PRELIMINARY OFFICIAL STATEMENT DATED JUNE 29, 2020

NEW ISSUE
BANK QUALIFIED

Moody's Ratings: Requested

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

$1,915,000*

Independent School District No. 206
Alexandria, Minnesota

General Obligation Capital Facilities Bonds, Series 2020A
(the "Bonds")

(Minnesota School District Credit Enhancement Program)

(Book Entry Only)

Dated Date: Date of Delivery

Interest Due: Each February 1 and August 1, commencing August 1, 2021

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

2022	$175,000	2025	$190,000	2028	$195,000	2030	$200,000
2023	$185,000	2026	$190,000	2029	$195,000	2031	$205,000
2024	$185,000	2027	$195,000				

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

The District may elect on February 1, 2027, and on any day thereafter, to redeem Bonds due on or after February 1, 2028 at a price of par plus accrued interest.

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

Proposals shall be for not less than $1,895,850 plus accrued interest, if any, on the total principal amount of the Bonds. Proposals shall specify rates in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Following receipt of proposals, a good faith deposit will be required to be delivered to the District by the lowest bidder as described in the "Terms of Proposal" herein. Award of the Bonds will be made on the basis of True Interest Cost (TIC).

The 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.

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.) Zions Bancorporation, National Association, Chicago, Illinois will serve as registrar (the "Registrar") for the Bonds. The Bonds will be available for delivery at DTC on or about August 20, 2020.

PROPOSALS RECEIVED: **Monday, July 20, 2020 until 10:00 A.M., Central Time**
CONSIDERATION OF AWARD: **School Board meeting commencing at 7:00 P.M., Central Time on Monday, July 20, 2020**

bakertilly
MUNICIPAL ADVISORS

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. 206
ALEXANDRIA, MINNESOTA

SCHOOL BOARD MEMBERS

Dean Anderson	Chairperson
David Anderson	Vice Chairperson
Bob Cunniff	Clerk
Pam Carlson	Treasurer
Angie Krebs	Director
Sandy Susag	Director
Alan Zeithamer	Director

SUPERINTENDENT

Rick Sansted

DIRECTOR OF BUSINESS SERVICES

Trevor Peterson

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Saint Paul, Minnesota

BOND COUNSEL

Dorsey & Whitney LLP
Minneapolis, Minnesota

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

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

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

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

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

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

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

TERMS OF PROPOSAL

$1,915,000*

**INDEPENDENT SCHOOL DISTRICT NO. 206
ALEXANDRIA, MINNESOTA**

GENERAL OBLIGATION CAPITAL FACILITIES 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. 206, Alexandria, Minnesota (the "District") on Monday, July 20, 2020 (the "Sale Date") until 10:00 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 7:00 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

Baker Tilly MA will assume no liability for the inability of a bidder or its proposal to reach Baker Tilly MA prior to the Sale Time, 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.*** Proposals 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.

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

* *Preliminary; subject to change.*

DETAILS OF THE BONDS

The Bonds will be dated as of the date of delivery and will bear interest payable on February 1 and August 1 of each year, commencing August 1, 2021. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

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

2022	$175,000	2024	$185,000	2026	$190,000	2028	$195,000	2030	$200,000
2023	$185,000	2025	$190,000	2027	$195,000	2029	$195,000	2031	$205,000

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

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

BOOK ENTRY SYSTEM

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

REGISTRAR

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

OPTIONAL REDEMPTION

The District may elect on February 1, 2027, and on any day thereafter, to redeem Bonds due on or after February 1, 2028. Redemption may be in whole or in part and if in part at the option of the District and in such manner as the District shall determine. If less than all Bonds of a maturity are called for redemption, the District will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

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

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 $1,895,850 plus accrued interest, if any, on the total principal amount of the Bonds. No proposal can be withdrawn or amended after the time set for receiving proposals on the Sale Date unless the meeting of the District scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

ESTABLISHMENT OF ISSUE PRICE

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

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

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

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

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

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

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

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

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

GOOD FAITH DEPOSIT

To have its proposal considered for award, the Purchaser is required to submit a good faith deposit via wire transfer to the District in the amount of $19,150 (the "Deposit") no later than 1:00 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 proposal specifying municipal bond insurance, even though such proposal may result in the lowest TIC to the District. All costs associated with the issuance and administration of such policy and associated ratings and expenses (other than any independent rating requested by the District) shall be paid by the successful bidder. Failure of the municipal bond insurer to issue the policy after the award of the Bonds shall not constitute cause for failure or refusal by the successful bidder to accept delivery of the Bonds.

CUSIP NUMBERS

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

SETTLEMENT

On or about August 20, 2020, the Bonds will be delivered without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Dorsey & Whitney LLP of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds that shall be received at the offices of the District or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Bonds has been made impossible by action of the District, or its agents, the Purchaser shall be liable to the District for any loss suffered by the District by reason of the Purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

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

OFFICIAL STATEMENT

The District has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Bonds, and said Preliminary Official Statement has been deemed final by the District as of the date thereof within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For 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 bondservice@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 June 15, 2020 BY ORDER OF THE SCHOOL BOARD

/s/ Bob Cunniff
Clerk

EXHIBIT A

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

$[PRINCIPAL AMOUNT]
[BOND CAPTION]

ISSUE PRICE CERTIFICATE

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

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

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

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

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

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

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

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

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

(d) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a "related party" to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

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

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

[UNDERWRITER]

By:_____________________________________

Name:__________________________________

Dated: [ISSUE DATE]

SCHEDULE A

EXPECTED OFFERING PRICES

(*Attached*)

SCHEDULE B

COPY OF UNDERWRITER'S BID

(*Attached*)

EXHIBIT B

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

$[PRINCIPAL AMOUNT]
[BOND CAPTION]

ISSUE PRICE CERTIFICATE

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

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

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

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

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

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

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

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

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

(e) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a "related party" to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

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

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

[UNDERWRITER][REPRESENTATIVE]

By:____________________________________
Name:__________________________________

Dated: [ISSUE DATE]

SCHEDULE A

INITIAL OFFERING PRICES OF THE BONDS

(*Attached*)

SCHEDULE B

PRICING WIRE

(*Attached*)

SCHEDULE C

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

(*Attached*)

OFFICIAL STATEMENT

$1,915,000*

INDEPENDENT SCHOOL DISTRICT NO. 206
ALEXANDRIA, MINNESOTA

GENERAL OBLIGATION CAPITAL FACILITIES 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. 206, Alexandria, Minnesota (the "District") and its issuance of $1,915,000* General Obligation Capital Facilities 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 Mr. Trevor Peterson, Director of Business Services, Independent School District No. 206, 1410 South McKay Avenue, Suite 201, Alexandria, Minnesota 56308, by telephoning (320) 762-2141 ext 4205; or by emailing tpeterson@alexschools.org. Inquiries may also be made to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 5 5101-2887, by telephoning (651) 223-3000, or by emailing bondservice@bakertilly.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 obligations, 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 h (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the District will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the Resolution, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix II to this Official Statement.

The District believes it has complied for the past five years in accordance with the terms of its previous continuing disclosure undertakings entered into pursuant to the Rule.

A failure by the District to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have any available remedy at law or in equity). 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 February 1 as set forth on the front cover of this Official Statement. The Bonds are issued in book entry form. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2021. 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." Zions Bancorporation, National Association, Chicago, Illinois will serve as Registrar for the Bonds, and the District will pay for registrar services.

Redemption Provisions

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

Optional Redemption

The District may elect on February 1, 2027, and on any day thereafter, to redeem Bonds due on or after February 1, 2028. Redemption may be in whole or in part and if in part at the option of the District and in such manner as the District shall determine. If less than all the Bonds of a maturity are called for redemption, the District will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

Book Entry System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or its agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or its agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

AUTHORITY AND PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 123B.62. The proceeds of the Bonds will be used for a roof replacement, parking lot replacement, and various updates to existing District facilities.

SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Principal Amount	$1,915,000
Total Sources of Funds	$1,915,000
Uses of Funds:	
Deposit Project Fund	$1,850,000
Costs of Issuance	45,850
Allowance for Discount Bidding	19,150
Total Uses of Funds	$1,915,000

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 will make its first levy for the Bonds in 2020 for collection in 2021. Each year's collection of taxes, if collected in full, will be sufficient to pay 105% of the interest payment due August 1 of the collection year and the principal and interest payment due February 1 of the following year.

MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM

By resolution adopted for this issue on June 15, 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 Dorsey & Whitney LLP, of Minneapolis, Minnesota, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto. A legal opinion in substantially the form set out in Appendix I herein will be delivered at closing.

TAX CONSIDERATIONS

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

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

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

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

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

Tax-Exempt Interest

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

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

Original Issue Discount

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

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

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

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

Market Discount

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

Bond Premium

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

Related Tax Considerations

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

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally, no deduction is allowed under section 265(b) the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations." Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds. The Bonds are "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Bonds is not subject to the disallowance under Section 265(b) of the Code, the deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds may be subject to reduction under Section 291 of the Code.

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

Sale or Other Disposition

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

Information Reporting and Backup Withholding

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

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 Code, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

RATINGS

Application for a rating of the Bonds has been made to Moody's Investors Service ("Moody's"), 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York. In addition, the District expects the Bonds to be rated by Moody's based on the Minnesota School District Credit Enhancement Program. If the ratings are assigned, they will reflect only the opinion of Moody's. Any explanation of the significance of the ratings may be obtained only from Moody's.

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 Moody's/S&P/Fitch, 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.

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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
2019/20	$4,850,743,300	N/A	N/A	$154,509,089	$4,636,426,911	$50,147,951
2018/19	4,656,930,600	94.6%	$4,927,906,535	159,133,857	4,440,238,943	47,791,192
2017/18	4,452,064,103	94.4	4,717,438,655	165,970,900	4,232,823,600	45,553,864
2016/17	4,301,267,900	95.7	4,495,317,067	168,759,857	4,078,046,943	43,857,177
2015/16	4,170,361,800	96.4	4,327,926,977	171,979,909	3,944,920,947	42,001,137

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

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

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

Sources: Douglas and Pope counties, Minnesota, May 2020, respectively, except as otherwise noted.

2019/20 Net Tax Capacity: $51,462,277*

	Douglas County	Pope County	Total
Real Estate	$50,292,812	$156,135	$50,448,947
Personal Property	1,013,330	0	1,013,330
Total	$51,306,142	$156,135	$51,463,277

* *Excludes mobile home valuation of $78,519 and $29 for Douglas and Pope counties, respectively.*

2019/20 Adjusted Taxable Net Tax Capacity: $50,147,951

Real Estate:		
Residential Homestead	$21,864,427	42.5%
Commercial/Industrial, Railroad, and Public Utility	10,450,157	20.3
Seasonal Recreational	9,445,971	18.4
Residential Non-Homestead	4,856,852	9.4
Agricultural	3,831,540	7.4
Personal Property	1,013,330	2.0
2019/20 Net Tax Capacity	$51,462,277	100.0%
Less: Captured Tax Increment	(1,272,052)	
Transmission Lines	(42,274)	
2019/20 Adjusted Taxable Net Tax Capacity	$50,147,951	

Ten of the Largest Taxpayers in the District

Taxpayer	Type of Property	2019/20 Net Tax Capacity
Western Minnesota Municipal	TransMN Lines	$ 421,858
Knute Nelson Senior Living	Nursing Home and Assisted Living Facility	420,623
Regency Plymouth Ventures	Arrowwood Resort	356,277
Minnesota Gas Company	Utility	345,774
Williams Pipeline Company	Pipeline	228,396
MFF Mortgage Borrower 9 LLC	Commercial	187,206
Wal-Mart	Retail	176,632
Runestone Electric Association	Utility	164,958
Viking Plaza Shopping	Retail	162,700
Great River Energy	Utility	162,385
Total		$2,626,809*

* *Represents 5.2% of the District's 2019/20 adjusted taxable net tax capacity.*

DISTRICT INDEBTEDNESS

Legal Debt Limit and Debt Margin*

Legal Debt Limit (15% of 2018/19 Economic Market Value of $4,927,906,535)	$739,185,980
Less: Outstanding Debt Subject to Limit (Including the Bonds)	(80,235,000)
Legal Debt Margin as of August 20, 2020	$658,950,980

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

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

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

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

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 8-20-20
12-15-10	$ 5,820,000	Taxable Alternative and Capital Facilities	2-1-2025	$ 1,160,000
12-15-11	64,500,000	School Building	2-1-2021	800,000
12-15-11	650,000	School Building	2-1-2021	115,000
4-18-13	6,365,000	Taxable OPEB Refunding	2-1-2029	5,325,000[(b)]
5-20-15	5,560,000	Alternative and Capital Facilities	2-1-2031	4,270,000
5-20-15	16,895,000	School Building Refunding	2-1-2028	13,885,000
12-27-17	58,090,000	School Building Refunding	2-1-2037	58,090,000
8-20-20	1,915,000	Capital Facilities (the Bonds)	2-1-2031	1,915,000
Total				$85,560,000

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

(b) *These issues are not subject to the legal debt limit.*

Estimated Calendar Year Debt Service Payments Including the Bonds

	G.O. Debt Supported Solely by Taxes	
Year	Principal	Principal & Interest[(a)]
2020 (at 8-20)	(Paid)	(Paid)
2021	$ 4,070,000	$ 7,211,978
2022	3,895,000	6,922,553
2023	3,905,000	6,792,684
2024	4,010,000	6,732,198
2025	4,210,000	6,759,938
2026	4,280,000	6,650,419
2027	4,605,000	6,798,419
2028	4,825,000	6,847,459
2029	5,190,000	7,006,869
2030	5,495,000	7,064,759
2031	5,765,000	7,068,817
2032	5,405,000	6,437,275
2033	5,710,000	6,521,500
2034	5,920,000	6,557,050
2035	5,935,000	6,394,225
2036	6,080,000	6,359,000
2037	6,260,000	6,353,900
Total	$85,560,000[(b)]	$114,479,043

(a) *Includes the Bonds at an assumed average annual interest rate of 1.28%.*

(b) *52.0% of this debt will be retired within ten years.*

Other Debt Obligations

Capital Leases

Capital leases payable are to account for items that the District has entered into leases that are considered capital assets to the District. These leases include copiers, buses, and network hardware. Total cost of capital lease assets as of June 30, 2019 was $2,669,068 and total accumulated depreciation on these assets as of June 30, 2019 was $1,321,293. Payments on capital leases are made out of the general fund.

In the current year the District added a capital lease for five busses. The lease calls for annual principal and interest payments of $129,007 for the first three years and $100,000 in the fourth year. Payments commenced in July 2018 through July 2021.

Overlapping Debt

Taxing Unit[(a)]	2019/20 Adjusted Taxable Net Tax Capacity	Est. G.O. Debt As of 8-20-20[(b)]	Debt Applicable to Value in District Percent	Debt Applicable to Value in District Amount
Counties:				
Douglas County	$61,220,729	$16,985,000	81.7%	$13,876,745
Pope County	21,322,365	2,235,000	0.7	15,645
Cities:				
Alexandria	18,078,939	16,930,000	100.0	16,930,000
Carlos	256,708	125,000	100.0	125,000
Forada	322,775	1,564,666[(c)]	100.0	1,564,666
Garfield	266,204	1,294,164[(c)]	100.0	1,294,164
Miltona	238,144	1,386,000[(c)]	100.0	1,386,000
Towns:				
Brandon	1,749,192	384,904[(c)]	13.0	50,038
Hudson	2,336,058	1,265,155[(c)]	93.9	1,187,981
Ida	3,563,711	3,624,747[(c)]	99.8	3,617,498
Leaf Valley	1,355,806	249,325[(c)]	56.1	139,871
Miltona	2,610,672	509,270[(c)]	61.7	314,220
Moe	1,846,637	366,219[(c)]	56.5	206,914
Special Districts:				
Alexandria Lake Area Sanitary District	38,064,509	2,295,784	100.0	2,295,784
Total				$43,004,526

(a) *Only those units with outstanding general obligation debt are shown here.*

(b) *Excludes general obligation tax and aid anticipation certificates and revenue-supported debt.*

(c) *Debt is as of December 31, 2019; most recent information available.*

Debt Ratios*

	G.O. Direct Debt	G.O. Direct & Overlapping Debt
To 2019/20 Estimated Market Value ($4,850,743,300)	1.76%	2.65%
Per Capita – 28,910 - Current District Estimate)	$2,960	$4,447

* *Excludes other debt obligations.*

DISTRICT TAX RATES, LEVIES AND COLLECTIONS

Tax Capacity Rates for a Resident in the City of Alexandria

	2015/16	2016/17	2017/18	2018/19	2019/20
Douglas County	49.170%	48.141%	47.234%	46.516%	46.449%
City of Alexandria	42.010	40.942	40.775	40.472	40.405
ISD No. 206 (Alexandria)*	22.572	17.621	22.439	22.758	21.379
Douglas County HRA	1.379	1.390	1.595	1.696	1.937
Total	115.131%	108.094%	112.043%	111.442%	110.170%

* *Independent School District No. 206 (Alexandria) has a 2019/20 market value tax rate of 0.16238% spread across the market value of property in support of an excess operating levy.*

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

		Collected During Collection Year		Collected and/or Abated as of 12-31-19	
Levy/Collect	Net Levy*	Amount	Percent	Amount	Percent
2019/20	$16,182,796	(In Process of Collection)			
2018/20	14,650,595	$14,539,559	99.2%	$14,539,790	99.2%
2017/18	13,832,230	13,718,328	99.2	13,811,744	99.9
2016/17	11,338,868	11,260,468	99.3	11,329,487	99.9
2015/16	13,068,524	12,944,514	99.1	13,061,782	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 May 31, 2020

Fund	Cash and Investments
General	$14,877,398
Food Service	542,384
Community Service	1,595,324
Debt Service	1,937,520
Internal	131,293
OPEB	1,188,377
Total	$20,272,296

INVESTMENTS

District investments are made in accordance with Minnesota Statute 118A. As of May 31, 2020 the District has investments totaling $5,172,055.45. $____________ of the District's funds are held in the District's Minnesota School District Liquid Asset Fund Plus ("MSDLAF+") account, $__________ is invested in Certificates of Deposit, and $____________ is invested in money market and savings accounts or held as cash or cash equivalents.

MSDLAF+, established in 1984 under Minnesota laws, is a comprehensive cash management program that allows Minnesota public school entities and districts to pool their investment funds to seek the highest possible investment yield, while maintaining liquidity and preserving capital. For more information see https://www.msdlaf.org/.

GENERAL INFORMATION CONCERNING THE DISTRICT

The District is headquartered in the City of Alexandria, in west central Minnesota, approximately 130 miles northwest of the Minneapolis-Saint Paul metropolitan area. Approximately 99.7% of the tax capacity of the District is located in Douglas County with the balance located in Pope County. The District covers an area of approximately 344 square miles (220,160 acres), and encompasses all or a portion of six cities (Alexandria, Carlos, Forada, Garfield, Miltona, and Nelson) and fifteen townships. The District's current population is estimated to be 30,194.

School Board and Administration

The District's governing body is the School Board, comprised of seven members. Five members serve four-year terms and two members serve three-year terms. All are elected at large to serve their terms of office. Elections are held annually on the first Tuesday in November. Current Board members are listed below.

		Expiration of Term
Dean Anderson	Chairperson	December 31, 2022
David Anderson	Vice Chairperson	December 31, 2020
Bob Cunniff	Clerk	December 31, 2022
Pam Carlson	Treasurer	December 31, 2020
Angie Krebs	Director	December 31, 2020
Sandy Susag	Director	December 31, 2022
Alan Zeithamer	Director	December 31, 2022

Mr. Rick Sansted is the Superintendent of the District and is responsible for the implementation of Board policy and daily administration of the District. Mr. Trevor Peterson is the Director of Business Services, and has served in this position since 2010.

Enrollment

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

School Year	Grades K-6	Grades 7-12	Total Enrollment
2019/20	2,147	1,994	4,141
2018/19	2,144	1,939	4,083
2017/18	2,160	1,949	4,109
2016/17	2,193	1,844	4,037
2015/16	2,102	1,882	3,984

Employment

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

School Year	Certified Employees	Uncertified Employees	Total Employees
2019/20	363	417	780
2018/19	356	423	779
2017/18	347	419	766
2016/17	332	375	707
2015/16	327	383	710

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
Education Minnesota Alexandria	348	June 30, 2021
Administrative Cabinet	6	June 30, 2020*
Administrative Directors	8	June 30, 2020*
Principals	8	June 30, 2020*
Custodial	34	June 30, 2020*
Food Service	54	June 30, 2021
Paraprofessionals & Bus Drivers	221	June 30, 2020*
Secretarial	35	June 30, 2021
Confidential	4	June 30, 2020*
K-12 Classified	57	June 30, 2021
Subtotal	775	
Non-contract employees	62	
Total employees	837	

* *In negotiations.*

Physical Plant

Facility	Original Construction and Additions	Location	Estimated K-12 Student Capacity
Alexandria Area High School	2014, 2015, 2016	City of Alexandria	1,400
Discovery Middle School	1994	City of Alexandria	1,200
Carlos Elementary School	1958, 1965, 1978	City of Carlos	160
Garfield Elementary School	1969, 2008	City of Garfield	160
Lincoln Elementary School	1952, 1978, 2011	City of Alexandria	575
Miltona Elementary School	1962, 1979, 2019	City of Miltona	250
Woodland Elementary School	2009	City of Alexandria	750
Voyager Elementary School	1988	City of Alexandria	600
Total			5,095

Student Transportation

The District owns a fleet of buses and provides transportation to the student population. Approximately 70% of the student population is bussed.

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	$ 7,708,580	$53,665,887	$53,842,844	$ 7,531,623
Food Service	507,738	3,106,579	2,889,456	724,861
Community Service	890,758	2,972,601	2,617,691	1,245,668
Debt Service	959,669	7,012,188	6,677,038	1,294,819
Internal Service	95,110	400,010	400,000	95,120
OPEB Debt Service	763,291	1,155,874	1,562,628	356,537
Total	$10,925,147	$68,313,139	$67,989,657	$11,248,628

Major General Fund Revenue Sources

Revenue	2015	2016	2017	2018	2019
State Sources	$34,213,202	$35,633,167	$38,908,116	$40,920,714	$41,814,638
Property Taxes	4,013,679	4,849,861	5,040,107	5,515,321	5,455,540
Other	1,885,342	1,885,855	1,969,100	2,067,598	1,971,439
Federal Sources	1,976,490	1,457,002	1,426,050	1,415,402	1,538,683
Miscellaneous	58,028	5,595	12,546	5,520	9,348

Sources: District's Annual Financial Statements.

Post-Secondary and Nonpublic Education

Non-Public Education

District residents are also served by the following private schools:

School	Location	Grades	2019/20 Enrollment
St. Mary's School	City of Alexandria	K-6	192
Zion Lutheran School	City of Alexandria	K-8	102
New Testament Christian	City of Alexandria	K-12	50

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

Post-Secondary Education

Post-secondary education is available at the Alexandria Technical and Community College ("ATCC"), which is part of the Minnesota State university system. ATCC offers associate degrees, diplomas and certificates, and has an approximate enrollment of 2,794 full- and part-time students in more than 50 programs. In addition, ATCC provides adult education to community residents.

Source: Minnesota Office of Higher Education, http://www.ohe.state.mn.us/.

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	$1,684,361	$603,559
2018	1,614,006	639,117
2017	1,461,876	642,271
2016	1,461,876	588,688
2015	1,359,295	527,584

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

The District also provides future retirement benefits to eligible employees through the District's 403(b) Plan. Employees of the District are eligible to participate commencing on the date of their employment and may elect to have a percentage of their pay contributed to the plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by plan participants.

The District's contributions for the past five years are as follows:

	District Contributions
2019	$254,239
2018	247,720
2017	240,708
2016	239,368
2015	248,286

For more information regarding the liability of the District with respect to its employees, please reference "Note 10, Defined Benefit Pension Plans" and "Note 11, Employee Benefit Plan 403(B)" 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	0.1275%	$ 7,073,177	0.3881%	$24,374,474
2018	0.1328	8,477,864	0.3809	76,034,550
2017	0.1265	10,271,173	0.3739	89,184,071
2016	0.1203	6,234,570	0.3533	21,855,099
2015	0.1196	5,618,209	0.3817	17,588,461

For more information regarding GASB 68 with respect to the District, please reference "Note 10, Defined Benefit Pension Plans" 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 Post-Employment Benefits or "OPEB").

The District provides benefits to eligible employees through the District's health insurance plan. Benefits and eligibility provisions are established through negotiations between the District and its unions and are re-negotiated at the end of each contract period. The plan provides medical, dental, vision, and other health-related benefits to terminated or retired employees and their dependents and beneficiaries through a third-party insurer. The full cost of the benefits is covered by the plan. The following employees were covered by the benefit terms as of June 30, 2019:

Inactive employees/beneficiaries currently receiving benefit payments	92
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	524
Total	616

The District's net OPEB liability was measured as of July 1, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. Update procedures were used to roll forward the total OPEB liability to the measurement date. The discount rate used to measure the total OPEB liability was changed from 3.40% to 3.10%. Components of the District's OPEB liability and related ratios for the fiscal year ended June 30 are as follows:

	2017	2018	2019
Service cost	$ 392,975	$ 431,504	$ 466,323
Interest	290,515	285,045	318,329
Assumption changes	0	955,246	172,583
Difference between expected and actual experience	0	103,033	0
Benefit payments	(875,121)	(890,791)	(848,813)
Net change in total OPEB liability	$ (191,631)	$ 884,037	$ 108,422
Total OPEB liability – beginning of year	8,585,486	8,393,855	9,277,892
Total OPEB liability – end of year (a)	$ 8,393,855	$ 9,277,892	$ 9,386,314
Projected investment return	$ 118,057	$ 93,438	$ 57,706
Differences between expected and actual experience	141,574	0	13,963
Benefit payments	(875,121)	(890,791)	(848,813)
Net change in plan fiduciary net position	$ (615,490)	$ (797,353)	$ (777,144)
Total fiduciary net position – beginning of year	2,951,437	2,335,947	2,037,576
Total fiduciary net position – end of year (b)	$ 2,335,947	$ 1,538,594	$ 1,260,432
Net OPEB Liability (a)-(b)	$ 6,057,908	$ 7,739,298	$ 8,125,882
Plan fiduciary net position as a percentage of the total OPEB Liability	27.83%	16.58%	13.43%
Covered-employee payroll	$24,033,865	$26,308,983	$27,098,253
District net OPEB liability as a percentage of covered-employee payroll	25.21%	29.42%	29.99%

For more information regarding GASB 75 with respect to the District, please reference "Note 6, Other Post-Employment Benefits" and "Required Supplementary Information" of the District's Annual Financial Statements for fiscal year ended June 30, 2019, an excerpt of which is included as Appendix IV of this Official Statement.

Sources: District's Annual Financial Statements.

AREA ECONOMY

Labor Force Data

	Annual Average				April
	2016	2017	2018	2019	2020
Labor Force:					
Pope County	6,320	6,359	6,431	6,636	6,412
Douglas County	20,287	20,531	20,604	21,028	20,882
State of Minnesota	3,035,241	3,057,358	3,071,433	3,109,647	3,052,783
Unemployment Rate:					
Pope County	3.5%	3.0%	2.6%	3.1%	6.0%
Douglas County	3.5	3.1	2.8	3.3	7.5
State of Minnesota	3.9	3.4	2.9	3.2	8.6

Source: Minnesota Department of Employment and Economic Development, https://apps.deed.state.mn.us/lmi/laus. 2020 data is preliminary.

Retail Sales and Effective Buying Income (EBI)

Douglas County

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/20	$1,134,249	$1,123,620	$53,992
2018/19	1,077,136	1,104,004	54,314
2017/18	931,363	1,049,011	51,633
2016/17	901,493	982,102	48,488
2015/16	1,081,402	935,982	46,881

Pope County

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/20	$213,006	$315,591	$53,087
2018/19	204,942	295,352	50,911
2017/18	185,425	292,997	48,897
2016/17	207,655	280,265	46,659
2015/16	162,120	274,795	46,513

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.

Financial Institutions*

District residents are served by Viking Federal Savings Association with deposits of $178,115,000 as of December 31, 2010. In addition, branch offices of American National Bank of Minnesota; Bell Bank; BlackRidgeBank; Bremer Bank, National Association; Gate City Bank; Glenwood State Bank; Hometown Community Bank; Neighborhood National Bank; U.S. Bank National Association; Vantage Bank; and Wells Fargo Bank, National Association are located within the District.

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

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

Major Employers

Major employers in and around the District include:

Employer	Product/Service	Approximate Number of Employees
Alomere Health (formerly Douglas County Hospital)	Health Care	950
Independent School District No. 206 (Alexandria)	K-12 Education	837
Douglas Machine Inc.	Packaging Equipment Manufacturing	700
Knute Nelson Memorial Home	Nursing Home/Assisted Living	493
Alexandria Industries	Aluminum Extrusions/Precision Machining/ Finishing/Plastic Extrusions	446
3M Company	Abrasives Manufacturing	400
Douglas County	County Government	324
Central Specialties	Road Construction	300
Arrowwood Resort and Conference Center	Hotel/Conference Center	285
Brenton Engineering Company	Packaging Equipment Manufacturer	280
Donnelly Custom Manufacturing Company	Plastic Molding Manufacturer	225
SunOpta Incorporated	Dairy Product Manufacturer	200
Tastefully Simple	Gourmet Foods	197
Henry's Foods Inc.	Grocery Product Wholesalers	187
Alexandria Technical and Community College	Vocational School	185
Ecumen Bethany Community Home	Nursing Home/Assisted Living	180
PrimeWest Health	Health Insurance Provider	160
Sanford Health Broadway Clinic	Health Care	150
Galeon Nursing Home	Health Care	130
Aagard Group, LLC	Packaging Equipment Manufacturer	125
Alexandria Pro-Fab Co., Inc.	Manufacturing	125
Douglas Scientific	Manufacturing	112

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

Health Care Services

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

Facility	Type of Facility	No. of Beds
Alomere Health	Hospital	127 Hospital 14 Infant Bassinets
Knute Nelson	Nursing Home	93 Nursing Home
Bethany on the Lake LLC	Nursing Home	83 Nursing Home
Community Behavioral Health Hospital	Mental Health Services	16 Psychiatric
Prairiewood Home	Assisted Living	6 Supervised Living

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

PROPOSED FORM OF LEGAL OPINION

DORSEY

Independent School District No. 206
Alexandria, Minnesota

[Original Purchaser]

Re: **$**1,915,000* General Obligation Capital Facilities Bonds, Series 2020A
Independent School District No. 206 (Alexandria), Minnesota
Douglas and Pope Counties, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Independent School District No. 206 (Alexandria), Minnesota (the District), of the obligations described above, dated, as originally issued, as of August 20, 2020 (the Bonds), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the District in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

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

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

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

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

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

* *Preliminary; subject to change.*

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

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

The opinions expressed in paragraphs 4, 5 and 6 above are subject to the compliance by the District with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, or the Bonds failing to be qualified tax-exempt obligations, retroactive to the date of issuance of the Bonds.

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

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

Dated this 20^{th} day of August, 2020.

Very truly yours,

CONTINUING DISCLOSURE COVENANTS

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

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

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

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

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

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

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

(A) principal and interest payment delinquencies;
(B) non-payment related defaults, if material;
(C) unscheduled draws on debt service reserves reflecting financial difficulties;
(D) unscheduled draws on credit enhancements reflecting financial difficulties;
(E) substitution of credit or liquidity providers, or their failure to perform;
(F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
(G) modifications to rights of Bond holders, if material;
(H) Bond calls, if material and tender offers;
(I) defeasances;
(J) release, substitution, or sale of property securing repayment of the Bonds if material;
(K) rating changes;

(L) bankruptcy, insolvency, receivership, or similar event of the obligated person;

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

(N) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(O) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; "financial obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule; and

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

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

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

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

(A) the failure of the District to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;

(B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the District under subsection (d)(2);

(C) the termination of the obligations of the District under this section pursuant to subsection (d);

(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and

(E) any change in the fiscal year of the District.

(c) Manner of Disclosure.

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

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

(d) Term; Amendments; Interpretation.

(1) The covenants of the District in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the District under this section shall terminate and be without further effect as of any date on which the District delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the District to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the District from time to time, without notice to (except as provided in paragraph (c)(2) hereof) or the consent of the Owners of any Bonds, by a resolution of this Board filed in the office of the recording officer of the District accompanied by an opinion of Bond Counsel, who may rely on certificates of the District and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the District or the type of operations conducted by the District, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in

effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

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

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

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

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

Property Valuations (Chapter 273, Minnesota Statutes)

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

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

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

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

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

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

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

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

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

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

Property Tax Credits (Chapter 273, Minnesota Statutes)

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

Debt Limitations

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

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

2. Warrants or orders having no definite or fixed maturity.
3. Obligations payable wholly from the income from revenue producing conveniences.
4. Obligations issued to create or maintain a permanent improvement revolving fund.
5. Obligations issued for the acquisition, and betterment of public waterworks systems, and public lighting, heating or power systems, and of any combination thereof or for any other public convenience from which a revenue is or may be derived.
6. Debt service loans and capital loans made to a school district under the provisions of Minnesota Statutes, Sections 126C.68 and 126C.69.
7. Amount of all money and the face value of all securities held as a debt service fund for the extinguishment of obligations other than those deductible under this subdivision.
8. Obligations to repay loans made under Minnesota Statutes, Section 216C.37.
9. Obligations to repay loans made from money received from litigation or settlement of alleged violations of federal petroleum pricing regulations.
10. Obligations issued to pay pension fund or other postemployment benefit liabilities under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.
11. Obligations issued to pay judgments against the municipality under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.
12. All other obligations which under the provisions of law authorizing their issuance are not to be included in computing the net debt of the municipality.

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

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

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

Property Type	Local Tax Payable 2016-2020
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%
2-3 unit and undeveloped land (4b1)	1.25%
Market Rate Apartments	
Regular (4a)	1.25%
Low-Income (4d)	
Up to $150,000[c]	0.75%
Over $150,000[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 $1,880,000[d]	0.50%[b]
Over $1,880,000[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 2020. Historical valuations are: Payable 2019 - $139,000; Payable 2018 - $121,000; Payable 2017 - $115,000; and Payable 2016 - $106,000.*

(d) *Legislative increases, payable 2020. Historical valuations are: Payable 2019 - $1,900,000; Payable 2018 - $1,940,000; Payable 2017 - $2,050,000; and Payable 2016 - $2,140,000.*

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

EXCERPT OF 2019 ANNUAL FINANCIAL STATEMENTS

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

Independent Auditor's Report

The School Board of
Independent School District No. 206
Alexandria Public Schools
Alexandria, 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. 206 (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

Emphasis of Matter

As discussed in Note 15 to the financial statements, the District determined that there was fiduciary trust fund activity inaccurately included in the general fund and governmental type activity. This has resulted in a restatement of the beginning of year net position and fund balance as of July 1, 2018. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the District's net OPEB liability and related ratios, schedule of District OPEB contributions, schedule of Employer's share of net pension liability and schedule of Employer's contributions, and schedule of changes in supplemental benefits liability and supplemental benefits liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of 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 financial statements. The school board and administration, combining and individual fund schedules, and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the financial statements.

The combining and individual fund schedules, uniform accounting and reporting standards compliance table, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. In addition, in our opinion, the schedule of changes in student activity cash balances presents fairly the changes in the cash balances of the student activity funds for the year ended June 30, 2019.

The School Board and administration list 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 a report dated October 21, 2019 on our consideration of District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements
In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated October 21, 2019 on our consideration of the District's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's Minnesota Legal Compliance Audit Guide for School Districts in considering the District's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

Eide Bailly LLP

Fargo, North Dakota
October 21, 2019

This section of Alexandria Public Schools' – Independent School District No. 206's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for the 2018-2019 fiscal year include the following:

- *General Fund 01* – The overall revenues were $50,789,656 while the overall expenditures were $51,984,191. These, along with other net financing sources of $463,283, decreased the fund balance by $731,252.
- *Food Service Fund 02* – The revenues were $3,051,554 while the expenditures were $2,938,005, These, along with other net financing sources of $641, increased the fund balance by $114,190.
- *Community Service Fund 04* – The revenues were $2,972,681 while the expenditures were $2,510,444, increasing the fund balance by $462,237.
- *Debt Service Fund 07* – The revenues were $6,960,113 while the expenditures were $6,865,814 increasing the fund balance by $94,299.
- *OPEB Debt Service Fund 47* – The revenues were $757,597 while the expenditures were $717,078, increasing the fund balance by $40,519.

Overview of the Financial Statements

District-Wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

The District has two kinds of funds:

- *Governmental Funds* – All of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.

- *Fiduciary Funds* – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong.

Financial Analysis of the District as a Whole

Net Position

The District's combined net deficit was $22,828,351 on June 30, 2019.

Statement of Net Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets	$ 91,325,381	$ 90,406,652
Capital assets	113,102,185	115,577,550
Total assets	204,427,566	205,984,202
Deferred Outflows of Resources	37,693,689	48,901,866
Liabilities		
Other liabilities	8,972,786	8,426,151
Long-term liabilities	195,554,533	252,503,829
Total liabilities	204,527,319	260,929,980
Deferred Inflows of Resources	60,422,287	26,454,756
Net Deficit		
Net investment in capital assets	28,904,819	28,161,391
Restricted for specific purposes	60,760,170	59,986,451
Unrestricted	(112,493,340)	(120,646,510)
Total net deficit	$ (22,828,351)	$ (32,498,668)

Independent School District No. 206
Alexandria Public Schools
Management's Discussion and Analysis
Year Ended June 30, 2019

Statement of Activities
June 30, 2019 and 2018

	2019	2018
Revenues		
Program revenues		
Charges for service	$ 4,287,722	$ 4,122,482
Operating grants and contributions	837,028	971,476
General		
Property taxes	13,809,197	11,379,873
Aids and payments from state and other	45,213,874	44,004,212
Miscellaneous revenues	752,695	5,279,257
Total revenues	64,900,516	65,757,300
Expenses		
Administration	2,321,814	2,401,333
District support services	1,323,705	1,258,209
Regular instruction	14,640,818	22,355,940
Vocational instruction	811,451	856,176
Special education instruction	11,066,951	10,513,755
Community education and services	2,412,668	2,274,653
Instructional support services	3,567,356	3,520,352
Pupil support services	6,707,447	17,523,485
Sites and buildings	5,541,818	5,326,980
Fiscal and other fixed-cost programs	5,960,666	12,612,963
Dental self-insurance	397,551	391,215
Total expenses	54,752,245	79,035,061
Change in Net Deficit	10,148,271	(13,277,761)
Net Deficit - Beginning, as restated on July 1, 2018 (Note 15)	(32,976,622)	(19,220,907)
Net Deficit - Ending	$ (22,828,351)	$ (32,498,668)

Changes in Net Position – The District's total revenues were approximately $64.90 million for the year ended June 30, 2019. Property taxes and state formula aid accounted for 91% of total revenue for the year. Another 9% came from other program revenues.

The total cost of all programs and services was approximately $54.75 million. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 4% of total costs.

The total expenses exceeded revenues, increasing the net position approximately $10.15 million for fiscal year 2019.

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, buildings and grounds, and capital outlay projects.

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30, 2019	Year Ended June 30, 2018	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local property taxes	$ 5,455,540	$ 5,515,321	$ (59,781)	-1.1%
Other local sources	1,971,439	2,067,598	(96,159)	-4.7%
State sources	41,814,638	40,920,714	893,924	2.2%
Federal sources	1,538,683	1,415,402	123,281	8.7%
Miscellaneous	9,348	5,520	3,828	69.3%
Total General Fund revenues	$ 50,789,648	$ 49,924,555	$ 865,093	1.7%

Total General Fund revenue increased by $865,101 or 1.7% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue. The majority of the increase in revenue for 2019 was in the area of State sources and was caused by the District's increase in general education state aid and special education revenue.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30, 2019	Year Ended June 30, 2018	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries and benefits	$ 38,503,177	$ 36,618,198	$ 1,884,979	5.1%
Purchased services	6,274,597	5,968,345	306,252	5.1%
Supplies and materials	1,995,643	2,101,491	(105,848)	-5.0%
Capital expenditures	3,252,661	3,262,226	(9,565)	-0.3%
Other expenditures	1,958,105	1,860,734	97,371	5.2%
Total General Fund expenditures	$ 51,984,183	$ 49,810,994	$ 2,173,189	4.4%

Total General Fund expenditures increased by $2,173,197 or 4.4% from the previous year. The majority of the increase in expenditures for 2019 was for salaries and benefits of district staff.

General Fund Budgetary Highlights

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

- Actual revenues were $266,724 less than budget, mainly because of less than anticipated special education aid from the state.
- Actual expenditures were $154,971 more than budget.

Other Non-Major Funds

The Food Service Fund incurred a current year surplus of $114,190. The Community Service Fund incurred a current year surplus of $462,237. From the standpoint of maintaining current operating expenditures within the range of annual revenue, the Community Service Fund and Food Service Fund continue to operate on a sound financial basis.

Capital Assets and Debt Administration

Capital Assets

By the end of 2019, the District had invested approximately $158.0 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audit-visual equipment, and school vehicles. Total depreciation expense for the year was $3,640,144. Note 5 presents the detail of the District's capital assets.

Capital Assets Governmental Activities
June 30, 2019 and 2018

	2019	2018
Land	$ 6,031,424	$ 6,031,424
Construction in Progress	364,081	-
Buildings	128,975,321	128,850,178
Improvements	8,705,546	8,623,202
Equipment	13,969,969	13,731,215
Accumulated Depreciation	(44,944,156)	(41,658,469)
Total capital assets	$ 113,102,185	$ 115,577,550

Long-Term Debt

At year end the District had $155,108,373 of long term debt. This consisted of bonded indebtedness of $147,480,000, unamortized bond premiums of $6,681,099, capital leases payable of $657,366, and vacation and sick leave payable of $289,908. Note 8 presents the detail of the District's long-term debt. The District has $31,447,651 in net pension liability at June 30, 2019. See Note 10 for further information. The District has $8,125,882 in liabilities for other postemployment benefits. See Note 6 for further information.

Factors Bearing on the District's Future

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for its revenue authority. The state did allocate additional resources to school districts at a much greater level in the next two years than has been seen for quite some time. However, with the continuing uncertainty of funding sustainability and a substantial change across the district surrounding the opening of the new high school and reconfiguration of grade levels at every building, the District will continue to monitor it's spending to remain fiscally responsible.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact the Business Office, Independent School District No. 206, Alexandria, Minnesota.

Independent School District No. 206
Alexandria Public Schools
Statement of Net Position
June 30, 2019

Assets	
Cash and investments	$ 17,330,004
Cash held with fiscal agent	62,175,015
Receivables	
Current property taxes	7,076,724
Delinquent property taxes	88,418
Accounts	219,502
Due from other governmental units	4,330,710
Prepaid items	29,306
Inventory	75,702
	91,325,381
Capital assets, net of accumulated depreciation where applicable	
Non-depreciable	
Land	6,031,424
Construction in progress	364,081
Depreciable	
Buildings and improvements	101,442,860
Land improvements	3,826,442
Equipment	1,437,378
Total capital assets	113,102,185
Total assets	204,427,566
Deferred Outflows of Resources	
Other postemployment benefits	816,607
Other supplemental benefits	145,584
Pension plans	36,731,498
Total deferred inflows of resources	37,693,689
Liabilities	
Accounts payable	493,474
Due to other govenmental units	448,171
Salaries payable	5,598,534
Accrued interest payable	2,421,007
Unearned revenue	6,000
Claims incurred but not reported	5,600
Long-term liabilities	
Due within one year - bonds, premiums, capital leases, and vacation and sick leave	4,949,553
Due in more than one year - bonds, premiums, capital leases, and vacation and sick leave	150,158,820
Due in more than one year - supplemental benefits	872,627
Due in more than one year - other postemployment benefits	8,125,882
Due in more than one year - net pension liability	31,447,651
Total liabilities	204,527,319
Deferred Inflows of Resources	
Unavailable revenue-property taxes	14,240,469
Other postemployment benefits	57,242
Other supplemental benefits	746
Pension plans	46,123,830
Total deferred inflows of resources	60,422,287
Net Deficit	
Net investment in capital assets	28,904,819
Restricted for specific purposes	60,760,170
Unrestricted	(112,493,340)
Total net deficit	$ (22,828,351)

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

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	$ 2,321,814	$ 184,030	$ 731,890	$ (1,405,894)
District support services	1,323,705	51,626	-	(1,272,079)
Regular instruction	14,640,818	485,225	-	(14,155,593)
Vocational instruction	811,451	-	-	(811,451)
Special education instruction	11,066,951	2,974	-	(11,063,977)
Community education and services	2,412,668	1,358,089	105,138	(949,441)
Instructional support services	3,567,356	-	-	(3,567,356)
Pupil support services	6,707,447	1,833,244	-	(4,874,203)
Sites and buildings	5,541,818	-	-	(5,541,818)
Fiscal and other fixed-cost programs	5,960,666	-	-	(5,960,666)
Dental self-insurance	397,551	372,534	-	(25,017)
Total governmental activities	$ 54,752,245	$ 4,287,722	$ 837,028	(49,627,495)
General Revenues				
Property taxes, levied for general purposes				6,202,274
Property taxes, levied for community education and services				867,030
Property taxes, levied for debt service				6,739,893
Aids and payments from state and federal sources				45,013,956
County apportionment				199,918
Miscellaneous revenues				752,695
Total general revenues				59,775,766
Changes in Net Deficit				10,148,271
Net Deficit - beginning, as restated (Note 15)				(32,976,622)
Net Deficit - ending				$ (22,828,351)

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

Independent School District No. 206
Alexandria Public Schools
Governmental Funds
Balance Sheet
June 30, 2019

	General	Debt Service	OPEB Debt Service	Other Governmental Funds	Totals
Assets					
Cash and investments	$ 11,933,850	$ 3,168,089	$ 94,154	$ 2,064,517	$ 17,260,610
Cash held with fiscal agent	-	62,175,015	-	-	62,175,015
Receivables					
Current property taxes	2,774,507	3,376,731	526,462	399,024	7,076,724
Delinquent property taxes	34,142	44,020	4,767	5,489	88,418
Accounts	175,588	-	-	12,597	188,185
Due from other governmental units	4,247,127	22,022	3,117	58,444	4,330,710
Prepaid items	29,306	-	-	-	29,306
Inventories	64,439	-	-	11,263	75,702
Total assets	$ 19,258,959	$ 68,785,877	$ 628,500	$ 2,551,334	$ 91,224,670
Liabilities					
Accounts payable	$ 475,777	$ -	$ -	$ 17,697	$ 493,474
Due to other govenmental units	448,171	-	-	-	448,171
Salaries payable	5,324,655	-	-	273,879	5,598,534
Unearned revenue	-	-	-	6,000	6,000
Total liabilities	6,248,603	-	-	297,576	6,546,179
Deferred Inflows of Resources					
Unavailable revenue-property taxes	5,301,775	7,046,209	1,125,641	855,262	14,328,887
Fund Balance					
Nonspendable	93,745	-	-	11,263	105,008
Restricted	-	61,739,668	-	1,387,233	63,126,901
Assigned	2,425,000	-	-	-	2,425,000
Unassigned	5,189,836	-	(497,141)	-	4,692,695
Total fund balance	7,708,581	61,739,668	(497,141)	1,398,496	70,349,604
Total liabilities, deferred inflows of resources, and fund balance	$ 19,258,959	$ 68,785,877	$ 628,500	$ 2,551,334	$ 91,224,670

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

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

Total Fund Balances - Governmental Funds	$ 70,349,604
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	113,102,185
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,421,007)
Delinquent property taxes are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	88,418
Internal service funds are used by the District to charge the costs of the self-insured dental insurance pool. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	95,111
Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.	(8,488,129)
Long-term liabilities, including bonds payable, capital lease payable, bond premiums, compensated absences, supplemental benefits, other post-employment benefits, and pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(195,554,533)
Total Net Position - Governmental Activities	$ (22,828,351)

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

Independent School District No. 206
Alexandria Public Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2019

	General	Debt Service	OPEB Debt Service	Other Governmental Funds	Totals
Revenues					
Local property tax levies	$ 5,455,540	$ 6,739,893	$ 750,362	$ 860,985	$ 13,806,780
Other local and county sources	1,971,439	-	-	1,502,160	3,473,599
State sources	41,814,638	220,220	-	805,580	42,840,438
Federal sources	1,538,683	-	-	1,072,131	2,610,814
Sales and other conversion of assets	-	-	-	1,783,379	1,783,379
Miscellaneous	9,348	-	7,235	-	16,583
Total revenues	50,789,648	6,960,113	757,597	6,024,235	64,531,593
Expenditures					
Administration	1,927,708	-	-	-	1,927,708
District support services	1,362,803	-	-	-	1,362,803
Regular instruction	23,405,489	-	-	-	23,405,489
Vocational instruction	809,179	-	-	-	809,179
Special education instruction	11,066,951	-	-	-	11,066,951
Community education and service	-	-	-	2,510,444	2,510,444
Instructional support services	3,502,789	-	-	-	3,502,789
Pupil support services	3,807,272	-	-	2,938,005	6,745,277
Sites and buildings	5,953,163	-	-	-	5,953,163
Fiscal and other fixed cost programs	148,829	6,865,814	717,078	-	7,731,721
Total expenditures	51,984,183	6,865,814	717,078	5,448,449	65,015,524
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,194,535)	94,299	40,519	575,786	(483,931)
Other Financing Sources (Uses)					
Capital lease proceeds	463,924	-	-	-	463,924
Transfers in (out)	(641)	-		641	-
Total other financing sources (uses)	463,283	-	-	641	463,924
Net Change in Fund Balance	(731,252)	94,299	40,519	576,427	(20,007)
Fund Balance (Deficit), Beginning of Year, as restated (Note 15)	8,439,833	61,645,369	(537,660)	822,069	70,369,611
Fund Balance (Deficit), End of Year	$ 7,708,581	$ 61,739,668	$ (497,141)	$ 1,398,496	$ 70,349,604

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

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

Net Change in Fund Balances - Total Governmental Funds	$	(20,007)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay		1,164,779
Depreciation expense		(3,640,144)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(3,631)
In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.		43,010
In the statement of activities OPEB liabilities 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.		(399,467)
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.		8,709,996
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		4,318,743
Internal service funds are used by the District to charge the costs of the self-insured dental insurance pool. The net revenue of the internal service fund is reported in governmental activities.		(25,008)
Change in Net Position of Governmental Activities	$	10,148,271

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

Independent School District No. 206
Alexandria Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local property tax levies	$ 5,060,172	$ 5,391,702	$ 5,455,540	$ 63,838
Other local and county sources	1,770,358	1,915,193	1,971,439	56,246
State sources	42,200,744	42,089,613	41,814,638	(274,975)
Federal sources	1,508,707	1,649,872	1,538,683	(111,189)
Miscellaneous	10,000	10,000	9,348	(652)
Total revenues	50,549,981	51,056,380	50,789,648	(266,732)
Expenditures				
Administration	1,872,401	1,890,952	1,927,708	(36,756)
District support services	1,264,682	1,331,891	1,362,803	(30,912)
Regular instruction	23,880,037	23,473,512	23,405,489	68,023
Vocational instruction	874,969	889,723	809,179	80,544
Special education instruction	11,299,764	11,334,809	11,066,951	267,858
Instructional support services	3,674,716	3,653,463	3,502,789	150,674
Pupil support services	3,697,709	3,788,960	3,807,272	(18,312)
Sites and buildings	4,918,425	5,242,162	5,953,163	(711,001)
Fiscal and other fixed cost programs	223,523	223,748	148,829	74,919
Total expenditures	51,706,226	51,829,220	51,984,183	(154,963)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,156,245)	(772,840)	(1,194,535)	(421,695)
Other Financing Sources				
Capital lease proceeds	-	-	463,924	463,924
Transfers out	-	(1,500)	(641)	859
Total other financing sources	-	(1,500)	463,283	464,783
Net Change in Fund Balance	$ (1,156,245)	$ (774,340)	(731,252)	$ 43,088
Fund Balance, Beginning of Year, as restated (Note 15)			8,439,833	
Fund Balance, End of Year			$ 7,708,581	

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

Statement of Net Position
Proprietary Fund
June 30, 2019

	Governmental Activities - Internal Service Fund
Assets	
Cash and investments	$ 69,394
Accounts receivable	31,317
Total assets	100,711
Liabilities and Net Position	
Liabilities	
Claims incurred but not reported	$ 5,600
Net Position	
Unrestricted	$ 95,111

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

Independent School District No. 206
Alexandria Public Schools
Statement of Changes in Net Position
Proprietary Fund
June 30, 2019

	Governmental Activities - Internal Service Fund
Additions	
Dental revenue	$ 372,543
Deductions	
Dental claims	397,551
Change in Net Position	(25,008)
Net Position, Beginning of Year	120,119
Net Position, End of Year	$ 95,111

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

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2019

	Governmental Activities - Internal Service Fund
Operating Activities	
Receipts from participants	$ 341,226
Payments for insurance claims and administration	(397,551)
Net cash used for operating activities	(56,325)
Cash and Investments, July 1	125,719
Cash and Investments, June 30	$ 69,394
Reconciliation of Operating Gain to Net Cash used for Operating Activities	
Operating Activities	
Operating gain	$ (25,008)
Adjustments to reconcile operating gain to net cash used for operating activities	-
Changes in assets and liabilities	
Accounts receivable	(31,317)
Net cash used for operating activities	$ (56,325)

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

Statement of Fiduciary Net Position
June 30, 2019

	Student Activities Agency Fund	OPEB Trust Fund
Assets		
Cash and investments	$ 432,125	$ 1,260,432
Liabilities and Net Position		
Liabilities		
Due to other organizations	$ 432,125	$ -
Net position		
Unrestricted	-	1,260,432
Total liabilities and net position	$ 432,125	$ 1,260,432

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

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2019

	OPEB Trust Fund
Additions	
Interest	$ 71,669
Deductions	
OPEB health insurance	848,813
Net Change in Net Position	(777,144)
Net Position, Beginning of Year, as restated (Note 15)	2,037,576
Net Position, End of Year	$ 1,260,432

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

Note 1 - Summary of Significant Accounting Policies

A. Organization

Independent School District No. 206, Alexandria Public Schools, Alexandria, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

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

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

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are reported in the Statement of Fiduciary Net Position at the fund financial statement level. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

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

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

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

D. Fund Financial Statement Presentation

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is receipts from participants. Operating expenses for the internal service fund includes payments for insurance claims and administration. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Description of Funds

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

Major Governmental Funds

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

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

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

Nonmajor Governmental Funds

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

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

Other Funds

Internal Service Fund – The Dental Internal Service Fund is used to account for the activities of the District's dental plan.

Agency Fund – The Student Activities Agency Fund is used to account for assets held by the District as an agent for other individuals and organizations.

Trust Fiduciary Fund – The Postemployments Benefits Irrevocable Trust Fund is used to report the resources set aside and held in an irrevocable arrangement for postemployment benefits, including health insurance premiums.

E. Other Significant Accounting Policies

Budgeting

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

Cash and Investments

Cash balances for all district funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the fund's average monthly cash and investments balance. Funds that incur a deficit balance in pooled cash and investments during the year are charged interest.

Deposits and investments consist of certificates of deposit and monies deposited with the Minnesota School District Liquid Asset Fund (MSDLAF), and Bremer Wealth, and are stated at market.

Cash Held with Fiscal Agent

In the Debt Service fund, the Series 2017A refunding bonds are to be used to refund the Series 2011A bonds when they are available to be paid. Series 2017A bond funds will be held as cash with fiscal agent until the Series 2011A debt is callable on February 1, 2022.

Receivables

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

Prepaid Items

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

Inventories

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

Property Taxes

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

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

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

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated assets are recorded as capital assets at their acquisition date of the donation. The District maintains a threshold level of $10,000 or more for capitalizing capital assets. Federally funded assets maintain a threshold of $5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Independent School District No. 206
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Notes to Financial Statements
June 30, 2019

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 50 years.

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

Long-Term Obligations

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

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

Pensions

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 9.

For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District has four items that qualify for reporting in this category. They are the contributions made to pension plans, the other postemployment benefit plan, and the other supplemental benefits plan after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are changes in the net other postemployment benefits liability, the net pension liability, and the other supplemental benefits liability not included in OPEB, pension, and other supplemental benefits expense reported in the government-wide statement of net position.

Accrued Employee Benefits

Vocation – The District compensates substantially all full-time noncertified employees for unused vacation upon termination. The expenditure for vacation pay is recognized when earned. As of June 30, 2019, this amount did not exceed a normal year's accumulation.

Sick Leave – The District grants 13 days per year with an accumulation of up to 120 days of sick leave. Upon accumulation of 120 days of leave each teacher will be eligible for a buy back for unused days to a maximum number of 10 days per year at a rate of $90 per day.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measure the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Risk Management

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

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's 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.

Fund Balance

The following classifications describe the relative strength of the spending constraints:

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

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

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

- Assigned fund balance amounts are comprised of unrestricted funds constrained by the school district's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district's intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. The school board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the following: the Superintendent and the Director of Business Services. Assignments so made shall be reported to the school board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the school board. An assigned fund balance cannot be a negative number.

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

If resources from more than one fund balance classification could be spent, the school district will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned. The school district will strive to maintain an unassigned general fund balance ranging between 11% and 16% of the annual general fund budget.

Note 2 - Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriates

Budget control for the General Fund is established by the fund's total appropriations. The General Fund has expenditures exceeding appropriations in the amount of $154,971 for the year ended June 30, 2019. This over expenditure was covered by available fund balance.

Deficit Fund Balance

The OPEB Debt Service Fund has a deficit balance of $497,141. The deficit fund balance is expected to be eliminated with future revenues.

Independent School District No. 206
Alexandria Public Schools
Notes to Financial Statements
June 30, 2019

Note 3 - Deposits and Investments

Deposits

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

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

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

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

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

Investments

Credit Risk – Investments

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

Custodial Credit Risk – Investments

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

Interest Rate Risk – Investments

The District does not have a formal policy that limits investment maturities.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2019:

- Equities of $442,924 are valued using quoted market prices (Level 1 inputs)
- Municipal bonds of $1,212,355 are valued using the matrix pricing model (Level 2 inputs)

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

Type	Fair Value	Investment Maturities (in Years) N/A	< 1	1 - 5
Cash and cash equivalents				
Minnesota School District Liquid Asset Fund	$ 1,027,102	$ 1,027,102	$ -	$ -
Deposits			-	-
Money market	16,339,591	16,339,591	-	-
Investments				
Equities	442,924	442,924	-	-
Fixed income	1,212,355	-	-	1,212,355
	$ 19,021,972	$ 17,809,617	$ -	$ 1,212,355

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

Cash and Investments - Statement of Net Position	$ 17,330,004
Cash and Investments - Statement of Fiduciary Net Position	1,692,557
	$ 19,022,561

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

Independent School District No. 206
Alexandria Public Schools
Notes to Financial Statements
June 30, 2019

Note 4 - Due from Other Governmental Units

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

Fund	Federal	State	Other	Total
Major funds				
General	$ 326,458	$ 3,720,669	$ 200,000	$ 4,247,127
Debt service	-	22,022	-	22,022
OPEB debt service	-	3,117	-	3,117
Non-major funds	-	58,444	-	58,444
	$ 326,458	$ 3,804,252	$ 200,000	$ 4,330,710

Note 5 - Capital Assets

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

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated				
Land	$ 6,031,424	$ -	$ -	$ 6,031,424
Construction in progress	-	364,081	-	364,081
Total capital assets, not being depreciated	6,031,424	364,081	-	6,395,505
Capital assets being depreciated:				
Buildings and improvements	128,850,178	125,143	-	128,975,321
Equipment	13,731,215	593,211	(354,457)	13,969,969
Land improvements	8,623,202	82,344	-	8,705,546
Total capital assets being depreciated	151,204,595	800,698	(354,457)	151,650,836
Less accumulated depreciation for				
Buildings and improvements	26,824,887	707,574	-	27,532,461
Equipment	10,264,893	2,622,155	(354,457)	12,532,591
Land improvements	4,568,689	310,415	-	4,879,104
Total accumulated depreciation	41,658,469	3,640,144	(354,457)	44,944,156
Net capital assets, depreciated	109,546,126	(2,839,446)	-	106,706,680
Total capital assets, net	$ 115,577,550	$ (2,475,365)	$ -	$ 113,102,185

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

Regular instruction	7,818
Vocational education instruction	2,272
Special education instruction	1,943
Pupil support services	325,225
Sites and buildings	3,302,330
Total depreciation expense	$ 3,640,144

Note 6 - Other Post-Employment Benefits

A. Plan Description

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District's health insurance plan after retirement. This plan covers active and retired employees. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. Contract groups receive other post-retirement benefits as follows:

Superintendent – For retirees reaching age 58 with 7 years of service, the District will pay the full medical insurance premium until Medicare eligibility for the retiree and spouse. For retirees reaching age 58 with 7 years of service, the District will pay the full premium at the time of retirement for a $50,000 life insurance policy until Medicare eligibility.

Principals and Administration – For retirees reaching age 55 (58 for Administration) with 10 years of service (or "Rule of 90"), and for Administration a hire date prior to July 1, 2015 and not electing to Defined Contribution Plan, the District will pay the full medical insurance premium until Medicare eligibility (includes HSA contributions up to IRS maximum) for the retiree and spouse. For retirees reaching age 55 (58 for Administration) with 10 years of service (or "Rule of 90"), the District will pay the full premium at the time of retirement for a $40,000 life insurance policy until age 65.

Cabinet – For retirees reaching age 58 with 7 years of service (or "Rule of 90"), and a hire date prior to July 1, 2015, the District will pay the full medical insurance premium until Medicare eligibility (includes HSA contributions up to IRS maximum) for the retiree and spouse. For retirees reaching age 58 with 7 years of service (or "Rule of 90"), the District will pay the full premium at the time of retirement for a $50,000 life insurance policy until age 65.

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June 30, 2019

Teachers – For retirees reaching age 55 with 10 years of service, and with a hire date prior to June 2014, 2014. The District will pay the Board Contribution for medical insurance premium at the same as active teachers (full single or 2/3 of family if retired before June 30, 2005) which is currently $525 per month until Medicare eligibility. For retirees reaching age 55 with 10 years of service, the District will pay the full premium at the time of retirement for a $10,000 life insurance policy until age 65.

Secretaries, Custodians, K-12 Classified Personnel and Food Service – For retirees reaching age 55 with 10 years of service, with a hire date prior to July 1, 2014 (and Custodians hired before July 1, 2014 or hired between June 1, 2014 and July 1, 2015 and not electing the Defined Contribution Plan), the District will pay the Board Contribution for medical insurance premium at the same as actives which is currently $465 per month, until Medicare eligibility.

Confidential Secretary – For retirees reaching age 55 with 10 years of service and a hire date prior to July 1, 2014, the District will pay the Board Contribution for medical insurance premium at the same as actives which is currently $465 per month, until Medicare eligibility. For retirees reaching age 55 with 10 years of service (or "Rule of 90"), the District will pay the full premium at the time of retirement for a $10,000 life insurance policy until age 65.

Supervisors – For retirees reaching age 55 with 10 years of service and a hire date prior to July 1, 2015 and not electing the Defined Contribution Plan, the District will pay the Board Contribution for medical insurance premium at the same as actives which is currently $545 per month, until Medicare eligibility.

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

B. Benefits Provided

The contract groups have access to other post-retirement benefits of blended medical premiums of $597/$518 (teachers/all others) for single and $1,594/$1,344 (teachers/all others) for family coverage. The implicit rate subsidy is only until Medicare eligibility. See plan descriptions above for medical and life subsidized benefits.

C. Employees Covered by Benefit Terms

At the valuation date of July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	92
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	524
	616

D. Net OPEB Liability

The District's net OPEB liability was measured as of July 1, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017

E. Actuarial Assumptions

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

Inflation	2.50 percent
Salary increases	4.00 percent
Investment rate of return	4.00 percent, net of OPEB plan investment expense
Healthcare cost trend rates	6.50 percent grading to 5.00% over 6 years

Mortality rates were based on the RP-2016 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study as of the same date.

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

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	20%	6.85%
Fixed Income	60%	3.10%
Cash	20%	2.30%

F. Discount Rate

The discount rate used to measure the total OPEB liability was 3.10%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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G. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiducaiary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018, as restated (Note 15)	$ 9,277,892	$ 2,037,576	$ 7,240,316
Changes from the Prior Year:			
Service Cost	466,323	-	466,323
Interest Cost	318,329	-	318,329
Assumption Changes	172,583	-	172,583
Projected Investment Return	-	57,706	(57,706)
Difference between Expected and Actual Experience	-	13,963	(13,963)
Benefit Payments	(848,813)	(848,813)	-
Total Net Changes	108,422	(777,144)	885,566
Balances at June 30, 2019	$ 9,386,314	$ 1,260,432	$ 8,125,882

The measurement date of the net OPEB liability was July 1, 2019; the date of the actuarial valuation on which the total OPEB liability is based was July 1, 2017. There have been no changes to plan provisions, assumptions, or methods since the prior report except for the following:

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

Changes of assumptions since prior measurement date:

- For the fiscal year ending June 30, 2018, health care trend rates, trend rates on the board contributions and mortality tables were updated.
- For the fiscal year ending June 30, 2019, the expected long term rate of return was changed from 4.00% to 3.70% and the discount was changed from 3.4% to 3.10%.

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

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.10%	3.10%	4.10%
Net OPEB Liability	$ 8,655,306	$ 8,125,882	$ 7,612,582

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

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Net OPEB liability	$ 7,167,529	$ 8,125,882	$ 9,248,471
Medical trend rate	5.25% decreasing to 4% over 5 years	6.25% decreasing to 5% over 5 years	7.25% decreasing to 6% over 5 years

I. OPEB Plan Fiduciary Plan

Detailed information about the OPEB plan's fiduciary net position is available in a separately issued OPEB financial report.

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

For the year ended June 30, 2019, the District recognized OPEB expense of $784,652. At June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	$ 816,607	$ 57,242

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

Years Ended June 30,	Pension Expense Amount
2020	$ 171,011
2021	171,012
2022	199,326
2023	195,802
2024	22,214

Note 7 - Supplemental Benefit Plan

A. Plan Description

The District provides a defined contribution supplemental pension benefit to certain eligible employees and report them following the guidance of GASB Statement No. 73. All of the pension benefits are based on contractual agreements with employee groups. Contract groups receive other supplement benefits as follows:

Teachers – For retirees reaching age 55 with 10 years of service, the benefit where probation is complete before July 1, 1998 and not electing the Matching Contribution Program is $30,000. All teachers with 20 years of service and electing the Matching Contribution Plan the benefit is $30,000 minus the District contributions to the Matching Contribution Plan. The limitation on the total benefit is $30,000 and matching contributions are equal to 2% of annual base salary up to $2,000 per year. The benefit is payable in 3 equal payments over 2 years to a 403(b) plan.

Principals and Administration – For retirees reaching age 55 (58 for Administration) with 10 years of service (or "Rule of 90"), the benefit is $40,500 minus the District contributions to the Matching Contribution Plan. The limitation on the total benefit is $40,500 and matching contributions are equal to 2% of annual base salary up to $2,000 per year. The benefit is payable in 3 equal payments over 2 years to a 403(b) plan.

Cabinet – For retirees reaching age 58 with 7 years of service (or "Rule of 90"), hired before July 1, 2012, and with a retirement date prior to July 1, 2015, the District will pay 5 days per year of service times the daily rate of pay at the time of termination, minus the District contributions to the Matching Contribution Plan. The limitation on the total benefit is 120 days and matching contributions are equal to 2% of annual base salary up to $2,000 per year. The benefit is payable in 3 equal payments over 2 years to a 403(b) plan. Cabinet employees hired prior to July 1, 2012 who retire in the future will no longer have a benefit.

K-12 Classified Employees, Secretaries, Paraprofessionals and Bus Drivers – For retirees reaching age 55 with 10 years of service (15 for Secretaries and 25 for K-12 Classified Employees) the benefit is a percentage of annual salary at the time of retirement at the following rates:

With 10-15 years of service 20%
With 16-19 years of service 30%
With 20+ years of service 40%

The benefit is payable in one lump sum.

Confidential Employees – For retirees reaching age 55 with 15 years of service the benefit is a percentage of annual salary at the time of retirement at the following rates:

With 15-19 years of service 30%
With 20-24 years of service 40%
With 25+ years of service 50%

The benefit is payable in one lump sum.

Food Service Employees – For retirees reaching age 55 with 20 years of service the District will pay $1,200 in one lump sum.

B. Employees Covered by Benefit Terms

At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	25
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	625
	650

C. Supplemental Benefits Liability

The District's supplemental benefits liability was measured as of July 1, 2019.

D. Actuarial Assumptions

The supplemental benefits liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent
Discount Rate	3.10 percent
20-Year Municipal Bond Yield	3.10 percent

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Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study as of July 1, 2017.

E. Discount Rate

The discount rate used to measure the supplemental benefits liability was 3.10%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates.

F. Changes in the Supplemental Benefits Liability

Service cost	$ 61,475
Interest cost	31,917
Assumption changes	8,505
Supplemental benefits cost	101,897
Benefit payments	(134,106)
Change in supplemental benefits obligation	(32,209)
Supplemental benefits liability, beginning of year	904,836
Supplemental benefits liability, end of year	$ 872,627

Sensitivity of the Supplemental Benefits Liability to Changes in Discount Rate

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.10%	3.10%	4.10%
Supplemental Benefits Liability	$ 910,754	$ 872,627	$ 385,795

G. Supplemental Benefits and Deferred Outflows and Inflows of Resources Related

For the year ended June 30, 2019, the District recognized supplemental benefits expense of $93,392. At June 30, 2019, the District reported deferred outflows of resources related to supplemental benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	$ 145,584	$ 746

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

Years Ended June 30,	Supplemental Benefits Expense Amount
2020	$ 16,008
2021	16,008
2022	16,008
2023	16,008
2024	16,008
Thereafter	64,798

Note 8 - Long-Term Liabilities

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

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Bonds payable	$ 151,215,000	$ -	$ 3,735,000	$ 147,480,000	$ 3,855,000
Unamortized bond premium	7,143,204	-	462,105	6,681,099	462,369
Direct borrowings, capital leases payable	656,159	463,924	462,717	657,366	342,276
Vacation and sick leave	332,918	410,308	453,318	289,908	289,908
	$ 159,347,281	$ 874,232	$ 5,113,140	$ 155,108,373	$ 4,949,553

Vacation and sick leave consists of vested vacation and sick leave as discussed in Note 1. These expenses are paid out of the general fund.

Capital leases payable are to account for items that the District has entered into leases that are considered capital assets to the District. These leases include copiers, buses, and network hardware. Total cost of capital lease assets as of June 30, 2019 was $2,669,068 and total accumulated depreciation on these assets as of June 30, 2019 was $1,321,293. Payments on capital leases are made out of the general fund.

In the current year the district added a capital lease for 5 busses. The lease calls for annual principal and interest payments of $129,007 for the first three years and $100,000 in the fourth year. Payments commence in September 2018 through September 2021.

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

Bond Description	Final	Interest Rate	Original Principal	Outstanding Balance
General Obligation Alternative and Capital Facilities Bonds Series 2010A	2025	1.25 - 4.5%	$ 5,820,000	$ 1,850,000
General Obligation School Building Bonds Series 2011A	2037	2 - 5%	64,500,000	61,440,000
General Obligation School Building Bonds Series 2011B	2037	2 - 3%	650,000	230,000
General Obligation OPEB Refunding Bonds Series 2013A	2029	3 - 3.65%	6,365,000	5,850,000
General Obligation Alternative Facilities and Capital Facilities Bonds Series 2015A	2031	2 - 3.125%	5,560,000	4,600,000
General Obligation School Building Refunding Bonds Series 2015B	2028	2 - 5%	16,895,000	15,420,000
General Obligation School Building Refunding Bonds Series 2017A	2037	4 - 5%	58,090,000	58,090,000
				$ 147,480,000

Bond principal and interest payments are made by the debt service fund, except for the principal and interest payments on the OPEB Refunding Bonds of 2013A, which are made by the OPEB debt service fund.

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

Years Ending June 30,	Bonds Payable		Capital Lease Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 3,855,000	$ 5,810,416	$ 342,276	$ 19,886	$ 4,197,276	$ 5,830,302
2021	4,070,000	5,710,265	218,585	10,422	4,288,585	5,720,687
2022	5,085,000	5,601,453	96,505	3,499	5,181,505	5,604,952
2023	4,985,000	5,440,053	-	-	4,985,000	5,440,053
2024	5,115,000	5,244,958	-	-	5,115,000	5,244,958
2025-2029	32,265,000	22,917,671	-	-	32,265,000	22,917,671
2030-2034	55,020,000	13,853,394	-	-	55,020,000	13,853,394
2035-2037	37,085,000	2,968,600	-	-	37,085,000	2,968,600
	$ 147,480,000	$ 67,546,810	$ 657,366	$ 33,807	$ 148,137,366	$ 67,580,617

Note 9 - Fund Balance

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

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

	General	Debt Service	OPEB Debt Service Fund	Other Government Funds	Totals
Nonspendable					
Inventory	$ 64,439	$ -	$ -	$ 11,263	$ 75,702
Prepaids	29,306	-	-	-	29,306
Total nonspendable	93,745	-	-	11,263	105,008
Restricted					
Debt service	-	959,668	-	-	959,668
Debt service bond refundings	-	60,780,000	-	-	60,780,000
Food service	-	-	-	496,475	496,475
Community education	-	-	-	700,128	700,128
Early childhood and family education	-	-	-	51,954	51,954
School readiness	-	-	-	77,017	77,017
Community service	-	-	-	61,659	61,659
Total restricted	-	61,739,668	-	1,387,233	63,126,901
Assigned					
Capital projects	1,675,000	-	-	-	1,675,000
Technology	750,000	-	-	-	750,000
Academic innovation projects	-	-	-	-	-
Total assigned	2,425,000	-	-	-	2,425,000
Unassigned	5,189,836	-	(497,141)	-	4,692,695
Total fund balance	$ 7,708,581	$ 61,739,668	$ (497,141)	$ 1,398,496	$ 70,349,604

Note 10 - Defined Benefit Pension Plans

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

Public Employees Retirement Association (PERA)

A. Plan Descriptions

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

All full-time and certain part-time employees of the District, other than teachers, are covered by General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic 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 are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

C. Contribution Rate

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

Coordinated Plan members were required to contribute 6.5% of pay of their annual covered salary in fiscal year 2019. The District was required to contribute 7.5% for Coordinated Plan members in calendar year 2018. The District's contributions to the GERF for the year ended June 30, 2019, were $603,559. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Actuarial Assumptions

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

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

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

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. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

E. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current active plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Pension Costs

At June 30, 2019, the District reported a liability of $7,073,177 for its proportionate share of the GERF's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $54,112. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the District's proportion was 0.1275%, which was an decrease of 0.0053% from June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of $356,612 for its proportionate share of GERF's pension expense. In addition, the District recognized an additional $54,112 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the GERF.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 194,649	$ 204,676
Changes in actuarial assumptions	670,368	817,361
Difference between projected and actual investment earnings	-	780,550
Changes in net pension liability proportion	336,094	253,761
District's contributions to GERF subsequent to the measurement date	603,559	-
Total	$ 1,804,670	$ 2,056,348

$603,559 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

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Years Ended June 30,	Pension Expense Amount
2020	$ 329,421
2021	(364,150)
2022	(672,878)
2023	(147,630)
2024	-

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	$ 11,494,819	$ 7,073,177	$ 3,423,239

H. Pension Plan Fiduciary Net Position

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

Teachers Retirement Association (TRA)

A. Plan Descriptions

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

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

B. Benefits Provided

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

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

Tier I Benefits

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

With these provisions:

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

or

Tier II Benefits

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

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.

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

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

C. Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ending June 30, 2017, June 30, 2018, and June 30, 2019 were:

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

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

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

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

D. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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 incrasing by 0.1% each year up to 1.5% annually.
Mortality assumptions	
Pre-retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.

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

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

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

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is six years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of 6 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is 5 years as required by GASB 68.

Changes in actuarial assumptions since the 2017 valuation

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

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50 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 year 2018 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

At June 30, 2019, the District reported a liability of $24,374,474 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on The District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.3881% at the end of the measurement period and 0.3809% for the beginning of the year.

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

District's proportionate share of net pension liability	$ 24,374,474
State's proportionate share of the net pension liability associated with the district	$ 2,289,882

For the year ended June 30, 2019, the District recognized pension expense of ($16,432,217). It also recognized $1,598,189 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 7,588	$ 483,480
Changes in actuarial assumptions	30,286,902	41,401,088
Difference between projected and actual investment earnings	-	1,977,685
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,947,977	205,229
District's contributions to TRA subsequent to the measurement date	1,684,361	-
Total	$ 34,926,828	$ 44,067,482

$1,684,361 was reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

Years Ended June 30,	Pension Expense Amount
2020	$ 2,299,777
2021	1,692,937
2022	305,451
2023	(8,775,409)
2024	(6,347,771)

G. Net Pension Liability

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	$ 38,682,192	$ 24,374,474	$ 12,570,701

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

H. Pension Plan Fiduciary Net Position

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

Note 11 - Employee Benefit Plan 403(B)

All teachers having completed their tenth year of teaching in the District are eligible to participate in the matching 403(b) program. The District will match the employees' deferral up to a maximum of $2,000 per year. The maximum career matching contribution by the District will not exceed $30,000 per teacher. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2019, 2018, and 2017 were $254,239, $247,720, and $240,708.

Note 12 - Dental Self-Insurance

The District is self-insured with respect to dental insurance costs. The District implemented the self-insurance medical plan on July 1, 1985. Terms of the plan do not include a stop-loss provision which would limit the District's liability. The following is the activity for the year ended June 30, 2019:

Claims incurred but not reported at beginning of year	$ 5,600
Claims incurred	356,657
Claims paid	(356,657)
Claims incurred but not reported at end of year	$ 5,600

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Note 13 - Commitments and Contingencies

Federal and State Revenue

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

Construction Commitment

During the year ended June 30, 2019 the District began an addition to the Miltona School Building. This project has an estimated total project cost of $988,966, with $364,081 of that value expended prior to year-end. The expected project completion date is August 30, 2019.

Note 14 - Related Organizations

Lakes Area Recreation was established by an agreement between Independent School District No. 206 and the Alexandria and LaGrande Townships, pursuant to authority contained in the Minnesota State Statute 471.59. The Recreation Board is responsible for legislative and fiscal control of the program. The majority of the Recreation Program's funding is provided by patron fees and local government contributions.

The Runestone Area Education District No. 61-6014 was organized on August 15, 1988. The purpose of the Education District is to increase options for learning and access to educational opportunities for all residents within the boundaries of the member districts by facilitating cooperation among school districts. Funding is provided by the member districts. The following school districts are member of the Runestone Area Education District:

Independent School District No. 206, Alexandria, Minnesota
Independent School District No. 2908, Brandon - Evansville, Minnesota
Independent School District No. 213, Osakis, Minnesota
Independent School District No. 2149, Glenwood, Minnesota
Independent School District No. 547, Parkers Prairie, Minnesota

Central Minnesota Educational Telecommunications System, (CMETS) is a joint powers entity established pursuant to provisions of Minnesota Statute Section 471.59. The purpose of CMETS is to provide a comprehensive educational program for all member districts involved. Member districts jointly provide planning, research, purchasing, development, implementation, and programming of distance learning systems and technological services. The following school districts are members of CMETS:

Independent School District No. 745, Albany, Minnesota
Independent School District No. 206, Alexandria, Minnesota
Independent School District No. 2908, Brandon - Evansville, Minnesota
Independent School District No. 213, Osakis, Minnesota
Independent School District No. 547, Parkers Prairie, Minnesota
Independent School District No. 740, Melrose, Minnesota
Independent School District No. 743, Sauk Centre, Minnesota
Independent School District No. 2149, Glenwood, Minnesota

Each joint venture's financial statements are audited and available for inspection.

Note 15 - Restatement of Beginning of Net Position and Fund Balance

In 2019, the District determined the general fund cash, fund balance, and net position related to governmental activities were overstated due to fiduciary trust fund activity being included within the general fund. Beginning fund balance and net position were restated as a result.

Governmental Activities	
Net Position - June 30, 2018, as previously reported	$ (32,498,668)
Restatement due to fiduciary trust fund activity recorded in the general fund	(477,954)
Net Position - July 1, 2018, as restated	$ (32,976,622)
General Fund	
Fund Balance - June 30, 2018, as previously reported	$ 8,917,787
Restatement due to fiduciary trust fund activity recorded in the general fund	(477,954)
Fund Balance - July 1, 2018, as restated	$ 8,439,833
OPEB Trust Fund	
Fund Balance - June 30, 2018, as previously reported	$ 1,559,622
Restatement due to fiduciary trust fund activity recorded in the general fund	477,954
Fund Balance - July 1, 2018, as restated	$ 2,037,576

Note 16 - Interfund Transfers

As of June 30, 2019, the District's general fund transferred $641 to the food service fund to cover uncollectable meal payments.

Note 17 - Issued But Non-effective Accounting Pronouncements

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

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

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

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

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

As a result of implementing GASB Statement No. 84, management expects assets of $431,536 currently reported within the Student Activities Agency Fund will be reported within the General Fund beginning July 1, 2019. Management has not yet determined the effect GASB Statements No. 87, 89, 90 and 91 will have on the District's financial statement.

Required Supplementary Information
June 30, 2019

Independent School District No. 206
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Schedule of Changes in the District's Net OPEB Liability and Related Ratios, Last 10 Fiscal Years*

	2019	2018	2017
Service cost	$ 466,323	$ 431,504	$ 392,975
Interest	318,329	285,045	290,515
Assumption changes	172,583	955,246	-
Differences between expected and actual experience	-	103,033	-
Benefit payments	(848,813)	(890,791)	(875,121)
Net change in total OPEB liability	108,422	884,037	(191,631)
Total OPEB liability - beginning	9,277,892	8,393,855	8,585,486
Total OPEB liability - ending (a)	$ 9,386,314	$ 9,277,892	$ 8,393,855
Plan fiduciary net position			
Projected investment return	$ 57,706	$ 93,438	$ 118,057
Differences between expected and actual experience	13,963	-	141,574
Benefit payments	(848,813)	(890,791)	(875,121)
Net change in plan fiduciary net position	(777,144)	(797,353)	(615,490)
Total fiduciary net position - beginning, as restated on July 1, 2018	2,037,576	2,335,947	2,951,437
Total fiduciary net position - ending (b)	$ 1,260,432	$ 1,538,594	$ 2,335,947
District's net OPEB liability - ending (a) - (b)	$ 8,125,882	$ 7,739,298	$ 6,057,908
Plan fiduciary net position as a percentage of the total OPEB Liability	13.43%	16.58%	27.83%
Covered-employee payroll	$27,098,253	$26,308,983	$24,033,865
District's net OPEB liability as a percentage of covered-employee payroll	29.99%	29.42%	25.21%

*GASB Statements No. 74/75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Schedule of District OPEB Contributions, Last 10 Fiscal years*

	2019	2018	2017
Actuarially determined contribution	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$27,098,253	$26,308,983	$24,033,865
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

*GASB Statements No. 74/75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Note to the Schedule of District Contributions

Valuation date	June 30, 2017
Actuarial cost method	Entry Age, level percentage of pay
Amortization method	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes. Closed five-year period for differences between expected and actual asset returns.
Amortization period	20 years
Asset valuation method	Closed five-year period
Inflation	2.50 percent
Healthcare cost trend rates	6.25 percent in 2018 grading to 5.00 percent over 5 years
Salary increases	3.00 percent
Investment rate of return	3.70 percent (net of investment expenses)
Retirement age	In the July 1, 2017 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience.
Mortality	RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale

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

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (d) (a+b)	Employer's Covered-Employee Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2014	0.1196%	$ 5,618,209	N/A	$ 5,618,209	$ 6,499,980	86.4%	78.8%
PERA	6/30/2015	0.1203%	$ 6,234,570	N/A	$ 6,234,570	$ 7,342,953	84.9%	78.2%
PERA	6/30/2016	0.1265%	$ 10,271,173	$ 134,091	$ 10,405,264	$ 8,125,945	126.4%	68.9%
PERA	6/30/2017	0.1328%	$ 8,477,864	$ 106,609	$ 8,584,473	$ 8,563,613	99.0%	75.9%
PERA	6/30/2018	0.1275%	$ 7,073,177	$ 232,044	$ 7,305,221	$ 8,521,560	83.0%	79.5%
TRA	6/30/2014	0.3817%	$ 17,588,461	$ 1,237,470	$ 18,825,931	$ 17,696,238	99.4%	81.5%
TRA	6/30/2015	0.3533%	$ 21,855,099	$ 2,680,496	$ 24,535,595	$ 18,773,863	116.4%	76.8%
TRA	6/30/2016	0.3739%	$ 89,184,071	$ 8,951,105	$ 98,135,176	$ 19,882,744	448.6%	44.9%
TRA	6/30/2017	0.3809%	$ 76,034,550	$ 7,349,657	$ 83,384,207	$ 19,491,680	390.1%	51.6%
TRA	6/30/2018	0.3881%	$ 24,374,474	$ 2,289,882	$ 26,664,356	$ 21,440,507	113.7%	78.1%

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

Schedule of Employer's Contributions
Last 10 Fiscal Years *

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
PERA	6/30/2015	$ 527,584	$ 527,584	$ -	$ 7,034,453	7.5%
PERA	6/30/2016	$ 588,688	$ 588,688	$ -	$ 7,849,173	7.5%
PERA	6/30/2017	$ 642,271	$ 642,271	$ -	$ 8,563,613	7.5%
PERA	6/30/2018	$ 639,117	$ 639,117	$ -	$ 8,521,560	7.5%
PERA	6/30/2019	$ 603,559	$ 603,559	$ -	$ 8,047,451	7.5%
TRA	6/30/2015	$ 1,359,295	$ 1,359,295	$ -	$ 18,123,933	7.5%
TRA	6/30/2016	$ 1,461,876	$ 1,461,876	$ -	$ 19,491,680	7.5%
TRA	6/30/2017	$ 1,461,876	$ 1,461,876	$ -	$ 19,491,680	7.5%
TRA	6/30/2018	$ 1,614,006	$ 1,614,006	$ -	$ 21,520,080	7.5%
TRA	6/30/2019	$ 1,684,361	$ 1,684,361	$ -	$ 21,874,813	7.7%

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

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions
PERA Changes in Actuarial Assumptions:

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

Independent School District No. 206
Alexandria Public Schools
Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions
June 30, 2019

PERA Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

TRA Changes in Actuarial Assumptions

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

- PERA's CAFR may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.
- Additional financial and actuarial information can be found in TRA's GASB 67-68 report. Both reports can be obtained at https://minnesotatra.org/wp-content/uploads/2019/01/2018-MN-TRA-GASB-67-68-Reportscombined.pdf

Schedule of Changes in Supplemental Benefits Liability
Last 10 Fiscal Years *

	2019	2018	2017
Supplemental benefits liability, beginning of year	$ 904,836	$ 906,753	$ 1,039,127
Service cost	61,475	57,160	60,479
Interest cost	31,917	28,472	33,570
Assumption changes	8,505	(912)	-
Differences between expected and actual experience	-	168,487	-
Benefit payments	(134,106)	(255,124)	(226,423)
Supplemental benefits liability, end of year	$ 872,627	$ 904,836	$ 906,753

* GASB Statement No. 73 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, the District will present information for those years for which information is available.

Schedule of Supplemental Benefits Liability
Last 10 Fiscal Years *

	2019	2018	2017
Supplemental benefits liability	$ 872,627	$ 904,836	$ 906,753
Covered-employee payroll	$ 27,067,479	$ 26,279,106	$ 24,863,378
Supplemental benefits liability as a percentage of covered-employee payroll	3.22%	3.44%	3.65%

There are no assets accumulated in an irrevocable trust to pay plan benefits.

* GASB Statement No. 73 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, the District will present information for those years for which information is available.

PROPOSAL SALE DATE: July 20, 2020

Independent School District No. 206
Alexandria, Minnesota
$1,915,000* General Obligation Capital Facilities 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 $1,895,850) plus accrued interest, if any, to the date of delivery.

Year	Interest Rate (%)	Yield (%)	Dollar Price	Year	Interest Rate (%)	Yield (%)	Dollar Price
2022	______%	______%	______%	2027	______%	______%	______%
2023	______%	______%	______%	2028	______%	______%	______%
2024	______%	______%	______%	2029	______%	______%	______%
2025	______%	______%	______%	2030	______%	______%	______%
2026	______%	______%	______%	2031	______%	______%	______%

Designation of Term Maturities

Years of Term Maturities _____________ _____________

_____________ _____________

In making this offer on the sale date of July 20, 2020 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated June 29, 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: bond_services@bakertilly.com