Revocable Trust
Assets	
Cash and investments	$ 1,381,886
Interest receivable	38,716
Total assets	1,420,602
Net Position	
Held in trust for OPEB payments	$ 1,420,602

The Notes to Financial Statements are an integral part of this statement

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2019

	OPEB Revocable Trust
Deductions	
Group hospital expense	$ 55,818
Operating Loss	(55,818)
Nonoperating Revenue	
Investment earnings	25,606
Change in Net Position	(30,212)
Net Position, Beginning of Year	1,450,814
Net Position, End of Year	$ 1,420,602

The Notes to Financial Statements are an integral part of this statement

Internal Service Fund
Statement of Cash Flows
Year Ended June 30, 2019

	OPEB Revocable Trust
Operating Activity	
Payments for insurance claims and administration	$ (55,818)
Investing Activity	
Interest earnings	10,533
Net Change in Cash and Investments	(45,285)
Cash and Investments, Beginning of Year	1,427,171
Cash and Investments, End of Year	$ 1,381,886

The Notes to Financial Statements are an integral part of this statement

Independent School District No. 2853
Lac Qui Parle Valley School District
Fiduciary Fund
Statement of Net Position
June 30, 2019

	Agency Fund	Private Purpose Trust Fund
Assets		
Cash and investments	$ 129,723	$ 3,082
Liabilities		
Accounts payable	$ -	$ 2,000
Due to other organizations	129,723	-
Total liabilities	129,723	2,000
Net Position		
Held in trust for scholarships	-	1,082
Total liabilities and net position	$ 129,723	$ 3,082

The Notes to Financial Statements are an integral part of this statement

	Private Purpose Trust Fund
Additions	
Investment earnings	$ 32
Deductions	
Scholarships	(1,000)
Change in Net Position	(968)
Net Position, Beginning of Year	2,050
Net Position, End of Year	$ 1,082

The Notes to Financial Statements are an integral part of this statement

Note 1 - Summary of Significant Accounting Policies

A. Organization

Independent School District No. 2853, Lac Qui Parle Valley School District, Madison, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

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

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

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

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

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

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

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

Fiduciary funds are presented in the fiduciary fund financial statements by type: private-purpose trust and agency. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide statements.

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

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

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, severance and healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are included within the applicable functional areas.

The internal service fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from other post-employment benefit (OPEB) transactions. The principal operating revenue of the District's internal service fund is an OPEB contribution from the sale of bonds. Operating expenses for the internal service fund include OPEB expenses such as health insurance. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Description of Funds

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

Major Governmental Funds

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

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

Nonmajor Governmental Funds

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

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and payment of, debt principal, interest, and related costs.

OPEB Debt Service Fund – The OPEB debt service fund is used to account for the accumulation of resources for, and payment of, general obligation OPEB bond principal, interest, and related costs.

Independent School District No. 2853
Lac Qui Parle Valley School District
Notes to Financial Statements
June 30, 2019

Internal Service Fund

OPEB Revocable Trust Fund – The Other Post-Employment Benefit (OPEB) revocable trust fund is used to account for the accumulation of resources to be used for the District's portion of the premium cost for providing health insurance to the District's retired employees.

Fiduciary Funds

Private-Purpose Trust Fund – The private-purpose trust fund is used to administer resources received and held by the District as the trustee for others. The private-purpose trust fund is used as detailed by the respective donors.

Agency Fund – The Agency Fund is used to administer resources received and held by the District as the trustee for others. The fund is used for extracurricular student activities.

E. Other Significant Accounting Policies

Budgeting

An operating budget is adopted by July 1 of each fiscal year for all governmental funds on the same modified accrual basis used to reflect actual revenues and expenditures. The superintendent is authorized to transfer budget amounts within line items; however, supplemental appropriations that amend total appropriations of any fund require a board resolution. Reported budgeted amounts are as originally adopted or as amended by board resolution. Unencumbered appropriations lapse at year-end.

Cash and Investments

Cash and 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.

Short-term, highly liquid debt instruments (including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

Receivables

All receivables are shown net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables not expected to be collected within one year are property taxes receivable.

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.

Inventories

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

Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District.

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

Taxes 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 financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of $3,500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Independent School District No. 2853
Lac Qui Parle Valley School District
Notes to Financial Statements
June 30, 2019

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

Capital assets not being depreciated include land.

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

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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.

Compensated Absences

Vacation and Sick Leave – Certified staff are not granted vacations. They are only paid for the number of days they are required to work, each in accordance with their respective contracts. Non-certified staff and other administrative employees are granted paid vacation leave in varying amounts. Sick leave for certified employees is accumulated at 15 days per year to a maximum of 112 days. Non-certified employees receive a range of sick days per year from 9 to 12 days cumulative to a maximum of 90 days. Sick leave time is not vested. In governmental fund financial statements, leave time costs are recognized as expenditures when the leave time is used. In the government-wide financial statements, the liability for unused vacation and accumulated sick leave is accrued when incurred.

Severance – Members of certain of the District's employee groups, including teachers, may become eligible to receive lump sum severance or retirement pay benefits. Eligibility for these benefits is based on years of service and/or minimum age requirements. The amount of the severance or retirement benefit is calculated by converting a portion of unused accumulated sick leave, by computing a benefit based solely on years of service, or a combination of both. No employee can receive severance or retirement benefits that exceed one year's salary.

Members of certain employee groups may also elect to receive District matching contributions paid into a tax-deferred matching contribution plan. The amount of any severance or retirement benefit due an individual will be reduced by the total matching contributions made by the District to such a plan over the course of that individual's employment.

Under the terms of previous employment contracts, when teachers retired between the ages of 55 to 65, the District provided life and health insurance benefits which would cease when such employees attain the age of 65. This benefit is no longer available to employees; however, the District continues to pay health insurance for qualified individuals that retired when this benefit was in effect. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB Statement No. 75.

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 the Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA.

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 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. Additional information can be found in Note 8.

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.

Deferred Outflows and 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 resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. They are the contributions made to pension plans and the other post-employment benefit plan after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

Independent School District No. 2853
Lac Qui Parle Valley School District
Notes to Financial Statements
June 30, 2019

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 two types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes on the government-wide statements of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2019.

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 government-wide and fiduciary fund 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.

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. Actual results could differ from those estimates.

Fund Balance

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.

- Restricted fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school board and that remain binding unless removed by the school board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A majority vote of the school board is required to commit a fun balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board. A committed fund balance cannot be a negative number.

- Assigned fund balance amounts are comprised of unrestricted funds constrained by the school district's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district's intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. The school board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the following: Superintendent. Assignments so made shall be reported to the school board on an annual basis, either separately or as part of ongoing reporting by the assigning party if other than the school board. An assigned fund balance cannot be a negative number. An appropriation of an existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance.

- Unassigned fund balance amounts are the residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

The school district will strive to maintain a minimum unassigned general fund balance of two months of operating expenditures. If resources from more than one fund balance classification could be spent, the school district will strive to spend resources from fund balance classifications in the following order: a) restricted, b) committed, c) assigned, and d) unassigned.

Note 2 - Deposits and Investments

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's School Board. All such depositories are members of the Federal Reserve System.

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

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

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

At June 30, 2019, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

Investments

Credit Risk – Investments

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The District's investments at year end consisted of certificates of deposits.

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 No. 40.

Interest Rate Risk – Investments

The District has a formal investment policy that limits investment maturities to coincide with projected District cash flow needs. Portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

The following table presents the District's deposit and investment balances at June 30, 2019:

		Investment Maturities (in Years)	
Type	Fair Value	< 1	1 - 5
Cash and cash equivalents			
Minnesota School District Liquid Asset Fund	$ 3,249,029	$ 3,249,029	$ -
Deposits	110,495	110,495	-
Money market	2,453	2,453	-
Investments			
Certificates of deposit	3,019,196	1,353,471	1,665,725
	$ 6,381,173	$ 4,715,448	$ 1,665,725

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

Cash and investments - Statement of Net Position	$ 6,248,368
Cash and investments - Statement of Fiduciary Net Position	132,805
	$ 6,381,173

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

Note 3 - Due From Other Governmental Units

Amounts receivable from other governments as of June 30, 2019, include:

Fund	Federal	State	Other	Total
Major funds				
General	$ 125,429	$ 880,970	$ 187,726	$ 1,194,125
Community Service	249	5,531	500	6,280
Non-major funds	11,926	5,901	-	17,827
	$ 137,604	$ 892,402	$ 188,226	$ 1,218,232

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated				
Land	$ 602,300	$ -	$ -	$ 602,300
Capital assets being depreciated				
Buildings and improvements	20,824,272	39,603	-	20,863,875
Equipment and furniture	1,818,625	205,353	(16,552)	2,007,426
Vehicles	1,653,642	50,111	(47,008)	1,656,745
Total capital assets being depreciated	24,296,539	295,067	(63,560)	24,528,046
Less accumulated depreciation for				
Buildings and improvements	12,637,135	366,239	-	13,003,374
Equipment and furniture	1,258,588	87,578	(8,103)	1,338,063
Vehicles	1,313,596	78,403	(43,307)	1,348,692
Total accumulated depreciation	15,209,319	532,220	(51,410)	15,690,129
Total capital assets, net	$ 9,689,520	$ (237,153)	$ (12,150)	$ 9,440,217

Depreciation expense for the year ended June 30, 2019 was charged to the following functions/programs:

Regular instruction	$ 2,298
Vocational education instruction	2,821
Community education	992
Instructional support services	8,283
Pupil support services	90,155
Sites and buildings	427,671
Total depreciation expense	$ 532,220

Note 5 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2019 are as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Bond payable	$ 1,615,000	$ -	$ 230,000	$ 1,385,000	$ 235,000
Unamortized premium on bond issuance	(7,134)	-	(792)	(6,342)	(792)
Severance payable	369,303	121,207	64,648	425,862	81,599
Compensated absences payable	32,788	38,620	32,788	38,620	38,620
	$ 2,009,957	$ 159,827	$ 326,644	$ 1,843,140	$ 354,427

Following is a summary of bonds payable as of June 30, 2019:

Bond Description	Final Maturities	Interest Rate	Original Principal	Outstanding Balance
General Obligation Taxable OPEB Bonds, Series 2009A	2/1/2022	2.3% - 5.3%	$ 1,400,000	$ 405,000
General Obligation Taxable Abatement Bonds, Series 2013A	2/1/2029	1% - 3%	1,425,000	980,000
				$ 1,385,000

General Obligation Taxable OPEB Bonds of 2009 principal and interest payments are made by the OPEB Debt Service Fund. General Obligation Taxable Abatement Bonds of 2013 principal and interest payments are made by the Debt Service Fund.

Remaining principal and interest payments on long-term liabilities are as follows:

Years Ending June 30,	Bond Payable		Severance	Total	
	Principal	Interest	Payable	Principal	Interest
2020	$ 235,000	$ 41,240	$ 81,599	$ 316,599	$ 41,240
2021	240,000	32,910	63,077	303,077	32,910
2022	205,000	24,030	281,186	486,186	24,030
2023	95,000	16,775	-	95,000	16,775
2024	100,000	15,350	-	100,000	15,350
2025-2029	510,000	43,600	-	510,000	43,600
	$ 1,385,000	$ 173,905	$ 425,862	$ 1,810,862	$ 173,905

Severance and Compensated Absences Payable – This amount consists of vacation payable and severance benefits payable as discussed in Note 1. Payments are made by the General Fund.

Note 6 - Fund Balance

Certain portions of net position and fund balances are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties.

The following is a summary of fund balances as of June 30, 2019:

	General	Community Service	Other Governmental Funds	Totals
Nonspendable				
Prepaid items	$ 12,588	$ -	$ -	$ 12,588
Inventories	-	-	20,890	20,890
Total nonspendable	12,588	-	20,890	33,478
Restricted				
Operating capital	663,713	-	-	663,713
Safe schools	24,583	-	-	24,583
Basic skills	10,861	-		10,861
Long-term facilities maintenance	751,156	-	-	751,156
Debt service	-	-	31,853	31,853
OPEB debt service	-	-	49,645	49,645
Early childhood and family education	-	127,470	-	127,470
School readiness	-	73,493	-	73,493
Community service	-	1,822	-	1,822
Food service	-	-	181,911	181,911
Total restricted	1,450,313	202,785	263,409	1,916,507
Committed				
Severance pay	495,055	-	-	495,055
Quality compensation	3,058	-	-	3,058
Total committed	498,113	-	-	498,113
Assigned				
Transportation	373,319	-	-	373,319
Subsequent year budgeted deficit	418,626	-	-	418,626
Total assigned	791,945	-	-	791,945
Unassigned	1,672,996	-	-	1,672,996
Total fund balance	$ 4,425,955	$ 202,785	$ 284,299	$ 4,913,039

The UFARS fund balance reporting standards are slightly different than the reporting standards under GASB 54 *Fund Balance Reporting and Governmental Fund Type Definition.* Below is a reconciliation between the fund balance reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Nonspendable			
Prepaid items	$ 12,588	$ -	$ 12,588
Inventories	20,890	-	20,890
Total nonspendable	33,478	-	33,478
Restricted			
Operating capital	663,713	-	663,713
Safe schools	24,583	-	24,583
Basic skills	10,861	-	10,861
Long-term facilities maintenance	751,156	-	751,156
Debt service	31,853	-	31,853
OPEB debt service	49,645	-	49,645
Early childhood and family education	127,470	-	127,470
Community education	-	(47,390)	(47,390)
School readiness	73,493	-	73,493
Community service	1,822	47,390	49,212
Food service	181,911	-	181,911
Total restricted	1,916,507	-	1,916,507
Committed			
Severance pay	495,055	-	495,055
Quality compensation	3,058	-	3,058
Total committed	498,113	-	498,113
Assigned			
Transportation	373,319	-	373,319
Subsequent year budgeted deficit	418,626	-	418,626
Total assigned	791,945	-	791,945
Unassigned	1,672,996	-	1,672,996
Total fund balance	$ 4,913,039	$ -	$ 4,913,039

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Note 7 - Other Post-Employment Benefits

A. Plan Description

All employees are allowed, upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District's health insurance plan after retirement. This plan covers active and retired employees who have reached age 55, with teachers needing at least 3 years of service and all other district employees needing 5 years of service. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. A separately issued report is not available.

B. Benefits Provided

The contract groups have access to other post-retirement benefits of blended medical premiums of $541 for single and $1,412 for family coverage. The implicit rate subsidy is only until Medicare eligibility. There are subsidized post-employment medical benefits for teachers age 55 with 20 years of total teaching service (12 years with the District), which include an Early Retirement Incentive of $9,000 per year for three years, payable to a VEBA account, if they retire effective June 30, 2018 or June 30, 2019. There are no subsidized post-employment dental or life insurance benefits.

C. Employees Covered by Benefit Terms

At the valuation date of July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	8
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	164
	172

D. Total OPEB Liability

The District's total OPEB liability of $733,080 was measured as of July 1, 2018 and was determined by an actuarial valuation as of July 1, 2018.

E. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent	
Salary increases	3.00 percent	
Discount rate	3.50 percent	
Healthcare cost trend rates	6.50 percent as of July 1, 2018 grading to 5.00% over 6 years	
Retiree plan participation	Future retirees electing coverage:	
	- Administration, Community Education, Teachers (including 3 Teachers retiring at 6/30/2019 with the ERI)	80%
	- All others	15%
Percent of married retirees electing spouse coverage	25%	

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2018 valuation were based on input from a variety of published sources of historical and projected future financial data.

Plan Experience:

- There was a liability loss of $71,305 due to updated census data.
- There was a liability loss of $1,085 due to claims and premiums different than expected.

Plan Changes:

- Teachers age 55 with 20 years of total teaching service (12 years with the District) were offered an Early Retirement Incentive of $9,000 per year for three years, payable to a VEBA account, if they retire(d) effective June 30, 2018 or June 30, 2019. This plan change increased the liability $183,219.

Assumption Changes:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40% to 3.50%.
- These assumption changes increased the liability $994.

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F. Discount Rate

The discount rate used to measure the total OPEB liability was 3.50 percent. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

G. Changes in Total OPEB Liability

Balance at June 30, 2018	$ 459,009
Changes from the Prior Year:	
Service cost	29,307
Interest cost	16,131
Assumption changes	994
Plan changes	183,219
Differences between expected and actual experience	72,390
Benefit payments	(27,970)
Net Change	274,071
Balance at June 30, 2019	$ 733,080

The measurement date of the OPEB liability was July 1, 2018; the date of the actuarial valuation on which the total OPEB liability is based was July 1, 2018.

H. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and 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 a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.50%	3.50%	4.50%
Total OPEB Liability	$ 777,694	$ 733,080	$ 690,689

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

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Medical trend rate	5.50% decreasing to 4% over 6 years	6.50% decreasing to 5% over 6 years	7.50% decreasing to 6% over 6 years
Total OPEB Liability	$ 675,948	$ 733,080	$ 801,194

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

For the year ended June 30, 2019, the District recognized OPEB expense of $239,141. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Employer contributions made after the measurement date	$ 55,818
Liability losses	62,048
Assumption changes	852
Total Deferred Outflows of Resources	$ 118,718

$55,818 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020.

Note 8 - Defined Benefit Pension Plans

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Public Employees' Retirement Association (PERA) or the Teachers' Retirement Association (TRA), all of which are administered on a state-wide basis. Disclosures relating to these plans are as follows:

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Public Employees Retirement Association (PERA)

A. Plan Description

The District participates in the following cost-sharing multiple employer defined benefit pension plans administered by 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.

All full-time and certain part-time employees of the District, other than teachers, are covered by General Employees Retirement Fund (GERF). GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in the 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 Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Plan benefit recipients receive a future annual 1.0 percent increase. If the General Employees Plan is at least 90 percent funded for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

C. Contribution Rate

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 2019 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, 2019, were $153,275. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan, 1.0 percent per year for the Police and Fire Plan, and 2.0 percent per year for the Correctional Plan.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. The most recent four-year experience study for Police and Fire Plan was completed in 2016. The five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2018:

Changes in Actuarial Assumptions:

- The morality 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.

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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 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 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.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds	20%	0.75%
Alternative Assets	25%	5.90%
Treasuries	0%	0.50%
Cash	2%	0.00%
Total	100%	

E. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current active 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.

F. Pension Costs

At June 30, 2019, the District reported a liability of $1,597,706 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 $23,348. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the District's proportion was 0.0288%, which was an increase compared to 0.0291% at June 30, 2017.

District's proportionate share of net pension liability	$ 1,597,706
State's proportionate share of the net pension liability associated with the district	$ 52,329

For the year ended June 30, 2019, the District recognized pension expense of $87,869 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $12,203 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At June 30, 2019, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 42,710	$ 46,760
Changes in actuarial assumptions	153,151	180,799
Difference between projected and actual investment earnings	-	164,989
Change in proportion and differences between contributions made and District's proportionate share of contributions	8,119	14,364
District's contributions to GERF subsequent to the measurement date	153,275	-
Total	$ 357,255	$ 406,912

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The $153,275 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2020	$ 53,747
2021	(88,091)
2022	(135,241)
2023	(33,347)
2024	-

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	$ 2,596,477	$ 1,597,706	$ 773,249

H. Pension Plan Fiduciary Net Position

Detailed information about the 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.

Teachers Retirement Association (TRA)

A. 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.

Teachers employed in Minnesota's public elementary and secondary school, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the cities of Duluth and St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by Minnesota State may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

B. Benefits Provided

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

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

Tier I Benefits

Tier1	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006 or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006 or after	1.9% per year

With these provisions:

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

or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 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 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.

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

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

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

C. Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ending June 30, 2018 and June 30, 2019 were:

	June 30, 2017		June 30, 2018		June 30, 2019	
	Employees	Employers	Employees	Employers	Employees	Employers
Basic	11.00%	11.50%	11.00%	11.50%	11.00%	11.71%
Coordinated	7.50%	7.50%	7.50%	7.50%	7.50%	7.71%

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

Employer contributions reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	$ 378,728,000
Add employer contributions not related to future contribution efforts	522,000
Deduct TRA's contributions not included in allocation	(471,000)
Total employer contributions	378,779,000
Total non-employer contributions	35,588,000
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 414,367,000

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

D. Actuarial Assumptions

The total pension liability in the June 30, 2018, 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, 2018
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial Assumptions	
Investment rate of return	7.50%
Price inflation	0.025
Wage growth rate	2.85% for 10 years; 3.25% thereafter
Projected salary increase	2.85 - 8.85% for 10 years; 3.25 - 9.25% thereafter
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds	20%	0.75%
Alternative Assets	25%	5.90%
Treasuries	0%	0.50%
Cash	2%	0.00%
Total	100%	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is six years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of 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 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 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.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. This is an increase from the discount rate at the prior measurement date of 5.12 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2018 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

At June 30, 2019, the District reported a liability of $5,355,270 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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. The District's proportionate share was 0.0853% at the end of the measurement period and 0.0839% for the beginning of the year.

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

District's proportionate share of net pension liability	$ 5,355,270
State's proportionate share of the net pension liability associated with the district	$ 503,288

For the year ended June 30, 2019, the District recognized pension expense of ($3,616,343). It also recognized ($351,263) as an increase to pension expense for the support provided by direct aid.

At June 30, 2019, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,753	$ 106,476
Changes in actuarial assumptions	6,919,203	9,100,924
Difference between projected and actual investment earnings	-	409,060
Change in proportion and differences between contributions made and District's proportionate share of contributions	350,421	258,158
District's contributions to TRA subsequent to the measurement date	377,234	-
Total	$ 7,648,611	$ 9,874,618

The $377,234 was 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 ended June 30, 2020.

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

Years Ended June 30,	Pension Expense Amount
2020	$ 490,543
2021	346,051
2022	16,977
2023	(2,056,103)
2024	(1,400,709)

G. Net Pension Liability

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50% as well as the liability measured using one percent lower and one percent higher:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	$ 8,498,792	$ 5,355,270	$ 2,761,885

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

H. Pension Plan Fiduciary Net Position

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

Note 9 - Flexible Benefit Plan

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

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

Payment of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund and special revenue funds.

Amounts withheld for medical reimbursement and dependent care are paid by the District to the employee upon an employee submitting a request for reimbursement of eligible expenses actually incurred by the employee.

Independent School District No. 2853
Lac Qui Parle Valley School District
Notes to Financial Statements
June 30, 2019

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

Note 10 - Employee Benefit Plan 403(B)

All teachers in the District are eligible to participate in the matching 403(b) program. Any District contribution to the teacher's 403(b) plan will be deducted from the teacher's retirement benefit payment. The District will match the employees' deferral up to the following maximums:

Years of Service	Maximum Match
1-5	$ 375
6-10	575
11-15	825
16-20	1,150
21+	1,650

Note 11 - Subsequent Event

The citizens of the District passed a bond referendum on November 5, 2019 amounting to $39.975 million to be used to finance the remodeling and modernization of the elementary school, middle school, and high school, which will include classroom and gymnasium additions. It is anticipated that the bonds will be issued in February 2020 and anticipated construction will be completed in 2021.

Note 12 - Commitments and Contingencies

Federal Revenue

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

Contingencies

The District has the usual and customary legal claims pending at year-end. Although the outcomes of these lawsuits are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

Operating Leases

As of June 30, 2019, the District had operating leases for copy machines, a bus garage, and buildings. The leases terms range from 36 to 60 months. Lease expense for the year ended June 30, 2019 was $46,431. Future minimum lease payments for the terms of the leases are as follows:

2020	$ 42,081
2021	34,336
2022	11,100
2023	8,600
	$ 96,117

Note 13 - Issued but Non-Effective Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the District. The first statement issued but not yet implemented that will significantly affect the District is Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. This statement will be implemented at the District in the year ended June 30, 2020.

The second statement issued but not yet implemented that will significantly affect the District is Statement No. 90, Majority Equity Interests. This statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This statement will be implemented at the District in the year ended June 30, 2020.

Independent School District No. 2853
Lac Qui Parle Valley School District
Notes to Financial Statements
June 30, 2019

The third statement issued but not yet implemented that will significantly affect the District is statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This statement will be implemented at the District in the year ended June 30, 2021.

The fourth statement issued but not yet implemented that will significantly affect the District is Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period. This statement will be implemented at the District in the year ended June 30, 2021.

The final statement issued but not yet implemented that will significantly affect the District is Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required noted disclosures. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognized assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. This statement will be implemented at the District in the year ended June 30, 2022.

As a result of implementing GASB Statement No. 84, management expects assets of $129,723 currently reported within the Student Activities Agency Fund will be reported within the General Fund beginning July 1, 2019. Management has not yet determined the effect GASB Statements No. 87, 89, 90, and 91 will have on the District's financial statement.

Required Supplementary Information
June 30, 2019

Independent School District No. 2853
Lac Qui Parle Valley School District

Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Last 10 Fiscal Years*

	2019	2018
Service cost	$ 29,307	$ 33,191
Interest	16,131	15,759
Assumption changes	994	-
Plan changes	183,219	-
Differences between expected and actual experience	72,390	-
Benefit payments	(27,970)	(40,157)
Net change in total OPEB liability	274,071	8,793
Total OPEB liability - beginning	459,009	450,216
Total OPEB liability - ending	$ 733,080	$ 459,009
Covered-employee payroll	$ 6,398,510	$ 6,083,640
District's total OPEB liability as a percentage of covered-employee payroll	11.46%	7.54%

*GASB Statement No. 75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

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

- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years *

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (d) (a+b)	Employer's Covered-Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2018	0.0288%	$ 1,597,706	$ 52,329	$ 1,650,035	$ 1,934,333	82.6%	79.53%
PERA	6/30/2017	0.0291%	1,857,725	23,348	1,881,073	1,873,773	99.1%	75.90%
PERA	6/30/2016	0.0289%	2,346,537	30,670	2,377,207	1,792,600	130.9%	68.91%
PERA	6/30/2015	0.0289%	1,497,748	N/A	1,497,748	1,671,307	89.6%	78.19%
PERA	6/30/2014	0.0314%	1,475,015	N/A	1,475,015	1,723,952	85.6%	78.80%
TRA	6/30/2018	0.0853%	$ 5,355,270	$ 503,288	$ 5,858,558	$ 4,710,653	113.7%	78.07%
TRA	6/30/2017	0.0839%	16,747,962	1,618,790	18,366,752	4,516,760	370.8%	51.57%
TRA	6/30/2016	0.0854%	20,369,938	2,045,221	22,415,159	4,444,293	458.3%	44.88%
TRA	6/30/2015	0.0816%	5,047,767	619,096	5,666,863	4,139,960	121.9%	76.77%
TRA	6/30/2014	0.0861%	3,967,426	279,233	4,246,659	4,046,146	98.1%	81.50%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Schedule of Employer's Contributions
Last 10 Fiscal Years *

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Payroll (c)	Contributions as a Percentage of Covered-Payroll (b/c)
PERA	6/30/2019	$ 153,274	$ 153,274	$ -	$ 2,043,653	7.5%
PERA	6/30/2018	145,075	145,075	-	1,934,333	7.5%
PERA	6/30/2017	140,533	140,533	-	1,873,773	7.5%
PERA	6/30/2016	134,445	134,445	-	1,792,600	7.5%
PERA	6/30/2015	125,348	125,348	-	1,671,307	7.5%
TRA	6/30/2019	$ 377,235	$ 377,235	$ -	$ 4,899,156	7.7%
TRA	6/30/2018	353,299	353,299	-	4,710,653	7.5%
TRA	6/30/2017	338,757	338,757	-	4,516,760	7.5%
TRA	6/30/2016	333,322	333,322	-	4,444,293	7.5%
TRA	6/30/2015	310,497	310,497	-	4,139,960	7.5%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Independent School District No. 2853
Lac Qui Parle Valley School District
Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions
June 30, 2019

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

PERA Changes in Actuarial Assumptions:

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

PERA 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 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 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.

TRA Changes in Actuarial Assumptions:

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

PERA's CAFR may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Additional financial and actuarial information can be found in TRA's GASB 67-68 report. Both reports can be obtained at https://minnesotatra.org/wp-content/uploads/2019/01/2018-MN-TRA-GASB-67-68-Reportscombined.pdf.

PROPOSAL SALE DATE: January 27, 2020

Independent School District No. 2853
(Lac qui Parle Valley), Minnesota
$37,295,000* General Obligation School Building Bonds, Series 2020A

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of $_________________ (which may not be less than $37,295,000 (Par)) plus accrued interest, if any, to the date of delivery.

Year	Interest Rate (%)	Yield (%)	Dollar Price	Year	Interest Rate (%)	Yield (%)	Dollar Price
2021	_______%	_______%	_______%	2031	_______%	_______%	_______%
2022	_______%	_______%	_______%	2032	_______%	_______%	_______%
2023	_______%	_______%	_______%	2033	_______%	_______%	_______%
2024	_______%	_______%	_______%	2034	_______%	_______%	_______%
2025	_______%	_______%	_______%	2035	_______%	_______%	_______%
2026	_______%	_______%	_______%	2036	_______%	_______%	_______%
2027	_______%	_______%	_______%	2037	_______%	_______%	_______%
2028	_______%	_______%	_______%	2038	_______%	_______%	_______%
2029	_______%	_______%	_______%	2039	_______%	_______%	_______%
2030	_______%	_______%	_______%	2040	_______%	_______%	_______%

Designation of Term Maturities

Years of Term Maturities _______________ _______________
_______________ _______________

In making this offer on the sale date of January 27, 2020 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated January 6, 2020 including the District's right to modify the principal amount of the Bonds. (See "Terms of Proposal" herein.) In the event of failure to deliver these Bonds in accordance with said Terms of Proposal, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

By submitting this proposal, we confirm that we have an established industry reputation for underwriting municipal bonds such as the Bonds.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: $_____________________________

TRUE INTEREST RATE: _______________ %

The Bidder ☐ will not ☐ will purchase municipal bond insurance from __________________.

Account Members

____
Account Manager

By: ____________________________

Phone: __________________________

....

The foregoing proposal has been accepted by the District.

Attest: ________________________________ Date: _________________________________

....

* *Preliminary; subject to change.*

Phone: 651-223-3000
Fax: 651-223-3046
Email: bondservice@bakertilly.com