PRELIMINARY OFFICIAL STATEMENT DATED MARCH 31, 2020

NEW ISSUE **S&P MNSDCEP Rating: Requested**
BANK QUALIFIED

In the opinion of Knutson, Flynn & Deans, Professional Association, Bond Counsel, the Bonds are exempt from taxation by the State of Minnesota and its subdivisions and municipalities and the interest to be paid on said Bonds is not includable in the gross income of the recipient for United States or State of Minnesota income tax purposes (but is subject to Minnesota taxes on banks and corporations measured by income) according to present federal and Minnesota laws, regulations, rulings, and decisions. (See "TAX EXEMPTION" herein.)

$2,250,000*

Independent School District No. 2176
(Warren-Alvarado-Oslo)
Warren, Minnesota

General Obligation Alternative Facilities Refunding Bonds, Series 2020A

(Minnesota School District Credit Enhancement Program)

(Book Entry Only)

Dated Date: Date of Delivery

Interest Due: Each March 15 and September 15, commencing September 15, 2020

The Bonds (as defined herein) will mature March 15 in the years and amounts* as follows:

2021	$200,000	2024	$200,000	2027	$210,000	2030	$210,000
2022	$195,000	2025	$200,000	2028	$210,000	2031	$215,000
2023	$195,000	2026	$205,000	2029	$210,000		

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 Bonds will not be subject to payment in advance of their respective stated maturity dates.

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 to refund the March 15, 2021 through March 15, 2031 maturities of the District's General Obligation Alternative Facilities Bonds, Series 2012A, dated January 1, 2012.

Proposals shall be for not less than $2,232,000 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 as stated on the proposal for each maturity 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 District will designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, and the Bonds will not be subject to the alternative minimum tax for individuals.

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.) Northland Trust Services, Minneapolis, Minnesota will serve as registrar (the "Registrar") for the Bonds. The Bonds will be available for delivery at DTC on or about May 21, 2020.

PROPOSALS RECEIVED: **Monday, April 20, 2020 until 10:30 A.M., Central Time**
CONSIDERATION OF AWARD: **Board meeting commencing at 5:00 P.M., Central Time on Monday, April 20, 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. 2176
WARREN-ALVARADO-OSLO, MINNESOTA

SCHOOL BOARD

Nikki Peterson	Chair
Don Narlock	Vice Chair
Sally Roller	Clerk
Eric Berglund	Director
Jordan Johnson	Director
Jeff Steer	Director
Jeremy Woinarowicz	Director

SUPERINTENDENT

Dr. Lon Jorgensen

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Saint Paul, Minnesota

BOND COUNSEL

Knutson, Flynn & Deans, Professional Association
Mendota Heights, 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

$2,250,000*

INDEPENDENT SCHOOL DISTRICT NO. 2176
(WARREN-ALVARADO-OSLO)
WARREN, MINNESOTA

GENERAL OBLIGATION ALTERNATIVE FACILITIES
REFUNDING 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. 2176 (Warren-Alvarado-Oslo), Warren, Minnesota (the "District") on Monday, April 20, 2020, (the "Sale Date") until 10:30 A.M., Central Time (the "Sale 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 5:00 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

Baker Tilly MA will assume no liability for the inability of a bidder or its proposal to reach Baker Tilly MA prior to the time of sale specified above, and neither the District nor Baker Tilly MA shall be responsible for any failure, misdirection or error in the means of transmission selected by any bidder. 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.*** Completed, signed proposals may be submitted to Baker Tilly MA by email to bondservice@bakertilly.com or by fax (651) 223-3046, and must be received prior to the Sale Time.

OR

(b) ***Electronic Bidding.*** Prposals may also 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 March 15 and September 15 of each year, commencing September 15, 2020. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature March 15 in the years and amounts* as follows:

2021	$200,000	2024	$200,000	2027	$210,000	2030	$210,000
2022	$195,000	2025	$200,000	2028	$210,000	2031	$215,000
2023	$195,000	2026	$205,000	2029	$210,000		

* *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 Bonds will not be subject to redemption in advance of their respective stated maturity dates.

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 to refund the March 15, 2021 through March 15, 2031 maturities of the District's General Obligation Alternative Facilities Bonds, Series 2012A, dated January 1, 2012.

BANK QUALIFIED TAX-EXEMPT OBLIGATIONS

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

BIDDING PARAMETERS

Proposals shall be for not less than $2,232,000 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 provide the District with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (collectively, the "Code"), the Purchaser will be required to assist the District in establishing the issue price of the Bonds and shall complete, execute, and deliver to the District prior to the closing date, a written certification in a form acceptable to the Purchaser, the District, and Bond Counsel (the "Issue Price Certificate") containing the following for each maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (i) the interest rate; (ii) the reasonably expected initial offering price to the "public" (as said term is defined in Treasury Regulation Section 1.148-1(f) (the "Regulation")) or the sale price; and (iii) pricing wires or equivalent communications supporting such offering or sale price. 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.

The District intends that the sale of the Bonds pursuant to this Terms of Proposal shall constitute a "competitive sale" as defined in the Regulation based on the following:

- (i) the District shall cause this Terms of Proposal to be disseminated to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (ii) all bidders shall have an equal opportunity to submit a bid;
- (iii) the District reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds such as the Bonds; and
- (iv) the District anticipates awarding the sale of the Bonds to the bidder who provides a proposal with the lowest true interest cost, as set forth in this Terms of Proposal (See "AWARD" herein).

Any bid submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in the proposal. The Purchaser shall constitute an "underwriter" as said term is defined in the Regulation. By submitting its proposal, the Purchaser confirms that it shall require any agreement among underwriters, a selling group agreement, or other agreement to which it is a party relating to the initial sale of the Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Bonds.

If all of the requirements of a “competitive sale” are not satisfied, the District shall advise the Purchaser of such fact prior to the time of award of the sale of the Bonds to the Purchaser. **In such event, any proposal submitted will not be subject to cancellation or withdrawal.** Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Purchaser shall advise the District and Baker Tilly MA if 10% of any maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which it was sold. The District will treat such sale price as the “issue price” for such maturity, applied on a maturity-by-maturity basis. The District will not require the Purchaser to comply with that portion of the Regulation commonly described as the “hold-the-offering-price” requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the District will apply the initial offering price to the public provided in the proposal as the issue price for such maturities. If the Purchaser does not exercise that option, it shall thereafter promptly provide the District and Baker Tilly MA the prices at which 10% of such maturities are sold to the public; provided such determination shall be made and the District and Baker Tilly MA notified of such prices whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a maturity have been sold.

GOOD FAITH DEPOSIT

To have its proposal considered for award, the Purchaser is required to submit a good faith deposit via wire transfer to the District in the amount of $22,500 (the “Deposit”) no later than 1:30 P.M., Central Time on the Sale Date. The Purchaser shall be solely responsible for the timely delivery of its Deposit, and 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.

A Deposit 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 bid specifying municipal bond insurance, even though such bid 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 May 21, 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 Knutson, Flynn & Deans, a Professional Association of Mendota Heights, 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

At the time of delivery of the Bonds, the District will not be obligated with respect to more than $10,000,000 of outstanding municipal securities, including the Bonds being offered hereby. In order to assist bidders in complying with SEC Rule 15c2-12, as amended, the District will enter into a Continuing Disclosure Certificate pursuant to which it will covenant to file with the Municipal Securities Rulemaking Board electronically through the Electronic Municipal Market Access system certain financial information or operating data that is customarily prepared and is publicly available and notices of certain material events to the limited extent required by SEC Rule 15c2-12(d)(2). The Continuing Disclosure Certificate will be set forth in the Official Statement.

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 an electronic copy 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, by telephone (651) 223-3000, or by email bond_services@bakertilly.com. The Preliminary Official Statement will also be made available at https://go.bakertilly.com/bond-sales-calendar.

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 to the Purchaser an electronic copy of the Final Official Statement. The District designates the Purchaser as its agent for purposes of distributing 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 March 9, 2020 BY ORDER OF THE SCHOOL BOARD

/s/ Sally Roller
Clerk

OFFICIAL STATEMENT

$2,250,000*

INDEPENDENT SCHOOL DISTRICT NO. 2176
(WARREN-ALVARADO-OSLO)
WARREN, MINNESOTA

GENERAL OBLIGATION ALTERNATIVE FACILITIES REFUNDING BONDS, SERIES 2020A

(MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM)

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

General

This Official Statement contains certain information relating to Independent School District No. 2176 (Warren-Alvarado-Oslo), Warren, Minnesota (the "District") and its issuance of $2,250,000* General Obligation Alternative Facilities Refunding 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 Dr. Lon Jorgensen, Superintendent, Independent School District No. 2176 (Warren-Alvarado-Oslo), 224 East Bridge Avenue, Warren, Minnesota 56762, by telephoning (218) 745-5393 or by e-mailing ljorgensen@wao.k12.mn.us. 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 e-mailing bond_services@bakertilly.com. If information of a specific legal nature is desired, requests may be directed to Mr. Thomas S. Deans, of Knutson, Flynn & Deans, Professional Association, Bond Counsel, 1155 Centre Pointe Drive, Suite 10, Mendota Heights, Minnesota 55120, by telephoning (651) 225-0616, or by e-mailing tdeans@kfdmn.com.

Potential Impacts Resulting from Coronavirus (COVID-19)

On March 11, 2020, the World Health Organization proclaimed the Coronavirus (COVID-19) to be a pandemic. In an effort to lessen the risk of transmission of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19, affecting business activities and impacting global, state and local commerce and financial markets. The emergence of COVID-19 and the spread thereof is an emerging and evolving issue. As the federal, state, and local governments, including the District, continue efforts to contain and limit the spread COVID-19 disease, future tax and other revenue collections may deviate from historical or anticipated collections and may have an adverse impact on the financial position and operations of the District and its ability to fund debt Bonds, including the Bonds in accordance with its terms. The District is not able to predict and makes no representations as to the economic impact of the COVID-19 pandemic on the District or its financial position.

* *Preliminary; subject to change.*

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 to provide certain specified information, if customarily prepared and publicly available (which shall consist of the audited financial statements) and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Certificate"). The District is the only "obligated person" in respect of the Bonds within the meaning of the Rule, and giving effect to the issuance of the Bonds, there will not be more than $10 million in principal amount of municipal securities outstanding on the date of issuance of the Bonds as to which the District is an obligated person. 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 Continuing Disclosure Certificate, 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.

A failure by the District to comply with the Certificate will not constitute an event of default on the Bonds (although holders or other beneficial owners of the Bonds will have the sole remedy of bringing an action for specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

THE BONDS

General Description

The Bonds are dated as of the date of delivery and will mature annually on March 15 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 March 15 and September 15 of each year, commencing September 15, 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." Northland Trust Services, Minneapolis, Minnesota 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.

<u>Optional Redemption</u>

The Bonds will not be subject to payment in advance of their respective stated maturity dates.

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 Section 126C.55. The proceeds of the Bonds will be used to redeem the March 15, 2021 through March 15, 2031 maturities (the "Refunded Maturities") of the District's General Obligation Alternative Facilities Bonds, Series 2012A, dated January 1, 2012 (the "Series 2012A Bonds"). The Bonds have been structured as a current refunding and are being issued to achieve debt service savings. It is anticipated that the Refunded Maturities will be called and prepaid at a price of par plus accrued interest on May 28, 2020, which is within 90 days of settlement of the Bonds.

SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Principal Amount	$2,250,000
Total Sources of Funds	$2,250,000
Uses of Funds:	
Deposit for Refunding Purposes	$2,193,414
Costs of Issuance	38,586
Allowance for Discount Bidding	18,000
Total Uses of Funds	$2,250,000

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 September 15 of the collection year and the principal and interest payment due March 15 of the following year.

MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM

By resolution adopted for this issue on March 9, 2020 (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 does not anticipate issuing any additional long-term general obligation debt within the next 90 days.

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 Knutson, Flynn & Deans, Professional Association of Mendota Heights, 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 EXEMPTION

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and decisions, interest on the Bonds is not includable in the "gross income" of the owners thereof for purposes of federal income taxation and is not includable in net taxable income of individuals, estates or trusts for purposes of State of Minnesota income taxation, but is subject to State of Minnesota franchise taxes measured by income that are imposed upon corporations and financial institutions.

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

The Code provides that in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as "losses incurred" under Section 832(b)(5) shall be reduced by an amount equal to 15% of the interest on the Bonds that is received or accrued during the taxable year.

Interest on the Bonds is not an item of tax preference for federal or Minnesota alternative minimum tax purposes. Such interest is not included in adjusted current earnings of corporations for purposes of the Minnesota alternative minimum tax and the federal alternative minimum tax. Adjusted current earnings include income received that is otherwise exempt from taxation such as interest on the Bonds.

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

RATING

Application for a rating of the Bonds has been made to S&P Global Ratings ("S&P"), 55 Water Street, New York, New York. The District expects the Bonds to be rated by S&P based solely on the Minnesota School District Credit Enhancement Program. If a rating is assigned, it will reflect only the opinion of S&P. Any explanation of the significance of the rating 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 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	$1,091,566,400	93.7%	$1,169,915,228	$25,490,412	$1,061,973,703	$ 9,218,447
2015/16	1,168,936,900	110.3	1,066,624,702	25,970,002	1,138,904,098	9,871,541
2014/15	1,285,906,200	98.4	1,300,804,426	26,087,740	1,246,232,560	10,734,263
2013/14	1,426,584,800	101.4	1,402,069,749	26,191,400	1,385,930,200	11,877,464
2012/13	1,380,464,400	97.1	1,415,714,789	25,993,300	1,340,420,400	11,509,680

(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.*

Source: Marshall and Polk Counties, Minnesota, March 2020, except as otherwise noted.

2018/19 Net Tax Capacity: $9,255,111*

	Marshall County	Polk County	Total
Real Estate	$4,769,672	$4,038,888	$8,808,560
Personal Property	413,687	32,864	446,551
Total	$5,183,359	$4,071,752	$9,255,111

* *Excludes mobile home valuations of $777 and $504 for Marshall and Polk counties, respectively.*

2018/19 Adjusted Taxable Net Tax Capacity: $9,218,447*

Real Estate:		
Agricultural	$7,244,357	78.27%
Residential Homestead	861,412	9.31
Commercial/Industrial, Railroad, and Public Utility	565,283	6.11
Residential Non-Homestead	135,005	1.46
Seasonal Recreational	2,503	0.03
Personal Property	446,551	4.82
2018/19 Net Tax Capacity	$9,255,111	100.00%
Less: Captured Tax Increment	(36,664)	
2018/19 Adjusted Taxable Net Tax Capacity	$9,218,447	

* *Excludes mobile home valuation of $1,281.*

Ten of the Largest Taxpayers in the District

Taxpayer	Type of Property	2018/19 Net Tax Capacity
Enbridge Energy	Pipeline Utility	$319,008
Burlington Northern	Railroad	95,894
Viking Gas Transmission	Utility	77,772
Soo Line Railroad Co.	Railroad	73,106
Individual	Agriculture	67,919
LPS Howard LLC	Agriculture	67,851
Individuals	Agriculture	66,503
Individuals	Agriculture	61,311
Individuals	Agriculture	59,559
Individuals	Agriculture	54,390
Total		$943,313

* *Enbridge Energy represents 3.5% and the remaining nine largest taxpayers represent 6.8% 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 Economic Market Value of $1,169,915,228)	$172,487,284
Less: Outstanding Debt Subject to Limit	(2,345,000)
Legal Debt Margin as of May 21, 2020	$173,142,284

* *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)(b)]

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 5-21-20
1-1-12	$ 215,000	Capital Facilities	3-15-2026	$ 95,000
5-21-20	2,250,000	Refunding (the Bonds)	3-15-2031	2,250,000
Total				$2,345,000

[(a)] *These issues are subject to the legal debt limit.*

[(b)] *Excludes the Refunded Maturities.*

Annual Appropriation Obligations*

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 5-21-20
1-1-12	$615,000	Certificates of Participation	3-15-2027	$370,000

* *These certificates are payable from annual appropriations to be made by the District's governing body. The full faith and credit of the District is not pledged for the payment of principal and interest. In such event the lease is terminated there is no obligation of the District for future lease payments.*

Estimated Calendar Year Debt Service Payments Including the Bonds and Excluding the Refunded Maturities

	G.O. Debt Supported Solely by Taxes		Annual Appropriation Obligations	
Year	Principal	Principal & Interest(a)	Principal	Principal & Interest
2020 (at 5-21)	(Paid)	$ 10,480	(Paid)	$ 7,963
2021	$ 215,000	245,193	$ 45,000	60,025
2022	210,000	237,600	50,000	63,125
2023	210,000	234,932	50,000	61,125
2024	215,000	237,205	55,000	63,888
2025	215,000	234,390	55,000	61,413
2026	225,000	241,366	55,000	58,938
2027	210,000	223,410	60,000	61,350
2028	210,000	220,628		
2029	210,000	217,740		
2030	210,000	214,748		
2031	215,000	216,613		
Total	$2,345,000(b)	$2,534,305	$370,000	$437,827

(a) *Includes the Bonds at an assumed average annual interest rate of 1.34%, and excludes the Refunded Maturities.*

(b) *90.8% of this debt will be retired within ten years.*

Overlapping Debt

	2018/19		Debt Applicable to Tax Capacity in District	
Taxing Unit(a)	Adjusted Taxable Net Tax Capacity	Est. G.O. Debt As of 2-21-20(b)	Percent	Amount
Polk County	$51,620,634	$25,360,000	7.9%	$2,003,440
City of Alvarado	127,787	363,000	100.0	363,000
City of Warren	669,886	1,435,000	100.0	1,435,000
Total				$3,801,440

(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.*

Debt Ratios*

	G.O. Direct Debt	G.O. Direct & Overlapping Debt
To 2018/19 Estimated Market Value ($1,091,566,400)	0.21%	0.56%
Per Capita - (1,700 – 2020 District Estimate)	$1,379	$3,616

* *Excludes the annual appropriation obligations.*

DISTRICT TAX RATES, LEVIES AND COLLECTIONS

Tax Capacity Rates for a Resident in the City of Warren

	2014/15	2015/16	2016/17	2017/18	2018/19
Marshall County	23.120%	23.147%	26.245%	27.704%	29.188%
City of Warren	79.090	88.032	87.634	86.648	88.129
I.S.D. No. 2176 (Warren-Alvarado-Oslo)[(a)]	4.695	5.212	5.771	6.261	6.903
Special Districts[(b)]	5.044	5.418	6.094	5.876	8.542
Total	111.949%	121.809%	125.744%	126.489%	132.762%

(a) *In addition, the District has a 2018/19 market value tax rate of 0.32380% spread across the market value of property in support of an excess operating levy.*

(b) *Special districts include HRA, Regional Development, and Middle River Watershed.*

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		Collected and/or Abated as of 1-2-20	
		Amount	Percent	Amount	Percent
2018/19	$1,182,647	(Not Yet Available)			
2017/18	1,199,684	$1,172,234	97.7%	$1,178,810	98.3%
2016/17	1,375,231	1,349,284	98.1	1,369,706	99.6
2015/16	1,314,540	1,295,044	98.5	1,311,427	99.8
2014/15	1,307,970	1,289,719	98.6	1,306,847	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 February 29, 2020

Fund	Cash and Investments
General	$3,922,529
Food Service	(24,345)*
Community Service	409,727
Debt Service	137,787
Trust	(700)*
Total	$4,444,998

* *The timing of reports for federal funding has resulted in the negative amounts. These amounts are expected to be corrected in the next couple of months.*

INVESTMENTS

The District does not have a formal investment policy. District investments are made in accordance with Minnesota Statute 118A.

GENERAL INFORMATION CONCERNING THE DISTRICT

The District is located in north west Minnesota, approximately 36 miles northeast of the City of Grand Forks, North Dakota. The District is situated in Marshall and Polk counties, and encompasses an area of approximately504 square miles (322,468 acres). The District includes the cities of Warren, Alvarado, and Oslo. The District's current population is estimated to be 4,118.

School Board and Administration

The District's governing and policy-setting body is the School Board, comprised of seven members. Board members are elected at large to serve overlapping four-year terms of office. Current Board members are listed below.

		Expiration of Term First Monday in January
Nikki Peterson	Chair	2023
Don Narlock	Vice Chair	2023
Sally Roller	Clerk	2021
Eric Berglund	Director	2021
Jordan Johnson	Director	2021
Jeff Steer	Director	2023
Jeremy Woinarowicz	Director	2021

Dr. Lon Jorgensen 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. Dr. Jorgensen has been the District's Superintendent since July 2013. Previously, Dr. Jorgensen was the Principal at Crookston High School.

Enrollment

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

School	Grades		Total
Year	K-6	7-12	Enrollment
2019/20	267	215	482
2018/19	268	213	481
2017/18	245	196	441
2016/17	246	185	431
2015/16	245	178	423

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	49	42	91
2018/19	49	42	91
2017/18	47	45	92
2016/17	48	46	94
2015/16	45	47	92

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	46	June 30, 2021
Clerical	6	June 30, 2021
Custodial	6	June 30, 2021
Food Service	8	June 30, 2021
Principals	2	June 30, 2021
Paraprofessionals	16	June 30, 2021
Superintendent	1	June 30, 2020
Subtotal	85	
Non-unionized employees	6	
Total employees	91	

Physical Plant

Facility	Original Construction and Additions	Location	Estimated Student Capacity
Warren Elementary	1953	City of Warren	250
Warren-Alvardo-Oslo Secondary	1954, 1957, 1965, 1974	City of Warren	250

Student Transportation

The District provides bussing. The District owns a fleet of eight buses with an original investment amount of $90,000 for each bus. A total of five regular and special education routes are operated, with 80% 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	$3,437,939	$6,703,845	$6,796,228	$3,381,556
Food Service	25,493	264,150	325,112	(35,469)
Community Service	313,843	142,877	71,092	385,628
Debt Service	(41,027)	276,881	303,245	(67,391)
Total All Funds	$3,772,248	$7,387,753	$7,495,677	$3,664,324

Major General Fund Revenue Sources

Revenue	2015	2016	2017	2018	2019
State Sources	$4,494,456	$4,612,566	$4,900,019	$5,105,228	$5,359,306
Property Taxes	675,388	1,025,104	1,014,427	1,054,000	999,849
Other	274,654	416,291	280,861	240,283	412,167
Federal Sources	640,308	348,749	203,494	127,929	114,034

Sources: District's Audited Financial Statements.

Post-Secondary Education

Nearby colleges and universities include the University of North Dakota at Grand Forks, University of Minnesota Crookston, Northland Community and Technical College in Thief River Falls and the East Grand Forks Technical College.

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	$203,876	$77,464
2018	187,372	73,021
2017	188,341	68,883
2016	189,985	61,947
2015	177,832	64,957

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

For more information regarding the liability of the District with respect to its employees, please reference "Note 4, Defined Benefit Pension Plans-Statewide" 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.

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	0.0145%	$ 804,401	0.0452%	$ 2,838,923
2018	0.0142	906,519	0.0468	9,342,129
2017	0.0132	1,071,775	0.0473	11,282,179
2016	0.0147	761,830	0.0467	2,888,857
2015	0.0151	709,322	0.0489	2,253,277

For more information regarding GASB 68 with respect to the District, please reference "Note 4, Defined Benefit Pension Plans-Statewide" 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.

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"). The implementation of GASB 75 required the restatement of the District's beginning net position for the fiscal year ended June 30, 2017. Please see "Note 12 – Accounting Changes" in the District's Annual Financial Statements for the fiscal year ended June 30, 2018 for this calculation.

The District's plan is a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The District allows eligible individuals to remain on the healthcare plan with no subsidized benefit from the District. The District requires a three-year service requirement for all non-TRA employees who began employment on or before July 1, 2010, after July 1, 2010 the service requirement is five years. All teachers have a service requirement of three years.

The following employees were covered by the benefit terms as of July 1, 2018:

Inactive employees/beneficiaries currently receiving benefit payments	3
Active employees	58
Total	61

Retirees and their spouses contribute to the healthcare plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy for which the District has historically funded on a pay-as-you-go basis.. All active employees who have access to healthcare and all retirees who have elected to continue coverage on the employer's medical plan after retirement have been included in this valuation.

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

	June 30, 2019	June 30, 2018
Total OPEB liability		
Service cost	$ 32,005	$ 31,073
Interest	15,117	14,785
Benefit payments	(35,895)	(38,167)
Net change in total OPEB liability	$ 11,227	$ 7,691
Beginning of year	$ 430,399	$ 422,708
End of year	$ 441,626	$ 430,399
Covered payroll	$2,692,337	$2,613,919
Total OPEB liability as a percentage of covered-employee payroll	16.4%	16.5%

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 5, Other Postemployment Benefits" 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				January
	2016	2017	2018	2019	2020
Labor Force:					
Marshall County	5,632	5,474	5,440	5,520	5,606
Polk County	17,194	16,992	16,786	16,939	17,096
State of Minnesota	3,035,241	3,057,359	3,071,433	3,109,648	3,104,724
Unemployment Rate:					
Marshall County	7.3%	6.9%	5.8%	6.0%	7.8%
Polk County	4.3	4.1	3.7	4.0	3.9
State of Minnesota	3.9	3.4	2.9	3.2	3.9

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)

Marshall County

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/20	$185,712	$246,021	$52,079
2018/19	172,365	237,622	52,203
2017/18	534,310	223,465	48,653
2016/17	103,141	232,968	48,689
2015/16	147,935	216,307	45,602

Polk County

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/20	$476,535	$832,152	$51,585
2018/19	460,588	769,088	48,561
2017/18	387,903	745,028	48,003
2016/17	433,337	708,893	45,416
2015/16	897,634	708,440	45,259

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
Nordic Fiberglass, Inc.	Underground Fiberglass Products	120
ISD No. 2176	Public Education	91
CHS Ag Services/Farmers Union Oil Co.	Fertilizer Blending	67
City of Warren	Government	54
Northwest Regional Development Commission	State Government-Economic Program Aid	35
Beamco, Inc.	Plastic and Injection Molding	21
North Valley Healthcare	Medical Facility	16
PKM Electric Cooperative Association	Electric Utility	18
Warren Sheaf Publishing Co.	Commercial Printing	3

Source: This does not purport to be a comprehensive list and is based on a March 2020 best efforts telephone survey of individual employers. Some employers do not respond to inquiries.

Financial Institutions*

District residents are served by branches of American Federal Bank; Bremer Bank, National Association; and Frandsen Bank & Trust.

* *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
North Star Manor	City of Warren	45 Nursing Home
North Valley Health Center	City of Warren	12 Hospital

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

PROPOSED FORM OF LEGAL OPINION

KNUTSON, FLYNN & DEANS, P.A.
1155 Centre Pointe Drive, Suite 10
Mendota Heights, MN 55120
651.222.2811 fax 651.225.0600
www.kfdmn.com

$2,250,000*
GENERAL OBLIGATION ALTERNATIVE FACILITIES REFUNDING BONDS, SERIES 2020A
INDEPENDENT SCHOOL DISTRICT NO. 2176 (WARREN-ALVARADO-OSLO)
MARSHALL AND POLK COUNTIES, MINNESOTA

We have acted as Bond Counsel in connection with the issuance by Independent School District No. 2176 (Warren-Alvarado-Oslo), Marshall and Polk Counties, Minnesota (the "District"), of its General Obligation Alternative Facilities Refunding Bonds, Series 2020A (the "Bonds"), in the aggregate principal amount of $2,250,000*, bearing a date of original issue of May 21, 2020. The Bonds are fully registered as to principal and interest and are originally issued using a global book-entry system.

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

We have examined the law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other affidavits and certificates of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based upon our examination of these materials, assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and based upon present Minnesota and federal laws, regulations, rulings and decisions, it is our opinion that:

(1) The Bonds are in due form and the proceedings show lawful authority for their issuance according to their terms under the Constitution and laws of the State of Minnesota now in force.

* *Preliminary; subject to change.*

(2) The Bonds are valid and binding general obligations of the District enforceable in accordance with their terms except to the extent to which enforceability thereof may be limited by the exercise of judicial discretion in accordance with general principles of equity, by the constitutional powers of the United States of America and by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted. All of the taxable property in the District is subject to the levy of ad valorem taxes to pay the principal and interest on the Bonds, which taxes are without limitation as to rate or amount.

(3) Interest on the Bonds is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes. Interest on the Bonds is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax measured by income. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals and other taxpayers under Section 55 of the Internal Revenue Code of 1986, as amended, (the "Code") or for purposes of the Minnesota alternative minimum tax applicable to individuals, trusts and estates Interest on the Bonds is not includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of the federal and Minnesota alternative minimum taxes applicable to corporations.

(4) The opinion set forth in paragraph (3) above is subject to the condition that the District comply with all the requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal and state income tax purposes. The District has covenanted in the resolution authorizing the issuance of the Bonds to comply with these continuing requirements. Noncompliance with these covenants by the District following the issuance of the Bonds may result in inclusion of interest on the Bonds in federal gross income and Minnesota taxable net income for federal and Minnesota income tax purposes retroactive to the date of issuance of the Bonds. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences caused by the receipt or accrual of interest on or arising with respect to ownership of the Bonds.

(5) The Bonds have been designated as "qualified tax-exempt obligations" for the purposes of Section 265 of the Code relating to the deduction of interest expenses allocable to the Bonds by financial institutions.

DATED at Mendota Heights, Minnesota, this 21st day of May, 2020.

KNUTSON, FLYNN & DEANS
Professional Association

CONTINUING DISCLOSURE CERTIFICATE

(Limited Disclosure)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 2176 (Warren-Alvarado-Oslo), State of Minnesota (the "District"), in connection with the issuance of its General Obligation Alternative Facilities Refunding Bonds, Series 2020A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the School Board on April 20, 2020 (the "Resolution"). The District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 (the "State Payment Law" described in the Official Statement for the Bonds) which provides for payment by the State of Minnesota in the event of a potential default of a District obligation. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Bondholders or beneficial owners, if different, and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12. This Disclosure Certificate constitutes the written Undertaking required by the Rule and reflects the District's obligations under the provisions of paragraph (d)(2) of the Rule.

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

"Audited Financial Statements" shall mean the financial statements of the District audited annually by an independent certified public accounting firm and prepared in accordance with generally accepted accounting principles or as otherwise required by Minnesota law for the preceding Fiscal Year, including a balance sheet and statement of revenues, expenditures and changes in fund balances.

"Dissemination Agent" shall mean the District, or any successor Dissemination Agent which has been designated in writing by the District and which has filed with the District a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system: www.emma.msrb.org, established by the MSRB and which contains a component that includes a continuing disclosure service for the receipt and public availability of continuing disclosure documents and related information to be submitted by issuers, obligated persons, and their agents pursuant to continuing disclosure undertakings entered into consistent with the Rule.

“Financial Obligation” shall mean a: (i) debt obligation; (ii) derivative entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this Rule.

"Fiscal Year" shall mean the fiscal year of the District.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

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

SECTION 3. Provision of Information.

The District shall annually provide to the MSRB, in an electronic format through the use of EMMA, or shall cause the Dissemination Agent to provide its Audited Financial Statements for the most recent Fiscal Year, which is the only financial information or operating data which is customarily prepared by the District and publicly available. The Annual Financial Statements shall be submitted not later than June 30, 2021, and twelve (12) months after the end of each fiscal year during which the bonds are outstanding.

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

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

SECTION 4. Reporting of Significant Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events, with respect to the Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

(b) Whenever a Listed Event occurs, the District shall in a timely manner not in excess of ten business days after the occurrence of the Listed Event file a notice of such occurrence with the MSRB.

SECTION 5. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Bonds.

SECTION 6. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

If this Disclosure Certificate is amended, the District will disclose such amendment, together with a narrative explanation of that amendment, to the MSRB with its annual financial information disclosure.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate . If the District chooses to include any information in any report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution or with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders from time to time of the Bonds or the beneficial owners, if different, and shall create no rights in any other person or entity.

SECTION 12. Reserved Rights. The District reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or to modify the Undertaking under this Disclosure Certificate if the District determines that such modification is required by the Rule, or by a court of competent jurisdiction.

SECTION 13. District Contact Information.

Title:	Superintendent
Name of District:	Independent School District No. 2176
Address:	224 E Bridge Avenue Warren, MN 56762
Telephone No.	(218) 745-4646

This 21st day of May, 2020

INDEPENDENT SCHOOL DISTRICT NO. 2176
(WARREN-ALVARADO-OSLO)
MARSHALL AND POLK COUNTIES
STATE OF MINNESOTA

By: ___________________________________
Chair

And: __________________________________
Clerk

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 JUNE 30, 2019 AUDITED FINANCIAL STATEMENTS

Data on the following pages was extracted from the District's Audited 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

To the Board of Education
Independent School District No. 2176
Warren / Alvarado / Oslo, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2176, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 aggregete remaining fund information of Independent School District No. 2176, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining statements, schedule of changes in fund balances, and uniform financial accounting and reporting standards compliance table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The roster of school officials on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

December 2, 2019

This section of Independent School District No. 2176's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The general fund balance increased $235,095 during the 2018-2019 school year.
- Net position of the District increased $1,862,973. Of the increase, approximately $1,390,000 is due to accounting for the District's proportionate share of the TRA and PERA pension liabilities.

Overview of the Financial Statements

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

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

<u>District-wide Statements</u>

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

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

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

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

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

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

<u>Fund Financial Statements</u>

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The District has one kind of fund type:

Governmental funds: The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, reconciliations have been provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance to help explain the relationship (or differences) between governmental funds and governmental activities.

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

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was $349,738 on June 30, 2019 (see details in Table A-1).

Table A-1
Statement of Net Position

	2019	2018	Total Percentage Change
Current and Other Assets	$ 5,017,627	$ 4,759,172	5.4 %
Capital Assets	4,830,770	4,924,765	(1.9)
Total Assets	9,848,397	9,683,937	1.7
Deferred Outflows of Resources	4,332,467	5,743,067	(24.6)
Long-Term Liabilities	6,778,274	13,629,770	(50.3)
Other Liabilities	425,007	479,188	(11.3)
Total Liabilities	7,203,281	14,108,958	(48.9)
Deferred Inflows of Resources	6,627,845	2,831,281	134.1
Net Position			
Net Investment in Capital Assets	1,979,250	1,850,498	7.0
Restricted	518,970	453,048	14.6
Unrestricted	(2,148,482)	(3,816,781)	(43.7)
Total Net Position	$ 349,738	$ (1,513,235)	(123.1) %

Long-term liabilities decreased $6,851,496, and unrestricted net position increased $1,668,299, primarily as a result of changes related to the net pension liability.

Change in Net Position

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

Table A-2
Change in Net Position

	2019	2018	Total Percentage Change
Revenues			
Program Revenues			
Charges for Services	$ 273,398	$ 264,438	3.4 %
Operating Grants and Contributions	1,194,123	1,272,520	(6.2)
General Revenues			
Property Taxes	1,235,559	1,382,017	(10.6)
Unrestricted State Aid	4,542,712	4,276,406	6.2
Other Sources	240,887	117,795	104.5
Total Revenues	7,486,679	7,313,176	2.4
Expenses			
Administration	582,782	537,664	8.4
District Support Services	304,526	221,401	37.5
Elementary and Secondary Regular Instruction	1,372,283	4,147,081	(66.9)
Vocational Education Instruction	57,043	54,605	4.5
Special Education Instruction	839,113	828,845	1.2
Community Education and Services	72,274	77,543	(6.8)
Instructional Support Services	316,507	298,264	6.1
Pupil Support Services	921,993	873,409	5.6
Sites and Buildings	896,117	797,211	12.4
Fixed Costs	29,930	25,452	17.6
Interest on Long-Term Debt	97,272	75,932	28.1
Depreciation - Unallocated	133,866	142,857	(6.3)
Total Expenses	5,623,706	8,080,264	(30.4)
Change in Net Position	1,862,973	(767,088)	342.9 %
Net Position - Beginning	(1,513,235)	(90,907)	1,564.6
GASB 75 Adjustment	-	(655,240)	100.0
Net Position - Beginning, Restated	(1,513,235)	(746,147)	102.8
Net Position - Ending	$ 349,738	$ (1,513,235)	(123.1) %

The District's total revenues were $7,486,679 for the year ended June 30, 2019. Property taxes and unrestricted state aid payments accounted for 77 percent of total revenue for the year.

The total cost of all programs and services was $5,623,706. The District's expenses are predominantly related to educating and caring for students.

Total revenues surpassed expenses, increasing net position $1,862,973 over the prior year.

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

Table A-3 presents these net costs.

Table A-3
Net Cost of Governmental Activities

	Total Cost of Services		Total Percentage	Net Cost of Services		Total Percentage
	2019	2018	Change	2019	2018	Change
Expenses						
Administration	$ 582,782	$ 537,664	8.4 %	$ 542,186	$ 497,549	9.0 %
District Support Services	304,526	221,401	37.5	239,092	160,080	49.4
Elementary and Secondary						
Regular Instruction	1,372,283	4,147,081	(66.9)	907,888	3,588,766	(74.7)
Vocational Education Instruction	57,043	54,605	4.5	55,668	53,444	4.2
Special Education Instruction	839,113	828,845	1.2	410,169	423,295	(3.1)
Community Education and Services	72,274	77,543	(6.8)	(21,701)	4,933	(539.9)
Instructional Support Services	316,507	298,264	6.1	313,694	298,264	5.2
Pupil Support Services	921,993	873,409	5.6	562,822	478,668	17.6
Sites and Buildings	896,117	797,211	12.4	892,259	796,066	12.1
Fixed Costs	29,930	25,452	17.6	22,970	23,452	(2.1)
Interest on Long-Term Debt	97,272	75,932	28.1	97,272	75,932	28.1
Depreciation - Unallocated	133,866	142,857	(6.3)	133,866	142,857	(6.3)
	$ 5,623,706	$ 8,080,264	(30.4) %	$ 4,156,185	$ 6,543,306	(36.5) %

Financial Analysis of the District's Funds

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

Table A-4
Major Funds

	Fund Balance		Increase	Percentage Increase
	2019	2018	(Decrease)	(Decrease)
Governmental Funds				
General	$ 3,473,939	$ 3,238,844	$ 235,095	7.3 %
Debt Service	(41,027)	(55,337)	14,310	25.9

INDEPENDENT SCHOOL DISTRICT NO. 2176
WARREN / ALVARADO / OSLO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

The debt service fund saw an increase in fund balance as the property tax receipts were higher than the debt payments in the current year. The general fund saw an increase due to increased revenue from state and local sources over the prior year.

General Fund

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

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

Table A-5
General Fund Revenue

	2019	2018	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	$ 999,849	$ 1,054,000	$ (54,151)	(5.1) %
Interest Earnings	51,709	38,619	13,090	33.9
Other	360,458	201,664	158,794	78.7
State Sources	5,359,306	5,105,228	254,078	5.0
Federal Sources	114,034	127,929	(13,895)	(10.9)
Total General Fund Revenue	$ 6,885,356	$ 6,527,440	$ 357,916	5.5 %

Total general fund revenue increased by $357,916 or 5.5 percent from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue.

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

Table A-6
General Fund Expenditures

	2019	2018	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 3,705,333	$ 3,483,212	$ 222,121	6.4 %
Employee Benefits	1,330,253	1,251,229	79,024	6.3
Purchased Services	867,473	770,165	97,308	12.6
Supplies and Materials	417,256	372,618	44,638	12.0
Capital Expenditures	202,383	130,045	72,338	55.6
Debt Service	59,129	55,779	3,350	6.0
Other Expenditures	68,434	68,628	(194)	(0.3)
Total General Fund Expenditures	$ 6,650,261	$ 6,131,676	$ 518,585	8.5 %

Total general fund expenditures increased $518,585 or 8.5 percent from the previous year.

General Fund Budgetary Highlights

The District's final budget for the general fund anticipated that revenues would exceed expenditures by $619,433. The actual result for the year is a surplus of $235,095.

- Revenues throughout the year were higher than anticipated mainly due to increased other local and county revenues.
- Expenditures throughout the year were higher than anticipated mainly due to increased elementary and secondary regular instruction costs.

Capital Assets and Debt Administration

Capital Assets

Note 3 to the financial statements presents an analysis of capital asset transactions occurring during the year ended June 30, 2019. Additions totaled $128,939 for a bus and a suburban. There were not any disposals in the current year.

Long-Term Debt

At year-end, the District had $7,006,021 of long-term debt. This consisted of bonded indebtedness net of discounts of $2,448,090, certificate of participation net of discounts of $403,430, severance payable of $43,500, compensated absences payable of $26,051, net pension liability of $3,643,324, and other post-employment benefit liability of $441,626. Note 6 to the financial statements presents details and payment provisions of these items.

Factors Bearing on the District's Future

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

- The District expects enrollment to increase over the next several years, which will increase the amount of revenue available to the District.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administration Offices, Independent School District No. 2176, 224 E. Bridge Avenue, Warren, MN 56762.

INDEPENDENT SCHOOL DISTRICT NO. 2176
WARREN / ALVARADO / OSLO, MINNESOTA
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

GOVERNMENTAL ACTIVITIES	
ASSETS	
Cash and Investments	$ 3,726,518
Cash and Investments in Escrow	15,023
Property Taxes Receivable	634,754
Accounts Receivable	31,234
Due From Department of Education	540,378
Due From Federal Govt. - DOE	2,797
Due From Federal Government	52,269
Inventory	14,654
Non-Depreciable Capital Assets:	
Land	25,000
Depreciable Capital Assets:	
Land Improvements	410,357
Buildings	8,151,358
Equipment	1,325,051
Less Accumulated Depreciation	(5,080,996)
Total Capital Assets, Net of Depreciation	4,830,770
TOTAL ASSETS	9,848,397
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - PERA	213,263
Cost Sharing Defined Benefit Pension Plan - TRA	4,090,063
Other Postemployment Benefit	29,141
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,332,467
LIABILITIES	
Accounts Payable	17,286
Salaries Payable	72,341
Payroll Deductions	86,271
Interest Payable	21,362
Long-Term Liabilities Due Within One Year	227,747
Long-Term Liabilities	
Compsensated Absences Payable	26,051
Severance Payable	43,500
Bonds, Net of Unamortized Discounts	2,448,090
Certificate of Participation, Net of Unamortized Discounts	403,430
Net Pension Liability	3,643,324
Total Other Postemployment Benefit Liability	441,626
Less Amounts Due Within One Year	(227,747)
Total Long-Term Liabilities	6,778,274
TOTAL LIABILITIES	7,203,281

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2176
WARREN / ALVARADO / OSLO, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
AS OF JUNE 30, 2019

DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied - Subs. Years	$ 1,050,762
Cost Sharing Defined Benefit Pension Plan - PERA	217,032
Cost Sharing Defined Benefit Pension Plan - TRA	5,360,051
TOTAL DEFERRED INFLOWS OF RESOURCES	6,627,845
NET POSITION	
Net Investment in Capital Assets	1,979,250
Restricted for:	
Staff Development	14,914
Operating Capital	12,477
Gifted and Talented	7,110
Safe Schools	82,868
Medical Assistance	9,810
Long Term Facilities Maint.	51,575
Food Service	25,493
Community Education	124,789
ECFE	77,732
School Readiness	102,193
Community Service	10,009
Unrestricted	(2,148,482)
TOTAL NET POSITION	$ 349,738

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2176
WARREN / ALVARADO / OSLO, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Administration	$ 582,782	$ -	$ 40,596	$ (542,186)
District Support Services	304,526	-	65,434	(239,092)
Elementary and Secondary				
Regular Instruction	1,372,283	34,019	430,376	(907,888)
Vocational Education Instruction	57,043	-	1,375	(55,668)
Special Education Instruction	839,113	1,592	427,352	(410,169)
Community Education and Services	72,274	62,832	31,143	21,701
Instructional Support Services	316,507	-	2,813	(313,694)
Pupil Support Services	921,993	171,097	188,074	(562,822)
Sites and Buildings	896,117	3,858	-	(892,259)
Fixed Costs	29,930	-	6,960	(22,970)
Interest on Long-Term Debt	97,272	-	-	(97,272)
Depreciation - Unallocated	133,866	-	-	(133,866)
TOTAL GOVERNMENTAL ACTIVITIES	$ 5,623,706	$ 273,398	$ 1,194,123	(4,156,185)

GENERAL REVENUES	
Taxes	
Property Taxes, Levied for General Purposes	996,667
Property Taxes, Levied for Community Education and Services	58,967
Property Taxes, Levied for Debt Service	179,925
Unrestricted State Aid	4,542,712
Unrestricted Investment Earnings	51,709
Other General Revenue	189,178
TOTAL GENERAL REVENUES	6,019,158
Change in Net Position	1,862,973
Net Position - Beginning	(1,513,235)
Net Position - Ending	$ 349,738

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2176
WARREN / ALVARADO / OSLO, MINNESOTA
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2019

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	$ 3,327,914	$ 52,818	$ 345,786	$ 3,726,518
Cash and Investments in Escrow	15,023	-	-	15,023
Current Property Taxes Receivable	416,344	173,445	26,245	616,034
Delinquent Property Taxes Receivable	13,882	3,958	880	18,720
Accounts Receivable	31,234	-	-	31,234
Due From Department of Education	527,657	9,591	3,130	540,378
Due From Federal Govt. - DOE	2,797	-	-	2,797
Due From Federal Government	-	-	52,269	52,269
Due From Other Funds	36,142	-	-	36,142
Inventory	-	-	14,654	14,654
TOTAL ASSETS	$ 4,370,993	$ 239,812	$ 442,964	$ 5,053,769
LIABILITIES				
Accounts Payable	$ 15,252	$ -	$ 2,034	$ 17,286
Due To Other Funds	-	-	36,142	36,142
Salaries Payable	65,093	-	7,248	72,341
Payroll Liabilities	86,271	-	-	86,271
TOTAL LIABILITIES	166,616	-	45,424	212,040
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes	13,882	3,958	880	18,720
Property Taxes Levied - Subs. Years	716,556	276,881	57,324	1,050,761
TOTAL DEFERRED INFLOWS OF RESOURCES	730,438	280,839	58,204	1,069,481
FUND BALANCES				
Nonspendable - Inventory	-	-	14,654	14,654
Restricted for:				
Staff Development	14,914	-	-	14,914
Operating Capital	12,477	-	-	12,477
Gifted and Talented	7,110	-	-	7,110
Safe Schools	82,868	-	-	82,868
Long Term Facilities Maint.	51,575	-	-	51,575
Medical Assistance	9,810	-	-	9,810
Community Education	-	-	124,789	124,789
ECFE	-	-	77,732	77,732
School Readiness	-	-	102,193	102,193
Community Service	-	-	9,129	9,129
Food Service	-	-	10,839	10,839
Debt Service		-		-
Committed for Severance	50,000	-	-	50,000
Unassigned	3,245,185	(41,027)	-	3,204,158
TOTAL FUND BALANCES	3,473,939	(41,027)	339,336	3,772,248
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 4,370,993	$ 239,812	$ 442,964	$ 5,053,769

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2176
WARREN / ALVARADO / OSLO, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

Total fund balances - governmental funds	$ 3,772,248
Amounts reported for the governmental activities in the statement of net position are different because:	
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
Cost of capital assets	9,911,766
Less accumulated depreciation	(5,080,996)
Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds.	
Deferred Inflows of Resources	(5,577,083)
Deferred Outflows of Resources	4,332,466
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Bonds	(2,465,000)
Certificates of participation	(409,167)
Unamortized discounts	22,647
Compensated absences payable	(26,051)
Severance payable	(43,500)
Total other postemployment benefit liability	(441,626)
Net pension liability	(3,643,324)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.	(21,362)
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.	18,720
Net position - governmental activities	$ 349,738

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2176
WARREN / ALVARADO / OSLO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local Property Tax Levies	$ 999,849	$ 180,385	$ 59,143	$ 1,239,377
Other Local and County Revenues	412,167	-	71,018	483,185
Revenue From State Sources	5,359,306	95,905	56,792	5,512,003
Revenue From Federal Sources	114,034	-	192,190	306,224
Sale/Other Conversion of Asset	-	-	142,871	142,871
TOTAL REVENUES	6,885,356	276,290	522,014	7,683,660
EXPENDITURES				
Current:				
Administration	578,963	-	-	578,963
District Support Services	304,526	-	-	304,526
Elementary and Secondary Regular Instruction	2,965,912	-	-	2,965,912
Vocational Education Instruction	56,210	-	-	56,210
Special Education Instruction	839,113	-	-	839,113
Community Education and Services	-	-	72,274	72,274
Instructional Support Services	248,641	-	-	248,641
Pupil Support Services	500,011	-	360,662	860,673
Sites and Buildings	867,444	-	-	867,444
Fixed Costs	27,930	-	2,000	29,930
Debt Service:				
Principal	40,000	185,000	-	225,000
Interest and Fees	19,129	76,980	-	96,109
Capital Outlay	202,382	-	-	202,382
TOTAL EXPENDITURES	6,650,261	261,980	434,936	7,347,177
Net Change in Fund Balances	235,095	14,310	87,078	336,483
Fund Balances - Beginning	3,238,844	(55,337)	252,258	3,435,765
Fund Balances - Ending	$ 3,473,939	$ (41,027)	$ 339,336	$ 3,772,248

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2176
WARREN / ALVARADO / OSLO, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Total net change in fund balances - governmental funds	$ 336,483
Amounts reported for the governmental activities in the statement of activities are different because:	
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	128,939
Depreciation expense	(222,934)
Payment of debt principal is an expenditure or other financing use in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	225,000
Change in net pension liability	6,605,324
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(3,817)
Changes in deferred outflows and inflows of resources related to net pension liability.	(5,216,530)
Changes in deferred outflows and inflows of resources related to other postemployment benefit liability.	(6,754)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, governmental funds report the effect of discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(1,163)
In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid.)	
Compensated absences payable	(348)
Severance payable	30,000
Other postemployment benefit liability	(11,227)
Change in net position - governmental activities	$ 1,862,973

See Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 2176 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

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

Extracurricular student activities are carried on 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 basic financial statements.

C. Basic Financial Statement Presentation

The district-wide financial statements (i.e. the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

Description of Funds

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

Major Governmental Funds

General Fund – Accounts for all financial resources and transactions except those required to be accounted for in other funds including pupil transportation and capital outlay activities, which were previously (prior to July 1, 1996) accounted for in separate special revenue funds.

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

GASB No. 34 also requires that budget vs. actual information be presented for the general fund and all major special revenue funds.

Nonmajor Governmental Funds

Special Revenue Funds – Accounts for proceeds of specific revenue sources (other than permanent fund and major capital projects) that are legally restricted to expenditures for specified purposes. The District's special revenue funds and their purpose are as follows:

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

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

Scholarship and Gift Fund – Accounts for resources designated for specified purposes, which supports the District's programs.

E. Specific Account Information

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

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

Cash and Investments in Escrow – Unspent bond and certificate of participation proceeds in the building construction fund and cash held for future principal and interest payments in the general fund are held in an escrow account.

Fair Value Measurements – The Organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements.

INDEPENDENT SCHOOL DISTRICT NO. 2176
WARREN / ALVARADO / OSLO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2019

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

Level 1:	Quoted market prices in active markets for identical assets or liabilities.
Level 2:	Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level 3:	Unobservable inputs that are not corroborated by market data.

Taxes Receivable – Taxes receivable represents taxes levied in 2018 which are not payable until 2019, net of the amount received prior to June 30.

Property Taxes – Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the District at periodic intervals as the taxes are collected.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

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

The majority of the revenue in the general fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property taxes and state aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is unavailable in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year.

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

Capital Assets – Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

Capital assets are recorded in the district-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 8 to 15 years for equipment.

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

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

Unearned Revenue – Revenue in connection with resources that have been received but not yet earned are reported as unearned revenue.

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued in the future, bond premiums and discounts will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable will be reported net of the applicable bond premium or discount. Bond issuance costs will be expensed in the year issued.

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.

Severance – Upon retirement, resignation, or death of a teacher, accumulated unused sick leave and personal leave will be paid out at $100 a day up to 150 day maximum. Individuals who qualify for severance payout will be paid based on a tiered system of years worked.

Compensated Absences – Upon retirement, resignation, or death of non-certified staff, the District pays out any unused vacation time based on their rate of pay at that time. The District allows employees to accumulate up to 40 days of vacation time.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2019

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association 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 4.

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

In addition to liabilities, the statement of net 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 three types of items, one of which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Another item, *property taxes levied – subs. years,* is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the Statement of Net Position as these amounts represent property tax revenue levied for a subsequent period. The District also has one item reported on the statement of net position as *cost sharing defined benefit pension plan,* which represents actuarial differences within the PERA and TRA pension plans.

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

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

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

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

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

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

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

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

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

The District's goal is to maintain an unrestricted general fund balance, defined as the total of the committed, assigned, and unassigned fund balance categories, of not less than 10 percent of the general fund's current annual operating expenditure budget.

F. Use of Estimates

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

G. Excess of Expenditures Over Appropriations

For the year ended June 30, 2019, expenditures exceed appropriations in the general fund by $462,821. These over expenditures were covered by excess revenues as well as fund balance carryovers from prior years.

INDEPENDENT SCHOOL DISTRICT NO. 2176
WARREN / ALVARADO / OSLO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2019

NOTE 2 DEPOSITS AND INVESTMENTS

The District maintains a cash account at its depository bank. Investments are carried at fair value. The District considers Certificates of Deposits to be cash.

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

Cash	$ 3,717,428
Investments	9,090
Total Cash and Investments	$ 3,726,518

Investment	Investment Maturity	Fair Value (Level 2)
Repurchase Agreement	Less than 1 year	$ 9,090

The investment in the repurchase agreement is not subject to the credit risk classifications because securities underlying repurchase agreements are U.S. Treasuries or obligations explicitly guaranteed by the U.S. government.

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

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

(a) Direct obligations or obligations guaranteed or insured issued by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
(b) General obligations and revenue obligations of any state or local government with taxing powers rated "A" and "AA", respectively, and general obligations of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and rated "A" or better.
(c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.
(d) Time deposits that are fully insured by the FDIC or bankers acceptances of U.S. banks.
(e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
(f) Repurchase or reverse repurchase agreements with banks that are qualified as a "depository" of public funds of the government entity, any other financial institution which is a member of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

(g) Guaranteed investment contracts (GIC's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC's issued by Minnesota banks.

(h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualifications described in (f) above.

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

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

Custodial Credit Risk – Investments – As of June 30, 2019, the District was not exposed to custodial credit risk.

NOTE 3 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Capital Assets:				
Land	$ 25,000	$ -	$ -	$ 25,000
Total Non-Depreciable Capital Assets	25,000	-	-	25,000
Depreciable Capital Assets				
Land Improvements	410,357	-	-	410,357
Buildings	8,151,358	-	-	8,151,358
Equipment	1,196,112	128,939	-	1,325,051
Total Depreciable Capital Assets	9,757,827	128,939	-	9,886,766
Less Accumulated Depreciation For:				
Land Improvements	223,246	16,620	-	239,866
Buildings	3,806,057	139,406	-	3,945,463
Equipment	828,759	66,908	-	895,667
Total Accumulated Depreciation	4,858,062	222,934	-	5,080,996
Net Depreciable Capital Assets	4,899,765	(93,995)	-	4,805,770
Net Capital Assets for Governmental Activities	$ 4,924,765	$ (93,995)	$ -	$ 4,830,770

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

Administration	$ 3,819
Vocational Education Instruction	833
Pupil Support Services	56,190
Sites and Buildings	28,226
	89,068
Unallocated	133,866
Total Depreciation Expense	$ 222,934

NOTE 4 DEFINED BENEFIT PENSION PLANS- STATEWIDE

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

Disclosures relating to these plans follow:

<u>Public Employees Retirement Association</u>

A. Plan Description

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

General Employees Retirement Plan

All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Plan. General Employees Plan 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 effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. General Employees Plan benefit recipients receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). 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.

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C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions for the year ended June 30, 2019, were $77,464. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2019, the District reported a liability of $804,401 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 $16,000,00. 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 $26,429. 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. The District's proportionate share was 0.0145% at the end of the measurement period and 0.0142% for the beginning of the period.

District's proportionate share of the net pension liability	$	804,401
State of Minnesota's proportionate share of the net pension liability associated with the District		26,429
Total	$	830,830

For the year ended June 30, 2019, the School recognized pension expense of $51,438 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $6,163 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16,000,000 to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 20,870	$ 21,358
Changes in actuarial assumptions	69,951	89,103
Difference between projected and actual investment earnings	-	87,137
Changes in proportion	44,978	19,434
Contributions paid to PERA subsequent to the measurement date	77,464	-
Total	$ 213,263	$ 217,032

The $77,464 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2020	$ 21,186
2021	(26,004)
2022	(59,626)
2023	(16,789)

E. Actuarial Assumptions
The total pension liability in the June 30, 2018, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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

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

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

Changes in Plan Provisions:
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0 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 on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	36.00%	5.10%
International Stocks	17.00%	5.30%
Bonds (Fixed Income)	20.00%	0.75%
Alternative Assets (Private Markets)	25.00%	5.90%
Cash	2.00%	0.00%

F. 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 contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the

long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
School's proportionate share of the net pension liability:	$ 1,307,254	$ 804,401	$ 389,309

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

Teachers Retirement Association

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.

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those teachers employed by St. Paul schools or Minnesota State colleges and universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through Minnesota State's Individual Retirement Account Plan (IRAP) within one year of eligible employment.

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.

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Tier I Benefits

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

With these provisions:

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

Or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for coordinated members and 2.7 percent per year for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Members first employed after June 30, 1989, receive only the Tier II 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 ended June 30, 2017, June 30, 2018, and June 30, 2019, were:

	June 30, 2017		June 30, 2018		June 30, 2019	
	Employee	Employer	Employee	Employer	Employee	Employer
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
Employer contributions reported in schedule of employer and non-employer pension 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	2.50%
Wage Growth Rate	2.85% for 10 years and 3.25%, thereafter
Projected Salary Increase	2.85 to 8.85% for 10 years and 3.25 to 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 Assumption	
Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

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

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

Asset Class	Allocations of June 30, 2018	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33%	36%	5.10%
International Equity	16%	17%	5.30%
Private Markets	25%	25%	5.90%
Fixed Income	16%	20%	0.75%
Treasuries	8%	0%	0.50%
Unallocated Cash	2%	2%	0.00%

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is six years. The *Difference Between Expected and Actual*

Experience, *Changes of Assumptions*, and *Changes in Proportion* use the amortization period of six years in the schedule presented. The amortization period for *Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments* is five years as required by GASB 68.

Changes in actuarial assumptions since the 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 percent. 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 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
On June 30, 2019, Independent School District No. 2176 reported a liability of $2,838,923 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. Independent School District No. 2176's proportion of the net pension liability was based on Independent School District No. 2176's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate

share was 0.0452% at the end of the measurement period and 0.0468% 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 the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	$	2,838,923
State's proportionate share of the net pension liability associated with the District	$	266,479

For the year ended June 30, 2019, the District recognized pension expense of ($1,995,011). It also recognized ($185,985) as an increase to pension expense for the support provided by direct aid.

On June 30, 2019, Independent School District No. 2176 had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 32,713	$ 59,048
Difference between projected and actual investment earnings	-	217,130
Changes in actuarial assumptions	3,834,916	4,876,525
Changes in proportion	18,558	207,348
Contributions paid to TRA subsequent to the measurement date	203,876	-
Total	$ 4,090,063	$ 5,360,051

The $203,876 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2020	$ 282,851
2021	183,439
2022	(4,529)
2023	(1,136,336)
2024	(799,289)

G. Pension Liability Sensitivity
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
District's proportionate share of NPL related to TRA	$ 4,505,359	$ 2,838,923	$ 1,464,124

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

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

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The District's Plan is a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through the District's collective bargaining agreements with employee groups. In as much as the Plan has no assets, reporting another employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand-alone report issued.

Benefit Provided – The District allows eligible individuals who have separated from employment to remain on the healthcare plan with no subsidized benefit from the District. An eligible individual is an active employee who has access to the healthcare plan and all retirees who have elected to continue coverage on the Districts medical plan after retiring. The District provides no subsidized benefit for retiring individuals while allowing individuals to remain on the plan until the retiree reaches Medicare age. The District requires a three-year service requirement for all non-TRA employees who began employment on or before July 1, 2010, after July 1, 2010 the service requirement is five years. All teachers have a service requirement of three years.

Employees Covered by Benefit Terms – At July 1, 2018, the measurement date of the total OPEB liability, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	3
Active employees	58
	61

Total OPEB Liability

At June 30, 2019, the District reported a liability of $441,626 for the defined benefit healthcare plan. The total OPEB liability was measured as of July 1, 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00%
Discount rate	3.40%
Healthcare cost trend	6.50% decreasing to 5.00% over 6 years

The discount rate was based on the 20-year AA rated municipal bond yield.

The valuation uses mortality rates based on the RP-2014 White Collar Mortality Tables and then projected beyond the valuation date using scale MP-2016 Generational Improvement Scale. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2017 actuarial valuation, the entry age, level percentage of pay actuarial cost method was used.

Retirees and their spouses contribute to the healthcare plan at the same rate as District employees. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy for which the District has historically funded on a pay-as-you-go basis. All of the active employees who have access to healthcare and all retirees who have elected to continue coverage on the employer's medical plan after retirement have been included in this valuation.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	$ 430,399
Changes for the year:	
Service cost	32,005
Interest	15,117
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	(35,895)
Net changes	11,227
Balance at June 30, 2019	$ 441,626

Sensitivity of the total OPEB Liability

The following presents the total OPEB liability as of June 30, 2019, calculated using the discount rate of 3.4%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.4 percent) or 1-percentage-point higher (4.4 percent) than the current rate:

1% Decrease (2.4%)	Discount Rate (3.4%)	1% Increase (4.4%)
$ 473,475	$ 441,626	$ 411,618

The following presents the total OPEB liability as of June 30, 2019, calculated using the healthcare cost trend rate of 6.25% grading to 5.0% over five years, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

1% Decrease (5.25% decreasing to 4.0%)	Current Discount Rate (6.25% decreasing to 5.0%)	1% Increase (7.25% decreasing to 6.0%)
$ 392,896	$ 441,626	$ 500,432

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of $47,122. At June 30, 2019, the District reported a deferred outflow of resources of $29,141 which consist of the employer implicit subsidy contribution subsequent to the measurement date, this contribution will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2020.

NOTE 6 LONG-TERM LIABILITIES

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

Summary of Long-Term Debt

	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
G.O. Alternative Facilities Bond	$ 2,525,000	$ -	$ 170,000	$ 2,355,000	$ 175,000
G.O. Capital Facilities Bond	125,000	-	15,000	110,000	15,000
Unamortized Discount	(18,445)	-	(1,535)	(16,910)	(1,535)
G.O. Bonds, Net	2,631,555	-	183,465	2,448,090	188,465
Certificate of Participation	449,167	-	40,000	409,167	40,000
Unamortized Discount	(6,455)	-	(718)	(5,737)	(718)
Certificate of Participation, Net	442,712	-	39,282	403,430	39,282
Severance Payable	73,500	-	30,000	43,500	-
Compensated Absences Payable	25,703	348	-	26,051	-
Net Pension Liability	10,248,648	-	6,605,324	3,643,324	-
Other Post-Employment Benefit Liability	430,399	47,122	35,895	441,626	-
Total Long-Term Liabilities	$ 13,852,517	$ 47,470	$ 6,893,966	$ 7,006,021	$ 227,747

The District's interest expense for the year ended June 30, 2019 was $97,272.

Certificates of participation, severance, compensated absences, net pension liability, and other post-employment benefit liability are generally liquidated by the general fund.

A. General Obligation Bonds

Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 06/30/19	Amounts Due in 2020 Principal	Amounts Due in 2020 Interest
2012	2.0-3.6%	2019-31	$ 3,220,000	$ 170,000	$ 2,355,000	$ 175,000	$ 70,088
2012	1.1-3.1%	2019-26	215,000	15,000	110,000	15,000	3,155
				$ 185,000	$ 2,465,000	$ 190,000	$ 73,243

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2020	$ 190,000	$ 73,243
2021	190,000	68,968
2022	190,000	64,692
2023	195,000	59,853
2024	200,000	54,887
2025-2029	1,050,000	183,333
2030-2031	450,000	24,480
	$ 2,465,000	$ 529,456

B. Certificate of Participation

Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 06/30/19	Amounts Due in 2020 Principal	Amounts Due in 2020 Interest
2012	2.3-4.5%	2019-27	$ 615,000	$ 40,000	$ 409,167	$ 40,000	$ 17,525

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2020	$ 40,000	$ 17,525
2021	45,000	15,925
2022	50,000	14,125
2023	50,000	12,125
2024	55,000	10,125
2025-2027	169,167	15,525
	$ 409,167	$ 85,350

NOTE 7 INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2019, is as follows:

Interfund Loans:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 36,142
Total		$ 36,142

The purpose of the interfund loans is to cover the deficit cash balance in the Food Service fund.

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AS OF JUNE 30, 2019

NOTE 8 CONTINGENCIES

The District receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and aids. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2019.

NOTE 9 RISK MANAGEMENT

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

The District has joined together with other school districts in Minnesota in the Northwest Service Cooperative's Minimum Premium Funding Plan (Plan). The Plan is a public entity risk pool established as a health insurance purchasing pool for its members. The agreement for the formation of the Plan provides that the Plan will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $300,000. The pool and its members purchase reinsurance, currently with a $300,000 specific stop loss attachment point and 110% aggregate stop loss attachment point. If the assets of the Plan were to be exhausted, members would not be responsible for the Plan's liabilities. The Northwest Service Cooperative retains the risk of the Plan's liabilities.

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

NOTE 10 DEFICIT FUND BALANCE

The Debt Service fund had a deficit fund balance as of June 30, 2019, in the amount of $41,027. This deficit is expected to be eliminated through future tax levies.

NOTE 11 NEW PRONOUNCEMENTS

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

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

NOTE 12 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through December 2, 2019, which is the date these financial statements were available to be issued.

INDEPENDENT SCHOOL DISTRICT NO. 2176
WARREN / ALVARADO / OSLO, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Over (Under) Final Budget
REVENUES				
Local Property Tax Levies	$ 979,270	$ 979,270	$ 999,849	$ 20,579
Other Local and County Revenues	188,416	188,416	412,167	223,751
Revenue From State Sources	5,541,787	5,541,787	5,359,306	(182,481)
Revenue From Federal Sources	108,053	97,400	114,034	16,634
TOTAL REVENUES	6,817,526	6,806,873	6,885,356	78,483
EXPENDITURES				
Current:				
Administration	569,470	527,255	578,963	51,708
District Support Services	220,518	207,372	304,526	97,154
Elementary and Secondary Regular Instruction	2,847,051	2,793,728	2,965,912	172,184
Vocational Education Instruction	16,125	56,625	56,210	(415)
Special Education Instruction	737,891	768,559	839,113	70,554
Instructional Support Services	213,682	217,073	248,641	31,568
Pupil Support Services	461,510	365,014	500,011	134,997
Sites and Buildings	916,014	913,014	867,444	(45,570)
Fixed Costs	136,800	136,800	27,930	(108,870)
Debt Service:				
Principal	60,000	60,000	40,000	(20,000)
Interest	7,000	7,000	19,129	12,129
Capital Outlay	210,000	135,000	202,382	67,382
TOTAL EXPENDITURES	6,396,061	6,187,440	6,650,261	462,821
Net Change in Fund Balances	421,465	619,433	235,095	(384,338)
Fund Balances - Beginning	3,238,844	3,238,844	3,238,844	-
Fund Balances - Ending	$ 3,660,309	$ 3,858,277	$ 3,473,939	$ (384,338)

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 2176
WARREN / ALVARADO / OSLO, MINNESOTA
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
LAST 10 YEARS

	2019	2018
Total OPEB Liability		
Service Cost	$ 32,005	$ 31,073
Interest	15,117	14,785
Changes in benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions or other inputs	-	-
Benefit payments	(35,895)	(38,167)
Net Change in total OPEB Liability	11,227	7,691
Total OPEB Liability - Beginning	430,399	422,708
Total OPEB Liability - Ending	$ 441,626	$ 430,399
Covered employee payroll	2,692,337	2,613,919
Total OPEB Liability as a percentage of covered-employee payroll	16.4%	16.5%

The District implemented GASB No. 75 for fiscal year ended June 30, 2018. Information for prior years is not available.

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 2176
WARREN / ALVARADO / OSLO, MINNESOTA
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO PERA/TRA RETIREMENT FUNDS
LAST 10 YEARS

Fiscal Year Ended June 30	Pension Plan	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	PERA	$ 64,957	$ 64,957	$ -	$ 877,166	7.41%
2016	PERA	61,947	61,947	-	818,709	7.57%
2017	PERA	68,883	68,883	-	904,812	7.61%
2018	PERA	73,021	73,021	-	973,613	7.50%
2019	PERA	77,464	77,464	-	1,032,846	7.50%
2015	TRA	177,832	177,832	-	2,371,095	7.50%
2016	TRA	189,985	189,985	-	2,466,189	7.70%
2017	TRA	188,341	188,341	-	2,511,379	7.50%
2018	TRA	187,372	187,372	-	2,498,272	7.50%
2019	TRA	203,876	203,876	-	2,643,851	7.71%

The amounts presented for each fiscal year were determined as of the District's year end which is June 30th.

The District implemented GASB Statements No. 68 and 71 for its fiscal year ended June 30, 2015. Information for the prior years is not available.

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 2176
WARREN / ALVARADO / OSLO, MINNESOTA
SCHEDULE OF DISTRICT'S AND NON-EMPLOYER PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 YEARS (PRESENTED PROSPECTIVELY)

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability (if Applicable) (b)	Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability (if Applicable) (a+b)	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014 PERA	0.0151%	$ 709,322	$ -	$ 709,322	$ 790,112	89.77%	78.70%
2015 PERA	0.0147%	761,830	-	761,830	877,166	86.85%	78.19%
2016 PERA	0.0132%	1,071,775	14,027	1,085,802	818,709	130.91%	68.90%
2017 PERA	0.0142%	906,519	11,374	917,893	904,812	100.19%	75.90%
2018 PERA	0.0145%	804,401	26,429	830,830	973,613	82.62%	79.50%
2014 TRA	0.0489%	2,253,277	158,394	2,411,671	2,257,882	99.80%	81.50%
2015 TRA	0.0467%	2,888,857	354,155	3,243,012	2,371,095	121.84%	76.80%
2016 TRA	0.0473%	11,282,179	1,131,399	12,413,578	2,466,189	457.47%	44.88%
2017 TRA	0.0468%	9,342,129	902,651	10,244,780	2,511,379	371.99%	51.57%
2018 TRA	0.0452%	2,838,923	266,479	3,105,402	2,498,272	113.84%	78.07%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statements No. 68 and 71 for its fiscal year ended June 30, 2015. Information for the prior years is not available.

See Notes to the Required Supplementary Information

NOTE 1 BUDGETARY DATA

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

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

NOTE 2 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2019, expenditures exceed appropriations in the general fund by $462,821.

NOTE 3 DEFINED BENEFIT PLANS

PERA

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0 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 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.

PROPOSAL SALE DATE: April 20, 2020

Independent School District No. 2176 (Warren-Alvarado-Oslo)
Warren, Minnesota
$2,250,000* General Obligation Alternative Facilities Refunding 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 $2,232,000) plus accrued interest, if any, to the date of delivery.

Year	Interest Rate (%)	Yield (%)	Dollar Price	Year	Interest Rate (%)	Yield (%)	Dollar Price
2021	_______%	_______%	_______%	2027	_______%	_______%	_______%
2022	_______%	_______%	_______%	2008	_______%	_______%	_______%
2023	_______%	_______%	_______%	2029	_______%	_______%	_______%
2024	_______%	_______%	_______%	2030	_______%	_______%	_______%
2025	_______%	_______%	_______%	2031	_______%	_______%	_______%
2026	_______%	_______%	_______%				

Designation of Term Maturities

Years of Term Maturities _______________ _______________
_______________ _______________

In making this offer on the sale date of April 20, 2020 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated March 31, 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: bondservices@bakertilly.com