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

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 6, 2020

NEW ISSUE — **Moody's MNSDCEP Rating: Aa2**
NOT BANK QUALIFIED — **Moody's Underlying Rating: Baa1**

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

$11,900,000*
Independent School District No. 720,
Shakopee Public Schools, Minnesota
General Obligation Facilities Maintenance Bonds, Series 2020B
(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, 2020**

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

2021	$675,000	2024	$685,000	2027	$770,000	2030	$850,000	2033	$905,000
2022	$635,000	2025	$715,000	2028	$805,000	2031	$870,000	2034	$925,000
2023	$660,000	2026	$745,000	2029	$835,000	2032	$885,000	2035	$940,000

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

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

The Bonds are general obligations of the District for which the District pledges its full faith and credit and power to levy direct general ad valorem taxes. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Bonds when due if the District is unable to make a principal or interest payment. The proceeds of the Bonds will be used to finance various health and safety updates and improvements across existing District facilities, pursuant to its 10-year facilities plan.

Proposals shall be for not less than $11,900,000 (Par) plus accrued interest, if any, on the total principal amount of the Bonds. Proposals shall specify rates in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater Following receipt of proposals, a good faith deposit will be required to be delivered to the District by the lowest bidder as described in the "Terms of Proposal" herein. Award of the Bonds will be made on the basis of True Interest Cost (TIC).

The District will not 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.) U.S Bank National Association, Saint Paul, Minnesota will serve as registrar (the "Registrar") for the Bonds. The Bonds will be available for delivery at DTC on or about March 26, 2020.

PROPOSALS RECEIVED: Monday, February 24, 2020 until 10:30 A.M., Central Time
CONSIDERATION OF AWARD: Board meeting commencing at 6:00 P.M., CT on Monday, February 24, 2020

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bakertilly
MUNICIPAL ADVISORS
now joined with
Springsted and Umbaugh

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

* *Preliminary; subject to change.*

INDEPENDENT SCHOOL DISTRICT NO. 720,
SHAKOPEE PUBLIC SCHOOLS, MINNESOTA

SCHOOL BOARD

Kristi Peterson	Chair
Judi Tomczik	Vice Chair
Paul Christiansen	Clerk
Joe Aldrich	Treasurer
Tim Brophy*	Director
Matt McKeand	Director
Angela Tucker	Director

* *On January 6, 2020, the School Board selected Tim Brophy to be appointed to the seat vacated by Reggie Bowerman's resignation effective December 31, 2019. Due to a required 30-day waiting period, Mr. Brophy's final appointment to the School Board will occur on February 10, 2020.*

SUPERINTENDENT

Dr. Mike Redmond

DIRECTOR OF FINANCE AND OPERATIONS

Bill Menozzi

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Saint Paul, Minnesota

BOND COUNSEL

Knutson, Flynn & Deans, Professional Association
Mendota Heights, Minnesota

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

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

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

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

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

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

TABLE OF CONTENTS

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

$11,900,000*

INDEPENDENT SCHOOL DISTRICT NO. 720,

SHAKOPEE PUBLIC SCHOOLS, MINNESOTA

GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2020B

(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. 720, Shakopee Public Schools, Minnesota (the "District") on Monday, February 24, 2020 (the "Sale Date") until 10:30 A.M., Central Time at the offices of Baker Tilly Municipal Advisors, LLC ("Baker Tilly MA"), 380 Jackson Street, Suite 300, Saint Paul, Minnesota, 55101, after which time proposals will be opened and tabulated. Consideration for award of the Bonds will be by the School Board at its meeting commencing at 6:00 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

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

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

OR

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

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, 2020. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

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

2021	$675,000	2024	$685,000	2027	$770,000	2030	$850,000	2033	$905,000
2022	$635,000	2025	$715,000	2028	$805,000	2031	$870,000	2034	$925,000
2023	$660,000	2026	$745,000	2029	$835,000	2032	$885,000	2035	$940,000

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

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

BOOK ENTRY SYSTEM

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

REGISTRAR

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

OPTIONAL REDEMPTION

The District may elect on February 1, 2028, and on any day thereafter, to redeem Bonds due on or after February 1, 2029. Redemption may be in whole or in part and if in part at the option of the District and in such manner as the District shall determine. If less than all Bonds of a maturity are called for redemption, the District will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be general obligations of the District for which the District will pledge its full faith and credit and power to levy direct general ad valorem taxes. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Bonds when due if the District is unable to make a principal or interest payment. The proceeds of the Bonds will be used to finance various health and safety updates and improvements across existing District facilities, pursuant to its 10-year facilities plan.

BIDDING PARAMETERS

Proposals shall be for not less than $11,900,000 (Par) plus accrued interest, if any, on the total principal amount of the Bonds. No proposal can be withdrawn or amended after the time set for receiving proposals on the Sale Date unless the meeting of the District scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

ESTABLISHMENT OF ISSUE PRICE

In order to provide the District with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (collectively, the "Code"), the Purchaser will be required to assist the District in establishing the issue price of the Bonds and shall complete, execute, and deliver to the District prior to the closing date, a written certification in a form acceptable to the Purchaser, the District, and Bond Counsel (the "Issue Price Certificate") containing the following for each maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (i) the interest rate; (ii) the reasonably expected initial offering price to the "public" (as said term is defined in Treasury Regulation Section 1.148-1(f) (the "Regulation")) or the sale price; and (iii) pricing wires or equivalent communications supporting such offering or sale price. Any action to be taken or documentation to be received by the District pursuant hereto may be taken or received on behalf of the District by Baker Tilly MA.

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

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

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

If all of the requirements of a "competitive sale" are not satisfied, the District shall advise the Purchaser of such fact prior to the time of award of the sale of the Bonds to the Purchaser. **In such event, any proposal submitted will not be subject to cancellation or withdrawal.** Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Purchaser shall advise the District and Baker Tilly MA if 10% of any maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which it was sold. The District will treat such sale price as the "issue price" for such maturity, applied on a maturity-by-maturity basis.

The District will not require the Purchaser to comply with that portion of the Regulation commonly described as the "hold-the-offering-price" requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the District will apply the initial offering price to the public provided in the proposal as the issue price for such maturities. If the Purchaser does not exercise that option, it shall thereafter promptly provide the District and Baker Tilly MA the prices at which 10% of such maturities are sold to the public; provided such determination shall be made and the District and Baker Tilly MA notified of such prices whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a maturity have been sold.

GOOD FAITH DEPOSIT

To have its proposal considered for award, the Purchaser is required to submit a good faith deposit to the District in the amount of $119,000 (the "Deposit") no later than 1:30 P.M., Central Time on the Sale Date. The Deposit may be delivered as described herein in the form of either (i) a certified or cashier's check payable to the District; or (ii) a wire transfer. The Purchaser shall be solely responsible for the timely delivery of its Deposit whether by check or wire transfer. Neither the District nor Baker Tilly MA have any liability for delays in the receipt of the Deposit. If the Deposit is not received by the specified time, the District may, at its sole discretion, reject the proposal of the lowest bidder, direct the second lowest bidder to submit a Deposit, and thereafter award the sale to such bidder.

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

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

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

AWARD

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

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

BOND INSURANCE AT PURCHASER'S OPTION

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

CUSIP NUMBERS

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

SETTLEMENT

On or about March 26, 2020, the Bonds will be delivered without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Knutson, Flynn & Deans, a Professional Association of Mendota Heights, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds that shall be received at the offices of the District or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Bonds has been made impossible by action of the District, or its agents, the Purchaser shall be liable to the District for any loss suffered by the District by reason of the Purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

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

OFFICIAL STATEMENT

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

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

Dated January 27, 2020 BY ORDER OF THE SCHOOL BOARD

/s/ Paul Christiansen
Clerk

OFFICIAL STATEMENT

$11,900,000*

INDEPENDENT SCHOOL DISTRICT NO. 720,
SHAKOPEE PUBLIC SCHOOLS, MINNESOTA

GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2020B

(MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM)

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement contains certain information relating to Independent School District No. 720, Shakopee Public Schools, Minnesota (the "District") and its issuance of $11,900,000* General Obligation Facilities Maintenance Bonds, Series 2020B (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. Bill Menozzi, Director of Finance and Operations Independent School District No. 720, Shakopee Public Schools, 505 Holmes Street South, Shakopee, Minnesota 55379 by telephoning (952) 496- 5011or by e-mailing wmenozzi@shakopee.k12.mn.us.. Inquiries may also be made to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887, by telephoning (651) 223-3000, or by e-mailing bond_services@bakertilly.com. If information of a specific legal nature is desired, requests may be directed to Mr. Thomas S. Deans, of Knutson, Flynn & Deans, Professional Association, Bond Counsel, 1155 Centre Pointe Drive, Suite 10, Mendota Heights, Minnesota 55120, by telephoning (651) 225-0616, or by e-mailing tdeans@kfdmn.com.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 (the "Rule"), pursuant to a Resolution adopted by the School Board on January 27, 2020 and Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the District on or before closing, the District has and will covenant for the benefit of holders or beneficial owners of the Bonds to provide certain financial information and operating data relating to the District to certain information repositories annually, and to provide notices of the occurrence of certain events enumerated in the Rule to certain information repositories or the Municipal Securities Rulemaking Board and to any state information depository. The specific nature of the Certificate, as well as the information to be contained in the annual report or the notices of material events is set forth in the Certificate in substantially the form attached hereto as Appendix II, subject to such modifications thereof or additions thereto as: (i) consistent with requirements under the Rule, (ii) required by the purchaser of the Bonds from the District, and (iii) acceptable to the Chair and Clerk of the District.

* *Preliminary; subject to change.*

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, except as follows:

- Under its previous undertakings, the District's annual continuing disclosure requirements include the filing of certain annual operating data. For the fiscal years ended June 30, 2015 and 2016, the following operating data was not included in the annual filings: (i) Student Body; and (ii) Employment/Unemployment Data. This information, along with a failure to timely file notice, was filed with the MSRB via EMMA on April 20, 2018.

- Prior continuing disclosure undertakings entered into by the District included language stating that the District's audited financial statements would be filed "as soon as available." Although not always filed "as soon as available," the audited financial statements were filed within the required twelve (12) month timeframe as required in each undertaking. A notice regarding this information was filed with the MSRB via EMMA on March 20, 2018.

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

THE BONDS

General Description

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

Redemption Provisions

Thirty days' written notice of redemption shall be given to the registered owner(s) of the Bonds. Failure to give such written notice to any registered owner of the Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Bonds. All Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

<u>Optional Redemption</u>

The District may elect on February 1, 2028, and on any day thereafter, to redeem Bonds due on or after February 1, 2029. Redemption may be in whole or in part and if in part at the option of the District and in such manner as the District shall determine. If less than all the Bonds of a maturity are called for redemption, the District will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

Book Entry System

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

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

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

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

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

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

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

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

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

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

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

AUTHORITY AND PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, Section 123B.595, and Section 126C.55. The proceeds of the Bonds will be used to finance various health and safety updates and improvements across existing District facilities, pursuant to its 10-year facilities plan.

SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Principal Amount	$11,900,000
Estimated Reoffering Premium	643,319
Total Sources of Funds	$12,543,319
Uses of Funds:	
Deposit to Construction Fund	$12,372,910
Estimated Underwriter's Compensation	101,150
Costs of Issuance	69,259
Total Uses of Funds	$12,543,319

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 will appropriate money to the payment of the principal and interest on the Bonds when due if the District is unable to make a principal or interest payment. The District made its first levy for the Bonds in 2019 for collection in 2020. Each year's collection of taxes, if collected in full, will be sufficient to pay 105% of the interest payment due August 1 of the collection year and the principal and interest payment due February 1 of the following year.

The District is permitted to issue facilities maintenance bonds pursuant to Minnesota Statutes, Section 123B.595 and must comply with the following requirements: (i) the District must have a ten-year facility plan adopted by the School Board and approved by the Commissioner of Education, and (ii) the District must demonstrate that the amount required to pay principal and interest on any outstanding facilities maintenance bonds in each year will not exceed the projected Long-Term Facilities Maintenance (LTFM) Revenue for that year.

The District received approval from the Commissioner of Education on its ten-year facility plan on September 23, 2019, and the District's current annual LTFM Revenue is $2,844,318. The maximum levy required to pay principal and interest on the Bonds, which are the District's only currently outstanding alternative facilities or facilities maintenance bonds is $1,025,015, which is within the statutory limit.

MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM

By resolution adopted for this issue on January 27, 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 may issue general obligation facilities maintenance bonds and/or general obligation refunding bonds within the next 90 days in amounts yet to be determined.

LITIGATION

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

LEGALITY

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

TAX EXEMPTION

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

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

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

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

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

NOT BANK-QUALIFIED TAX-EXEMPT OBLIGATIONS

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

RATINGS

Moody's Investors Service ("Moody's"), 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York has assigned to the Bonds (i) an underlying rating of "Baa1", and (ii) a rating of "Aa2" based on the Minnesota School District Credit Enhancement Program The ratings 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 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, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

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

CERTIFICATION

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

DISTRICT PROPERTY VALUES

Trend of Values[(a)]

Assessment/ Collection Year	Assessor's Estimated Market Value	Sales Ratio[(b)]	Economic Market Value[(c)]	Market Value Homestead Exclusion	Taxable Market Value	Adjusted Taxable Net Tax Capacity
2018/19	$5,435,682,000	90.15%	$5,940,664,797	$153,794,062	$5,159,020,800	$60,420,682
2017/18	5,133,094,500	92.58	5,449,954,297	162,589,200	4,857,543,700	57,032,951
2016/17	4,839,275,000	90.12	5,268,478,275	172,839,800	4,572,534,200	54,930,192
2015/16	4,632,228,400	96.19	4,738,255,242	172,193,600	4,373,153,300	51,591,841
2014/15	4,407,454,000	97.73	4,436,069,552	180,585,400	4,149,968,800	48,960,266

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

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

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

Source: Scott County, Minnesota, November 2019, except as otherwise noted.

2018/19 Adjusted Taxable Net Tax Capacity: $60,420,682*

Real Estate:		
Residential Homestead	$37,557,354	58.0%
Commercial/Industrial, Railroad and Public Utility	25,113,557	38.8
Agricultural and Other	1,237,031	1.9
Personal Property	841,815	1.3
2018/19 Net Tax Capacity	$64,749,757	100.0%
Less: Captured Tax Increment	(1,657,341)	
Contribution to Fiscal Disparities	(9,387,669)	
Plus: Distribution from Fiscal Disparities	6,715,935	
2018/19 Adjusted Taxable Net Tax Capacity	$60,420,682	

* *Excludes mobile home valuation of $23,830.*

Ten of the Largest Taxpayers in the District

Taxpayer	Type of Property	2018/19 Net Tax Capacity
Relp Shakopee, LLC	Commercial	$1,261,750
Xcel Energy	Utility	997,582
Duke Realty LP	Commercial	959,595
Rahr Malting Company	Commercial	691,448
St. Francis Regional Medical Center	Healthcare	543,282
J&J Minneapolis, LLC	Commercial	493,434
WOP Addison LLC	Apartments	473,100
Seagate Technology LLC	Commercial	461,642
Lothernbach Properties	Commercial	453,424
Shakkin LLC	Commercial	450,916
Total		$6,786,173*

* *Represents 10.5% of the District's 2018/19 adjusted taxable net tax capacity.*

DISTRICT INDEBTEDNESS

Legal Debt Limit and Debt Margin*

Legal Debt Limit (15% of 2018/19 Economic Market Value of $5,940,664,797)	$891,099,720
Less: Outstanding Debt Subject to Limit (Including the Bonds)	(165,680,000)
Legal Debt Margin as of March 26, 2020	$725,419,720

* *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*

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 3-26-20
2-1-12	$39,000,000	School Building Refunding	2-1-2025	$ 20,540,000
2-21-13	38,325,000	School Building Refunding	2-1-2026	25,385,000
12-1614	12,055,000	Refunding	2-1-2022	2,260,000
7-2015	85,030,000	School Building	2-1-2034	65,185,000
7-2015	12,130,000	School Building	2-1-2036	12,130,000
5-4-16	15,025,000	Crossover Refunding	2-1-2036	13,560,000
2-20-20	4,990,000	Capital Facilities	2-1-2035	4,990,000
3-26-20	11,900,000	Facilities Maintenance (the Bonds)	2-1-2035	11,900,000
Total				$155,950,000

* *These issues are subject to the legal debt limit.*

Lease Obligations*

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 3-26-20
12-30-13	$13,175,000	Certificates of Participation	2-1-2033	$9,730,000

* *This issue is subject to the legal debt limit.*

Estimated Calendar Year Debt Service Payments Including the Bonds

	G.O. Debt Supported Solely by Taxes		Lease Obligations	
Year	Principal	Principal & Interest(a)	Principal	Principal & Interest
2020 (at 3-26)	(Paid)	$ 3,101,169	(Paid)	$ 204,034
2021	$ 18,945,000	24,815,495	$ 625,000	1,020,569
2022	13,440,000	18,549,720	655,000	1,024,969
2023	14,200,000	18,679,595	680,000	1,023,269
2024	14,875,000	18,716,695	660,000	976,469
2025	15,505,000	18,752,320	685,000	974,569
2026	16,600,000	19,213,570	715,000	976,569
2027	5,535,000	7,702,233	740,000	972,469
2028	5,775,000	7,726,070	770,000	971,306
2029	6,120,000	7,841,520	805,000	972,838
2030	6,350,000	7,838,970	835,000	967,466
2031	6,585,000	7,832,470	800,000	896,700
2032	6,830,000	7,826,720	880,000	939,400
2033	7,090,000	7,843,744	880,000	899,800
2034	4,485,000	5,049,961		
2035	7,435,000	7,796,578		
2036	6,180,000	6,295,875		
Total	$155,950,000(b)	$195,582,705	$9,730,000(c)	$12,820,427

(a) *Includes the Bonds at an assumed average annual interest rate of 2.57%.*

(b) *75.2% of this debt will be retired within ten years.*

(c) *73.7% of this debt will be retired within ten years.*

Other Debt Obligations

Capital Leases

The District has entered into various capital leases for computers, iPads, and Apple TVs. The following is a schedule by years of future minimum rental payments required under these operating leases as of June 30:

Year Ending June 30	
2020	$1,656,143
2021	1,202,549
2022	695,410
2023	303,379
Total minimum lease payments	$3,857,481
Less amount representing interest	(77,934)
Total	$3,779,547

Operating Leases

The District has entered into various operating leases for its Area Learning Center, District office, and use of the City's ice rink. Minimum future rental payments under the non-cancelable operating leases are:

Year Ending June 30	
2020	$ 428,003
2021	211,714
2022	125,000
2023	125,000
2024	125,000
2025-2027	375,000
Total	$1,389,717

For more information with respect to the District's capital and operating leases, please reference "Note 4, Long Term Debt, D. Capital Lease Obligations," and "Note 4, Long Term Debt, E. Operating Lease Obligations" of the District's Comprehensive Annual Financial Report for fiscal year ended June 30, 2019, an excerpt of which is included as Appendix IV of this Official Statement.

Overlapping Debt

Taxing Unit[(a)]	2018/19 Adjusted Taxable Net Tax Capacity	Est. G.O. Debt As of 3-26-20[(b)]	Debt Applicable to Tax Capacity in City Percent	Amount
Scott County	$ 201,485,950	$112,490,000	30.0%	$33,747,000
City of Prior Lake	37,986,130	33,930,000	2.6	882,180
City of Savage	39,556,329	35,330,000[(c)]	6.4	2,261,120
City of Shakopee	54,642,684	32,910,000	95.1	31,297,410
Town of Sand Creek	3,126,260	325,000[(d)]	10.9	35,425
Metropolitan Council	4,281,620,797	4,535,000[(e)]	1.4	63,490
Metropolitan Transit	3,433,535,041	221,425,000	1.6	3,542,800
Total				$71,829,425

(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) *Includes lease revenue bonds issued by the Savage Economic Development Authority and the Agency.*

(d) *Debt as of December 31, 2018; most recent information available.*

(e) *Excludes general obligation debt supported by wastewater revenues and housing rental payments. Includes certificates of participation.*

Debt Ratios*

	G.O. Direct Debt	G.O. Direct & Overlapping Debt
To 2018/19 Estimated Market Value ($5,435,682,000)	3.05%	4.37%
Per Capita - (48,176 – 2018 U.S. Census Estimate)	$3,439	$4,930

* *Includes lease obligations and excludes other debt obligations.*

DISTRICT TAX RATES, LEVIES AND COLLECTIONS

Tax Capacity Rates for a City Resident in Independent School District No. 720 (Shakopee)

	2014/15	2015/16	2016/17	2017/18	2018/19 Total	2018/19 For Debt Only
Scott County	36.638%	36.175%	35.896%	35.114%	33.841%	3.213%
City of Shakopee	37.862	37.902	38.522	37.212	34.943	3.968
I.S.D. No. 720 (Shakopee)[(a)]	35.578	53.478	49.282	52.141	52.934	37.427
Special Districts[(b)]	5.168	5.130	4.979	5.732	6.466	1.976
Total	115.246%	132.685%	128.679%	130.199%	128.184%	46.584%

(a) *In addition, the District has a 2018/19 market value tax rate of 0.11036% spread across the market value of property in support of an excess operating levy.*

(b) *Special districts include the Shakopee Economic Development Authority, Scott County Community Development Agency, Metropolitan Council, Metropolitan Transit, Mosquito Control, and Lower Minnesota Watershed District.*

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

Tax Levies and Collections

Levy/Collect	Net Levy*	Collected During Collection Year		Collected and/or Abated as of 5-20-19	
		Amount	Percent	Amount	Percent
2018/19	$38,320,963	(In Process of Collection)			
2017/18	36,406,792	$36,183,395	99.4%	$36,358,995	99.9%
2016/17	33,293,800	33,041,895	99.2	33,281,048	99.9
2015/16	32,532,620	32,386,279	99.6	32,525,275	99.9
2014/15	22,331,935	22,211,482	99.5	22,327,667	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 October 31, 2019

Fund	Cash and Investments
General	$15,338,398
Food Service	575,805
Building Construction	4,203,240
Community Service	427,480
Debt Service	14,804,392
Trust	4,862,935
Total	$40,212,250

INVESTMENTS

District investments are made in accordance with Minnesota Statute 118A. As of October 31, 2019 the District has investments totaling $68,238,601. Of this amount, $18,058,979 is held in the District's Minnesota School District Liquid Asset Fund Plus ("MSDLAF+") account, $18,552,774 is held in the District's MNTrust account, and $31,626,848 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/.

MNTrust a joint powers agreement established in 2006 under Minnesota laws, is a comprehensive investment and cash management program for Minnesota school districts. MNTrust serves participants throughout Minnesota. For more information see http://www.investmntrust.com/.

GENERAL INFORMATION CONCERNING THE DISTRICT

The District is located in located in the Minneapolis-Saint Paul metropolitan area and is headquartered in the City of Shakopee. The District is situated in Scott County and encompasses an area of approximately 51 square miles (32,640 acres). The District includes the City of Shakopee and a portion of the Cities of Prior Lake and Savage. In addition, the District includes a portion of the Townships of Jackson, Louisville and Sand Creek. The District's current population is estimated to be 48,176.

School Board and Administration

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

		Expiration of Term
Kristi Peterson	Chair	January 2023
Judi Tomczik	Vice Chair	January 2023
Paul Christiansen	Clerk	January 2023
Joe Aldrich	Treasurer	January 2023
Tim Brophy	Director	January 2021*
Matt McKeand	Director	January 2021
Angela Tucker	Director	January 2021

* *On January 6, 2020, the School Board selected Tim Brophy to be appointed to the seat vacated by Reggie Bowerman's resignation effective December 31, 2019. Due to a required 30-day waiting period, Mr. Brophy's final appointment to the School Board will occur on February 10, 2020.*

Dr. Mike Redmond is the Superintendent and is responsible for the daily administration of Board policy. The Superintendent is hired by the Board and serves at its discretion. Dr. Redmond has been the District's Superintendent since October 2018. Previously, he served as the Superintendent for Goodhue Public Schools in Goodhue, Minnesota for five years. Redmond also served as the Executive Director of Secondary Education for Stillwater Area Public Schools, where he led the Teaching and Learning Department and supervised the secondary principals.

Mr. Bill Menozzi was appointed as Director of Finance and Operations on October 22, 2019 and replaces Mr. Jeff Priess who retired as of December 31, 2019. Mr. Menozzi started working full-time for the District on January 13, 2020. Most recently, Mr. Menozzi worked in the Mahtomedi School District as the Director of Business Services. He has also worked as the Director of Business Services in St. Anthony-New Brighton Schools, and Business Manager for Litchfield Public Schools.

Enrollment

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

School	Grades		Total
Year	K-6	7-12	Enrollment
2019/20	3,983	4,149	8,132
2018/19	4,096	4,016	8,112
2017/18	4,253	3,936	8,189
2016/17	4,351	3,797	8,148
2015/16	4,434	3,580	8,014

Source: The District.

Employment

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

School Year	Licensed Employees	Unlicensed Employees	Total Employees
2019/20	667	476	1,143
2018/19	625	398	1,023
2017/18	597	305	902
2016/17	551	257	808
2015/16	438	230	668

Source: The District.

Labor Contracts

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

Bargaining Unit	No. of Employees	Expiration Date of Current Contract
Teachers Shakopee Education Association	667	June 30, 2021
Paraprofessional Paraprofessionals Employee – MN School Employee Association	248	June 30, 2020
Food Service Food Service Employee – School Service Employee Local 284	66	June 30, 2020
Operations/Maintenance Custodian Maintenance – School Service Employee Local 284	46	June 30, 2020
SEC	42	June 30, 2020
Principals Shakopee Principal Association	15	June 30, 2019*
Related Services	10	June 30, 2020
Subtotal	1,143	
Non-unionized employees	0	
Total employees	1,143	

* *In negotiations.*

Physical Plant

The District operates the District office; Tokata Learning Center, as well as six elementary schools: Central, Sweeney, Red Oak Eagle Creek, and Sun Path; two middle schools: East and West; and one high school: Shakopee Senior High.

Student Transportation

The District contracts with Palmer Bus Service for its regular and special education transportation. A total of 43 regular and 27 special education routes are operated. The District also owns a fleet of eight maintenance vehicles.

Budget Summary

Fund	June 30, 2019 Actual Fund Balance	2019-20 Projected Revenues and Transfers In	2019-20 Projected Expenditures and Transfers Out	June 30, 2020 Projected Fund Balance
General	$ 4,836,178	$100,481,024	$ 99,285,499	$ 6,031,703
Food Service	757,032	4,545,584	4,770,833	531,783
Community Service	377,578	2,941,725	2,941,868	377,435
Building Construction	2,022,715	30,000	1,294,101	758,614
Debt Service	3,223,859	23,930,000	22,780,000	4,373,859
Trust	4,942,309	450,000	225,000	5,167,309
Total All Funds	$16,159,671	$132,378,333	$131,297,301	$17,240,703

Major General Fund Revenue Sources

Revenue	2015	2016	2017	2018	2019
State Sources	$67,134,751	$70,787,830	$74,409,197	$76,908,387	$78,077,133
Local Property Taxes	9,285,838	9,136,670	13,303,806	13,957,451	15,758
Federal Sources	1,838,975	2,033,546	2,608,592	2,279,035	2,304,973
Other Local and County Revenues	1,444,539	1,498,307	1,809,047	1,663,954	1,881,846

Sources: District's Comprehensive Annual Financial Reports.

Post-Secondary and Nonpublic Education

Post-Secondary Education

District residents have access to various colleges and universities located throughout the Minneapolis/Saint Paul metropolitan area.

Non-Public Education

Non-public schools located within the District include:

School	Location	Grades	2018/19* Enrollment
Shakopee Area Catholic School	City of Shakopee	K-8	548
Living Hope Lutheran School	City of Shakopee	K-4	96

* *2019/20 enrollment figures are not yet available.*

Source: Minnesota Department of Education, www.education.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
2015	$797,001	$2,975,470
2016	898,840	3,246,338
2017	923,914	3,448,359
2018	932,004	3,400,773
2019	913,064	3,550,680

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

GASB 68

Government Accounting Standards Board (GASB) 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, 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*
2014	0.1966%	$ 9,235,283	0.8067%	$ 39,787,317
2015	0.1839	9,530,652	0.7817	54,287,300
2016	0.1931	15,883,614	0.8321	218,397,026
2017	0.1912	12,359,579	0.8541	186,975,596
2018	0.1849	10,593,843	0.8207	56,390,662

* *Represents the District's Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability.*

Note: 2019 information not yet available.

For more information regarding the liability of the District with respect to its employees, please reference "Note 6, Defined Benefit Pension Plans – State-Wide" and "Required Supplementary Information" of the District's Comprehensive Annual Financial Report 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 Comprehensive Annual Financial Reports.

Other Postemployment Benefits

Government Accounting Standards Board (GASB) issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), establishing new accounting and financial reporting requirements related to post-employment healthcare and other non-pension benefits (referred to as Other Postemployment Benefits or "OPEB"). The District provides post-employment insurance benefits to certain eligible employees through its OPEB Plan, a single-employer defined benefit plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements.

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

Inactive employees or beneficiaries currently receiving benefits	20
Active employees	1,012
Total	1,032

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

	June 30, 2017	June 30, 2018	June 30, 2019
Total OPEB liability			
Service cost	$ 1,026,321	$ 958,236	$ 661,857
Interest	369,801	430,395	489,794
Difference between expected and actual experience	0	0	(2,941,709)
Changes of assumptions	(335,006)	(300,738)	(466,086)
Plan changes	0	0	(1,054,865)
Benefit payments	(299,365)	(290,672)	(203,286)
Net change in total OPEB liability	761,751	797,221	(3,514,295)
Beginning of year	11,874,048	12,635,799	13,433,020
End of year	$12,635,799	$13,433,020	$9,918,725
Plan fiduciary net position (FNP)			
Employer contributions	$ 126,365	$ 106,667	$ 0
Net investment income	180,697	202,898	208,337
Differences between expected and actual experience	85,258	103,230	95,205
Benefit payments	(299,365)	(290,672)	(203,286)
Administrative expense	0	(3,291)	(3,000)
Net change in plan fiduciary net position	92,955	118,832	97,256
Beginning of year	4,633,266	4,726,221	4,845,053
End of year	$ 4,726,221	$ 4,845,053	$ 4,942,309
Net OPEB Liability	$ 7,909,578	$ 8,587,967	$ 4,976,416
Plan FNP as a percentage of the total OPEB liability	37.40%	36.07%	49.83%
Covered-employee payroll	$55,218,930	$56,875,498	$54,323,169
Net OPEB liability as a percentage of covered-employee payroll	14.32%	15.10%	9.16%

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

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

Sources: *District's Comprehensive Annual Financial Reports.*

AREA ECONOMY

Labor Force Data

	Annual Average				December
	2015	2016	2017	2018	2019
Labor Force:					
City of Shakopee	22,222	22,496	22,964	23,595	23,567
Scott County	79,144	80,937	82,142	82,820	83,864
Minneapolis/Saint Paul MSA	1,916,011	1,938,642	1,979,780	2,016,208	2,024,153
State of Minnesota	2,997,748	3,033,406	3,057,014	3,070,223	3,119,177
Unemployment Rate:					
City of Shakopee	3.1%	3.3%	3.0%	2.4%	2.8%
Scott County	3.1	3.2	2.9	2.5	2.8
Minneapolis/Saint MSA	3.5	3.6	3.3	2.7	3.0
State of Minnesota	3.7	3.9	3.4	2.9	3.5

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

Retail Sales and Effective Buying Income (EBI)

City of Shakopee

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/20	N/A	$1,376,998	$76,235
2018/19	$ 739,210	1,269,090	70,415
2017/18	840,915	1,238,569	69,916
2016/17	885,977	1,193,514	70,540
2015/16	1,068,512	1,078,688	65,421

Scott County

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/20	N/A	$5,345,147	$81,317
2018/19	$1,982,160	5,010,000	77,498
2017/18	1,801,600	4,731,908	75,314
2016/17	1,677,899	4,650,265	75,335
2015/16	2,065,956	4,166,720	69,381

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

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

Major Employers

Employer	Product/Service	Approximate Number of Employees
Shakopee Mdewakanton Sioux Community	Entertainment	4,200
Seagate Technology LLC	Computer hardware	1,800
Valleyfair	Entertainment park	1,600*(a)*
Canterbury Park	Horse racing	1,200*(a)*
Emerson	Manufacturing	1,192*(b)*
Independent School District No. 720 (Shakopee)	Public education	1,157
St. Francis Regional Medical Center	Health care	1,042
Amazon	Distribution	1,000
Imagine! Print Solutions	Commercial printing	900
Entrust Datacard	Manufacturing	809*(b)*
Scott County	County government	750*(b)*
Shutterfly, Inc.	Image publishing service and warehouse	359
Northstar Auto Auction	Motor vehicle auctions	350
Quad Graphics	Printing company	300
Anchor Glass	Glass bottle manufacturer	274
Women’s Correctional Facility	Women’s prison	268
Certain Teed Products Corp.	Asphalt shingles	242
City of Shakopee	City government	227
Toro Company	Turf care products	225
Vertis Communications	Printing Company	150
Shakopee Friendship Manor Corp.	Nursing home	115

(a) *At seasonal peak.*

(b) *Includes full- and part-time and seasonal employees.*

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

Financial Institutions

District residents are served by the following financial institutions located in the City of Shakopee, Minnesota: American National Bank; BMO Harris Bank National Association; HomeTown Bank; Old National Bank; Prime Security Bank; TCF National Bank; U.S. Bank National Association; and Wells Fargo Bank, National Association.

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

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

Health Care Services

The following is a summary of health care facilities located in the City of Shakopee, Minnesota:

Facility	Location	No. of Beds
St. Francis Regional Medical Center	City of Shakopee	93 hospital beds/18 infant bassinets
Shakopee Friendship Manor	City of Shakopee	80 nursing home beds
St. Gertrude’s Health Center	City of Shakopee	105 nursing home beds
Delphi	City of Shakopee	9 supervised living facility beds

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

PROPOSED FORM OF LEGAL OPINION

KNUTSON, FLYNN & DEANS, P.A.
1155 Centre Pointe Drive, Suite 10
Mendota Heights, MN 55120

651.222.2811 fax 651.225.0600
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$11,900,000*
GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2020B
INDEPENDENT SCHOOL DISTRICT NO. 720
(SHAKOPEE PUBLIC SCHOOLS)
SCOTT COUNTY, MINNESOTA

We have acted as Bond Counsel in connection with the issuance by Independent School District No. 720 (Shakopee Public Schools), Scott County, Minnesota (the "District"), of its General Obligation Facilities Maintenance Bonds, Series 2020B (the "Bonds"), in the aggregate principal amount of $11,900,000*, bearing a date of original issue of March 26, 2020. The Bonds are fully registered as to principal and interest and are originally issued using a global book-entry system.

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

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

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

* *Preliminary; subject to change.*

(1) The Bonds are in due form and the proceedings show lawful authority for their issuance according to their terms under the Constitution and laws of the State of Minnesota now in force, including specifically Minnesota Statutes, Section 123B.595.

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

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

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

(5) The Bonds have not been designated as "qualified tax-exempt obligations" for the purposes of Section 265 of the Code relating to the deduction of interest expenses allocable to the Bonds by financial institutions.

DATED at Mendota Heights, Minnesota, this 26th day of March, 2020.

KNUTSON, FLYNN & DEANS
Professional Association

APPENDIX II

CONTINUING DISCLOSURE CERTIFICATE

(Full Disclosure)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 720 (Shakopee Public Schools), State of Minnesota (the "District"), in connection with the issuance of its General Obligation Facilities Maintenance Bonds, Series 2020B (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the School Board on February 24, 2020 (the "Resolution"). The District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 (the "State Payment Law" described in the Official Statement for the Bonds) which provides for payment by the State of Minnesota in the event of a potential default of a District obligation. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Bondholders or beneficial owners, if different, and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5). This Disclosure Certificate constitutes the written Undertaking required by the Rule.

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

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" shall mean the District’s financial statements which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) or as otherwise required by Minnesota law for the preceding Fiscal Year, including a balance sheet and statement of revenues, expenditures and changes in fund balances, which the District intends to continue to prepare in substantially the same form.

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

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

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

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

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

(a) The District shall provide, or shall cause the Dissemination Agent to provide not later than June 30, 2021, and twelve (12) months after the end of each Fiscal Year during which the Bonds are outstanding, to the MSRB, in an electronic format through the use of EMMA, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. If audited financial statements are not available by the date specified above, the District shall submit unaudited financial statements by that date to the MSRB and will submit the audited financial statements as soon as they are available.

(b) If the District is unable or fails to provide to the MSRB an Annual Report by the date required in subsection (a) above, the District shall send a timely notice to the MSRB in the format prescribed by the MSRB.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the required method of submission to the MSRB and (if the Dissemination Agent is other than the District)

(ii) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate and stating the date it was provided.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

1. An annual Audited Financial Statement.

2. Updates of the operating and financial data included in the Official Statement under headings substantially similar to the following or containing financial information directly relating to the following: "District Property Values", "District Indebtedness" and "District Tax Rates, Levies and Collections."

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

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

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events, with respect to the Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

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

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Bonds.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, including but not limited to its duties under Sections 3 and 5 hereof, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

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

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution or with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders from time to time of the Bonds or the beneficial owners, if different, and shall create no rights in any other person or entity.

SECTION 13. Reserved Rights. The District reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or to modify the Undertaking under this Disclosure Certificate if the District determines that such modification is required by the Rule, or by a court of competent jurisdiction.

SECTION 14. District Contact Information.

Title:	Superintendent
Name of District:	Independent School District No. 720 (Shakopee Public Schools)
Address:	1200 Town Square Shakopee, MN 55379
Telephone No.	(952) 496-5000

Dated as of this 26th day of March, 2020.

INDEPENDENT SCHOOL DISTRICT NO. 720
(SHAKOPEE PUBLIC SCHOOLS)
SHAKOPEE, MINNESOTA

By: ______________________________________
Chair

And: _____________________________________
Clerk

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

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

Property Valuations (Chapter 273, Minnesota Statutes)

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

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

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

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

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

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

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

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

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

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

Property Tax Credits (Chapter 273, Minnesota Statutes)

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

Debt Limitations

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

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

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

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

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

Metropolitan Revenue Distribution (Chapter 473F, Minnesota Statutes)
“Fiscal Disparities Law”

The Charles R. Weaver Metropolitan Revenue Distribution Act, more commonly known as “Fiscal Disparities,” was first implemented for taxes payable in 1975. Forty percent of the increase in commercial-industrial (including public utility and railroad) net tax capacity valuation since 1971 in each assessment district in the Minneapolis/Saint Paul seven-county metropolitan area (Anoka, Carver, Dakota, excluding the City of Northfield, Hennepin, Ramsey, Scott, excluding the City of New Prague, and Washington Counties) is contributed to an area-wide tax base. A distribution index, based on the factors of population and real property market value per capita, is employed in determining what proportion of the net tax capacity value in the area-wide tax base shall be distributed back to each assessment district.

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

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

(a) *State tax is applicable to these classifications.*

(b) *Exempt from referendum market value based taxes.*

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

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

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

EXCERPT OF 2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Data on the following pages was extracted from the District's Comprehensive Annual Financial Report ("CAFR") 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.

The Association of School Business Officials (ASBO) International awarded a Certificate of Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Excellence, a district must publish an easily readable and efficiently organized CAFR. The District's CAFR satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Excellence is valid for a period of one year only. The District has submitted its CAFR for the 2019 fiscal year to the ASBO to determine its eligibility for another certificate.

Independent Auditor's Report

To the School Board
Independent School District No. 720
Shakopee, 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. 720, Shakopee, Minnesota, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions
In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 720, Shakopee, Minnesota, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Required Supplementary Information 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory and Statistical sections of this report and the accompanying supplementary information identified in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information identified in the Table of Contents is the responsibility of management and was derived from and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Summarized Comparative Information
The financial statements include partial year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2018, from which such partial information was derived.

We also have previously audited the District's 2018 basic financial statements and our report, dated November 13, 2018, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Minneapolis, Minnesota
December 9, 2019

This section of Independent School District No. 720's (the "District") annual financial report presents Management's Discussion and Analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the other components of the District's annual financial report.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of the following parts:

- Independent Auditor's Report,
- Management's Discussion and Analysis,
- Basic financial statements, including the government-wide financial statements, fund financial statements, and notes to financial statements,
- Required supplementary information, and
- Combining and individual fund statements and schedules.

The following explains the two types of statements included in the basic financial statements:

Government-Wide Statements

The government-wide statements (Statement of Net Position and Statement of Activities) 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 government-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the District's financial health or position.

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

In the government-wide financial statements, the District's activities are all shown in one category titled "governmental activities." These activities, including regular and special education, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service Special Revenue Fund and Community Service Special Revenue Fund) that do not meet the threshold to be classified as major funds are called nonmajor funds. Detailed financial information for nonmajor funds can be found in the supplementary information section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

For Minnesota schools, funds are established in the Uniform Financial Accounting and Reporting System (UFARS) in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

The District maintains the following three kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less 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 government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental fund statements that explain the relationship (or differences) between these two types of financial statement presentations.

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 for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

Proprietary Funds – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District uses internal service funds to report activities that provide supplies and services for its other programs and activities. The District currently has two internal service funds; the Self-Insured Dental Fund and Self-Insured Medical Fund.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1 is a summarized view of the District's Statement of Net Position:

Table 1
Summary Statement of Net Position
as of June 30, 2019 and 2018

	2019	2018
Assets and Deferred Outflows		
Current and other assets	$ 61,660,310	$ 68,637,011
Capital assets, net of depreciation	237,495,204	233,982,698
Total assets	299,155,514	302,619,709
Deferred outflows of resources	79,278,018	105,764,967
Total assets and deferred outflows of resources	$ 378,433,532	$ 408,384,676
Liabilities and Deferred Inflows		
Current and other liabilities	$ 16,842,125	$ 19,311,567
Long-term liabilities, including due within one year	250,722,831	390,763,234
Total liabilities	267,564,956	410,074,801
Deferred inflows of resources	143,489,584	65,649,052
Total liabilities and deferred inflows of resources	$ 411,054,540	$ 475,723,853
Net Position		
Net investment in capital assets	$ 55,529,637	$ 45,526,236
Restricted	2,446,033	1,970,243
Unrestricted	(90,596,678)	(114,835,656)
Total net position	$ (32,621,008)	$ (67,339,177)

The District's financial position is the product of many factors. For example, the determination of the District's investment in capital assets, net of related debt involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts.

The financial position of the District did improve this year as measured by total net position. For the year ended June 30, 2019, total net position increased by $34,718,169, mostly as a result of a negative pension expense related to GASB Statement No. 68.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 2 is a summarized view of the District's Statement of Activities:

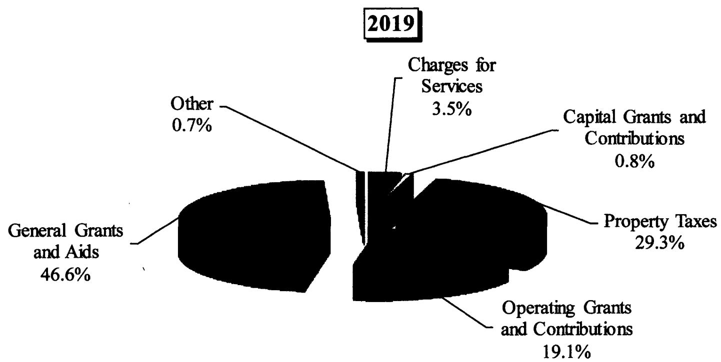
Table 2
Summary Statement of Activities
for the Years Ended June 30, 2019 and 2018

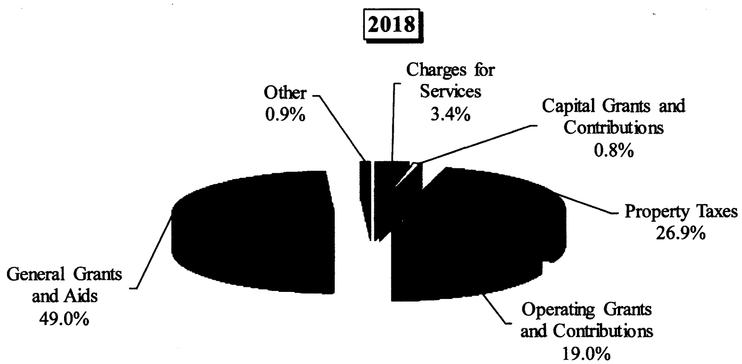
	2019	2018
Revenues		
Program revenues		
Charges for services	$ 4,353,585	$ 4,164,904
Operating grants and contributions	23,702,928	23,511,826
Capital grants and contributions	965,654	979,803
General revenues		
Property taxes	36,341,081	33,351,744
General grants and aids	57,877,841	60,765,061
Other	863,583	1,157,097
Total revenues	124,104,672	123,930,435
Expenses		
Administration	3,607,620	7,340,382
District support services	2,374,571	2,106,366
Elementary and secondary regular instruction	30,458,137	63,492,106
Vocational education instruction	528,644	945,260
Special education instruction	12,698,736	24,552,734
Instructional support services	6,601,313	9,547,642
Pupil support services	7,691,554	8,625,780
Sites and buildings	11,550,383	8,170,286
Fiscal and other fixed cost programs	172,683	199,020
Food service	4,173,484	4,480,777
Community service	2,282,557	3,303,658
Depreciation not allocated to other functions	1,713,784	1,589,799
Interest and fiscal charges	5,533,037	6,559,035
Total expenses	89,386,503	140,912,845
Change in net position	34,718,169	(16,982,410)
Net position - beginning	(67,339,177)	(50,356,767)
Net position - ending	$ (32,621,008)	$ (67,339,177)

The table summarizes all of the governmental activities of the District and is presented on the accrual basis of accounting. Program revenues are allocated to specific programs and general revenues are shown separately and not allocated. Depreciation expense is included in expenses, but capital asset purchase costs, debt proceeds, and the repayment of debt principal are excluded.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Figure A – Sources of Revenue for Fiscal Years 2019 and 2018





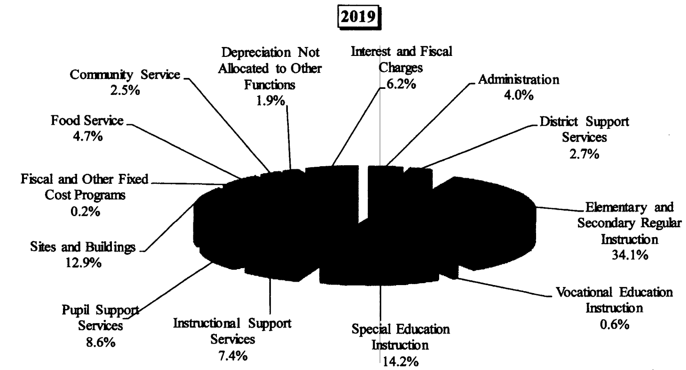
The largest share of the District's revenue is received from the state, which includes General Education Aid and most of the operating grants. Consequently, the District's funding depends significantly on the state's financial fluctuations.

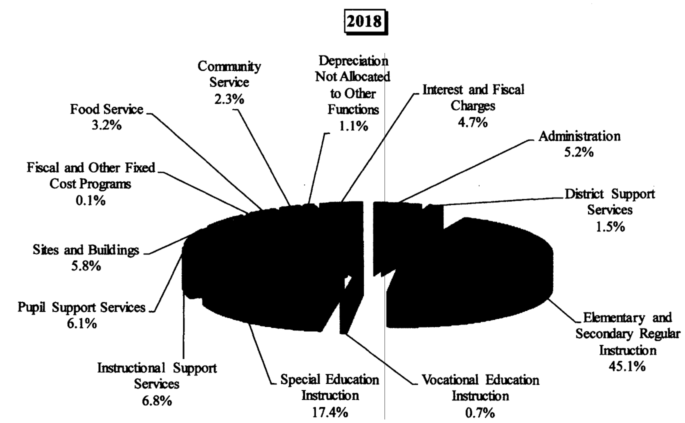
Property taxes are generally the next largest source of funding. The level of property tax revenue is largely dependent on taxpayers of the District by way of operating and building referenda.

Independent School District No. 720
Management's Discussion and Analysis
June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Figure B – Expenses for Fiscal Years 2019 and 2018





The District's expenses are predominately related to educating students. The majority of the District's expenses were in categories directly related to providing instruction, which includes: elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in its governmental funds. Table 3 shows the change in total fund balances in each of the District's governmental funds:

Table 3
Governmental Fund Balances
As of June 30, 2019 and 2018

	2019	2018	Increase (Decrease)
Governmental Funds			
Major funds			
General	$ 4,836,175	$ 2,833,633	$ 2,002,542
Capital projects – building construction	2,022,715	11,214,101	(9,191,386)
Debt service	3,223,859	2,988,464	235,395
Nonmajor funds			
Special revenue funds			
Food service	757,032	674,555	82,477
Community service	377,577	278,285	99,292
Total governmental funds	$ 11,217,358	$ 17,989,038	$ (6,771,680)

ANALYSIS OF THE GENERAL FUND

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. During the year, the District may change the budget for known significant changes in circumstances, such as updated enrollment, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, health insurance premium increases, special education tuition changes or utility rate changes. During the year, the District reviewed operating results and amended the original budget. The revised budget estimated a significant operating surplus building back fund balance reserves.

Independent School District No. 720
Management's Discussion and Analysis
June 30, 2019

ANALYSIS OF THE GENERAL FUND (CONTINUED)

Table 4 summarizes the operating results of the General Fund:

Table 4
General Fund Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2019 Actual	Amount	Percent	Amount	Percent
Revenue and other financing sources	$ 100,895,541	$ 368,777	0.4%	$ 3,145	0.0%
Expenditures	98,892,999	(994,811)	(1.0%)	(1,727,192)	(1.8%)
Net change in fund balances	$ 2,002,542				

Actual expenditures were under budget largely due to a staffing contingency budget that was not utilized.

ANALYSIS OF REMAINING MAJOR FUNDS

The District's activity in the Capital Projects – Building Construction Fund is related to projects financed with general obligation (G.O.) building bonds. Voters approved a $102.5 million building project in the spring of 2015. The money for the project was received in fiscal year 2016. A majority of the money was spent in fiscal years 2017 and 2018. The main component of the project increases the size of the current high school by over 300,000 square feet. The District also used the Capital Projects fund to improve security at several locations and to make improvements at some outdoor facilities.

Activity of the Debt Service Fund is largely controlled in accordance with each outstanding debt issue's amortization plan. The Debt Service Fund has approximately $3.2 million of year-end fund balance to help finance future debt obligations.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 5 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2019 and 2018:

Table 5
Capital Assets

	2019	2018	Increase (Decrease)
Land	$ 14,627,269	$ 14,627,269	$ -
Construction in progress	94,604,902	88,992,061	5,612,841
Capital assets, net of accumulated depreciation			
Site improvements	8,891,321	9,566,109	(674,788)
Buildings	110,190,325	112,897,804	(2,707,479)
Furniture and equipment	9,181,387	7,899,455	1,281,932
Total	$ 237,495,204	$ 233,982,698	$ 3,512,506
Accumulated depreciation	$ (80,223,299)	$ (74,975,248)	$ (5,248,051)
Depreciation expense	$ 7,117,252	$ 6,904,270	$ 212,982

CAPITAL ASSETS AND LONG-TERM LIABILITIES (CONTINUED)

Long-Term Liabilities

Table 6 illustrates the components of the District's long-term liabilities, together with the change from the prior year:

Table 6
Outstanding Long-Term Liabilities

	2019	2018	Increase (Decrease)
G.O. Bonds payable, net of premium	$ 169,305,858	$ 185,367,299	$ (16,061,441)
Certificates of participation payable, net of premium	10,475,705	11,075,758	(600,053)
Capital leases payable	3,779,547	2,720,782	1,058,765
Compensated absences payable	380,169	311,493	68,676
Total	$ 183,941,279	$ 199,475,332	$ (15,534,053)

There were no additional bonds in fiscal year 2019. Scheduled payments resulted in the decrease of the Bonds payable and Certificates of Participation payable. The District is leasing MacBooks and iPads from Apple as part of a district-wide technology initiative and entered into new lease agreements during the current year.

The state limits the amount of G.O. debt the District can issue to 15% of the market value of all taxable property within the District's corporate limits. (See Table 7.)

Table 7
Limitations on Debt

District's market value	$ 5,059,941,354
Limit rate	15.0%
Legal debt limit	$ 758,991,203

Additional details of the District's capital assets and long-term debt activity can be found in the Notes to the Financial Statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the State of Minnesota for educational resources. The basic general education formula amount for all Minnesota school districts increased 2% to $6,312 in 2019, the eighth increase since fiscal year 2009. An improving economy has reduced some of the challenges in funding education for Minnesota schools in recent years.

Shakopee Public Schools will need to continue to look at possible ways to increase other non-state revenue and continue to identify efficiencies to control expenses for fiscal year 2019-20 and beyond. The District utilizes a financial planning model that incorporates anticipated revenue and expenditure increases to more closely monitor the finances of the District on a long-range basis. The model is intended to show the total amount of reductions necessary for the District to adhere to its fund balance policy, while striving to maintain its commitment to academic excellence and educational opportunity for students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. More detailed information can be found in the other sections of this financial report. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 720, 1200 Shakopee Town Square, Shakopee, Minnesota 55379.

Independent School District No. 720
Statement of Net Position
June 30, 2019
(with Comparative Totals as of June 30, 2018)

	Governmental Activities	
	2019	2018
Assets		
Cash and investments	$ 33,919,010	$ 42,717,612
Current property taxes receivable	18,561,974	17,471,653
Delinquent property taxes receivable	85,536	82,648
Accounts receivable	128,327	40,705
Interest receivable	-	51,981
Due from Department of Education	7,580,904	7,048,622
Due from Federal Government through Department of Education	949,743	853,319
Due from other Minnesota school districts	140,877	115,955
Due from other governmental units	528	-
Inventory	48,294	45,582
Prepaid items	245,117	208,934
Capital assets not being depreciated		
Land	14,627,269	14,627,269
Construction in progress	94,604,902	88,992,061
Capital assets, net of accumulated depreciation		
Site improvements	8,891,321	9,566,109
Buildings	110,190,325	112,897,804
Furniture and equipment	9,181,387	7,899,455
Total assets	299,155,514	302,619,709
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	79,278,018	105,764,967
Total assets and deferred outflows of resources	$378,433,532	$408,384,676
Liabilities		
Accounts payable	$ 2,183,312	$ 2,259,509
Contracts payable	3,411,552	5,723,477
Salaries and benefits payable	7,517,932	7,506,959
Interest payable	2,883,426	3,161,608
Due to other Minnesota school districts	381,428	362,001
Due to other governmental units	278,133	27,766
Unearned revenue	186,342	270,247
Bonds payable, net		
Payable within one year	16,255,000	14,315,000
Payable after one year	153,050,858	171,052,299
Certificates of participation payable, net		
Payable within one year	610,000	590,000
Payable after one year	9,865,705	10,485,758
Capital lease payable		
Payable within one year	1,627,943	1,575,993
Payable after one year	2,151,604	1,144,789
Compensated absences payable		
Payable within one year	380,169	311,493
Net other post employment benefit (OPEB) liability	4,976,416	8,587,967
Net pension liability	61,805,136	182,699,935
Total liabilities	267,564,956	410,074,801
Deferred Inflows of Resources		
Property taxes levied for subsequent year's expenditures	36,897,513	34,969,346
Deferred amount on refunding	427,172	506,724
Deferred inflows of resources related to pensions	102,450,586	29,500,575
Deferred inflows of resources related to OPEB	3,714,313	672,407
Total deferred inflows of resources	143,489,584	65,649,052
Net Position		
Net investment in capital assets	55,529,637	45,526,236
Restricted		
Debt service	388,700	-
Food service	757,032	674,555
Community service	421,268	440,705
Other purposes	879,033	854,983
Unrestricted	(90,596,678)	(114,835,656)
Total net position	(32,621,008)	(67,339,177)
Total liabilities, deferred inflows of resources, and net position	$378,433,532	$408,384,676

See notes to financial statements.

Independent School District No. 720
Statement of Activities
Year Ended June 30, 2019
(with Comparative Totals for the Year Ended June 30, 2018)

		Program Revenues			Net Revenues (Expense) and Changes in Net Position — Governmental Activities	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2019	2018
Governmental activities						
Administration	$ 3,607,620	$ 9,477	$ 197	$ -	$ (3,597,946)	$ (7,323,731)
District support services	2,374,571	55,730	974,708	-	(1,344,133)	(1,098,417)
Elementary and secondary regular instruction	30,458,137	544,335	7,567,907	-	(22,345,895)	(55,561,874)
Vocational education instruction	528,644	527	51,580	-	(476,537)	(840,348)
Special education instruction	12,698,736	1,844	11,521,154	-	(1,175,738)	(13,269,385)
Instructional support services	6,601,313	-	164,718	-	(6,436,595)	(9,460,282)
Pupil support services	7,691,554	235,796	273,130	-	(7,182,628)	(8,174,307)
Sites and buildings	11,550,383	61,668	9,754	965,654	(10,513,307)	(7,052,834)
Fiscal and other fixed cost programs	172,683	-	-	-	(172,683)	(199,020)
Food service	4,173,484	2,110,636	2,265,820	-	202,972	(19,516)
Community education and services	2,282,557	1,333,572	873,960	-	(75,025)	(1,107,764)
Unallocated depreciation	1,713,784	-	-	-	(1,713,784)	(1,589,799)
Interest and fiscal charges on long-term debt	5,533,037	-	-	-	(5,533,037)	(6,559,035)
Total governmental activities	$ 89,386,503	$ 4,353,585	$ 23,702,928	$ 965,654	(60,364,336)	(112,256,312)
General revenues						
Taxes						
Property taxes, levied for general purposes					15,759,624	13,953,937
Property taxes, levied for community service					586,578	580,326
Property taxes, levied for debt service					19,994,879	18,817,481
State aid-formula grants					57,877,841	60,765,061
Other general revenues					36,109	101,787
Investment income					639,236	750,641
Gain on sale of capital assets					188,238	304,669
Total general revenues					95,082,505	95,273,902
Change in net position					34,718,169	(16,982,410)
Net position - beginning					(67,339,177)	(50,356,767)
Net position - ending					$ (32,621,008)	$ (67,339,177)

See notes to financial statements.

Independent School District No. 720
Balance Sheet - Governmental Funds
June 30, 2019
(with Comparative Totals as of June 30, 2018)

	General	Debt Service	Capital Projects	Nonmajor Funds	Total Governmental Funds 2019	Total Governmental Funds 2018
Assets						
Cash and investments	$ 11,846,781	$ 14,804,393	$ 5,142,212	$ 1,753,327	$ 33,546,713	$ 42,192,371
Current property taxes receivable	7,389,522	10,886,598	-	285,854	18,561,974	17,471,653
Delinquent property taxes receivable	35,810	48,267	-	1,459	85,536	82,648
Accounts receivable	41,048	-	41,826	34,947	117,821	40,705
Interest receivable	-	-	-	-	-	51,981
Due from Department of Education	7,336,141	142,403	-	102,360	7,580,904	7,048,622
Due from Federal Government through Department of Education	909,566	-	-	40,177	949,743	853,319
Due from other Minnesota school districts	140,877	-	-	-	140,877	115,955
Due from other governmental units	528	-	-	-	528	-
Inventory	-	-	-	48,294	48,294	45,582
Prepaid items	245,117	-	-	-	245,117	208,934
Total assets	$ 27,945,390	$ 25,881,661	$ 5,184,038	$ 2,266,418	$ 61,277,507	$ 68,111,770
Liabilities						
Accounts payable	$ 1,121,218	$ -	$ 85,340	$ 95,155	$ 1,301,713	$ 1,180,288
Contracts payable	335,643	-	3,075,909	-	3,411,552	5,723,477
Salaries and benefits payable	7,261,450	-	-	256,482	7,517,932	7,506,959
Due to other Minnesota school districts	381,428	-	-	-	381,428	362,001
Due to other governmental units	277,357	-	74	702	278,133	27,766
Unearned revenue	2,000	-	-	184,342	186,342	270,247
Total liabilities	9,379,096	-	3,161,323	536,681	13,077,100	15,070,738
Deferred Inflows of Resources						
Property taxes levied for subsequent year's expenditures	13,694,309	22,609,535	-	593,669	36,897,513	34,969,346
Unavailable revenue - delinquent property taxes	35,810	48,267	-	1,459	85,536	82,648
Total deferred inflows of resources	13,730,119	22,657,802	-	595,128	36,983,049	35,051,994
Fund Balances						
Nonspendable	245,117	-	-	48,294	293,411	254,516
Restricted	879,033	3,223,859	2,022,715	1,131,535	7,257,142	16,144,307
Assigned	267,230	-	-	-	267,230	185,388
Unassigned	3,444,795	-	-	(45,220)	3,399,575	1,404,827
Total fund balances	4,836,175	3,223,859	2,022,715	1,134,609	11,217,358	17,989,038
Total liabilities, deferred inflows of resources, and fund balances	$ 27,945,390	$ 25,881,661	$ 5,184,038	$ 2,266,418	$ 61,277,507	$ 68,111,770

See notes to financial statements.

Independent School District No. 720
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2019
(with Comparative Totals as of June 30, 2018)

	2019	2018
Total fund balances - governmental funds	$ 11,217,358	$ 17,989,038
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.		
Cost of capital assets	317,718,503	308,957,946
Less accumulated depreciation	(80,223,299)	(74,975,248)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bond principal payable	(155,315,000)	(169,630,000)
Certificates of participation payable	(10,340,000)	(10,930,000)
Premium on bonds and certificates of participation payable	(14,126,563)	(15,883,057)
Deferred amount on refunding	(427,172)	(506,724)
Capital lease payable	(3,779,547)	(2,720,782)
Compensated absences payable	(380,169)	(311,493)
Net OPEB liability	(4,976,416)	(8,587,967)
Net pension liability	(61,805,136)	(182,699,935)
Deferred outflows of resources and deferred inflows of resources are created as a result of differences related to pensions and OPEB that are not recognized in the governmental funds.		
Deferred outflows of resources related to pensions	79,278,018	105,764,967
Deferred inflows of resources related to pensions	(102,450,586)	(29,500,575)
Deferred inflows of resources related to OPEB	(3,714,313)	(672,407)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	85,536	82,648
The self-insured Health and Dental Internal Service Funds are used by management to charge the costs of the self-insured plans. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position and interfund activity is removed.	(498,796)	(553,980)
Governmental funds do not report a liability for accrued interest on bonds and certificates of participation until due and payable.	(2,883,426)	(3,161,608)
Total net position - governmental activities	$ (32,621,008)	$ (67,339,177)

See notes to financial statements.

Independent School District No. 720
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2019
(with Comparative Totals for the Year Ended June 30, 2018)

	General	Debt Service	Capital Projects	Nonmajor Funds	Total Governmental Funds 2019	Total Governmental Funds 2018
Revenues						
Local property taxes	$ 15,758,102	$ 19,993,534	$ -	$ 586,557	$ 36,338,193	$ 33,363,243
Other local and county revenues	1,881,846	301,364	414,663	1,373,580	3,971,453	4,005,832
Revenue from state sources	78,077,133	1,430,727	-	1,086,624	80,594,484	79,556,814
Revenue from federal sources	2,304,973	-	-	2,023,834	4,328,807	4,425,124
Sales and other conversion of assets	210,949	-	-	2,110,636	2,321,585	2,309,279
Total revenues	98,233,003	21,725,625	414,663	7,181,231	127,554,522	123,660,292
Expenditures						
Current						
Administration	4,967,825	-	-	-	4,967,825	5,452,115
District support services	2,368,148	-	-	-	2,368,148	1,992,860
Elementary and secondary regular instruction	41,850,504	-	-	-	41,850,504	41,375,223
Vocational education instruction	867,839	-	-	-	867,839	633,155
Special education instruction	18,184,600	-	-	-	18,184,600	18,062,751
Instructional support services	7,624,820	-	-	-	7,624,820	7,276,861
Pupil support services	8,303,551	-	-	-	8,303,551	7,869,648
Sites and buildings	6,260,628	-	201,587	-	6,462,215	6,225,856
Fiscal and other fixed cost programs	172,683	-	-	-	172,683	199,020
Food service	-	-	-	4,184,109	4,184,109	4,301,406
Community education and services	-	-	-	2,699,409	2,699,409	2,701,273
Capital outlay						
Administration	71,708	-	-	-	71,708	45,326
District support services	5,171	-	-	-	5,171	1,259
Elementary and secondary regular instruction	257,253	-	-	-	257,253	295,139
Vocational education instruction	1,472	-	-	-	1,472	1,196
Special education instruction	4,890	-	-	-	4,890	10,007
Instructional support services	3,043,670	-	-	-	3,043,670	1,079,155
Pupil support services	134	-	-	-	134	1,553
Sites and buildings	2,430,533	-	9,404,462	-	11,834,995	44,401,182
Food service	-	-	-	114,528	114,528	153,236
Community education and services	-	-	-	1,416	1,416	4,360
Debt service						
Principal	2,005,536	14,315,000	-	-	16,320,536	31,546,121
Interest and fiscal charges	472,034	7,175,230	-	-	7,647,264	8,915,088
Total expenditures	98,892,999	21,490,230	9,606,049	6,999,462	136,988,740	182,543,790
Excess of revenues over (under) expenditures	(659,996)	235,395	(9,191,386)	181,769	(9,434,218)	(58,883,498)
Other Financing Sources						
Proceeds from sale of capital assets	188,238	-	-	-	188,238	508,669
Issuance of capital leases	2,474,300	-	-	-	2,474,300	417,480
Total other financing sources	2,662,538	-	-	-	2,662,538	926,149
Net change in fund balances	2,002,542	235,395	(9,191,386)	181,769	(6,771,680)	(57,957,349)
Fund Balances						
Beginning of year	2,833,633	2,988,464	11,214,101	952,840	17,989,038	75,946,387
End of year	$ 4,836,175	$ 3,223,859	$ 2,022,715	$ 1,134,609	$ 11,217,358	$ 17,989,038

See notes to financial statements.

Independent School District No. 720
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended June 30, 2019
(with Comparative Totals for the Year Ended June 30, 2018)

	2019	2018
Net change in fund balances - total governmental funds	$ (6,771,680)	$ (57,957,349)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays	10,629,758	44,442,198
Depreciation expense	(7,117,252)	(6,904,270)
Book value of disposed capital assets	-	(206,833)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(68,676)	(20,083)
Governmental funds recognize OPEB contributions as expenditures at the time of payment whereas the Statement of Activities recognizes when the expenses are incurred.	569,645	(981,084)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but has no impact on net position in the Statement of Activities.	16,320,536	31,546,121
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	278,182	520,007
Governmental funds report the effect of bond premiums when the debt is first issued as an other financing source, whereas these amounts are deferred and amortized in the Statement of Activities.	1,836,045	1,836,046
Issuance of bonds and leases are recognized as other financing sources in the governmental funds increasing fund balance but having no effect on net position in the Statement of Activities.	(2,474,300)	(417,480)
Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.		
Pension expense	21,457,839	(27,977,136)
The self-insured Health and Dental Internal Service Funds are used by management to charge the costs of the self-insured plans. The increase in net position is reported within the governmental activities in the Statement of Activities	55,184	(851,048)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	2,888	(11,499)
Change in net position - governmental activities	$ 34,718,169	$ (16,982,410)

See notes to financial statements.

Independent School District No. 720
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2019
(with Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019 Budgeted Amounts Original	2019 Budgeted Amounts Final	2019 Actual Amounts	2019 Variance with Final Budget - Over (Under)	2018 Actual Amounts
Revenues					
Local property taxes	$ 15,769,200	$ 15,769,200	$ 15,758,102	$ (11,098)	$ 13,957,451
Other local and county revenues	1,742,938	1,742,938	1,881,846	138,908	1,663,954
Revenue from state sources	78,185,014	78,149,997	78,077,133	(72,864)	76,908,387
Revenue from federal sources	2,258,755	2,258,755	2,304,973	46,218	2,279,035
Sales and other conversion of assets	155,874	155,874	210,949	55,075	264,851
Total revenues	98,111,781	98,076,764	98,233,003	156,239	95,073,678
Expenditures					
Current					
Administration	5,277,099	5,477,616	4,967,825	(509,791)	5,452,115
District support services	2,641,153	2,551,587	2,368,148	(183,439)	1,992,860
Elementary and secondary regular instruction	43,096,648	43,063,202	41,850,504	(1,212,698)	41,375,223
Vocational education instruction	573,305	856,806	867,839	11,033	633,155
Special education instruction	18,497,015	18,075,316	18,184,600	109,284	18,062,751
Instructional support services	7,421,357	7,737,685	7,624,820	(112,865)	7,276,861
Pupil support services	8,196,736	8,096,956	8,303,551	206,595	7,869,648
Sites and buildings	6,137,288	6,177,586	6,260,628	83,042	5,824,702
Fiscal and other fixed cost programs	215,000	215,000	172,683	(42,317)	199,020
Capital outlay					
Administration	64,252	64,252	71,708	7,456	45,326
District support services	4,500	4,500	5,171	671	1,259
Elementary and secondary regular instruction	282,906	282,906	257,253	(25,653)	295,139
Vocational education instruction	1,500	3,944	1,472	(2,472)	1,196
Special education instruction	1,500	1,500	4,890	3,390	10,007
Instructional support services	1,921,100	3,201,100	3,043,670	(157,430)	1,079,155
Pupil support services	-	-	134	134	1,553
Sites and buildings	1,881,240	1,881,240	2,430,533	549,293	1,855,778
Debt service					
Principal	1,725,149	1,725,149	2,005,536	280,387	1,766,121
Interest and fiscal charges	471,465	471,465	472,034	569	491,579
Total expenditures	98,409,213	99,887,810	98,892,999	(994,811)	94,233,448
Excess of revenues over (under) expenditures	(297,432)	(1,811,046)	(659,996)	1,151,050	840,230
Other Financing Sources					
Proceeds from sale of capital assets	1,150,000	50,000	188,238	138,238	508,669
Issuance of capital leases	1,000,000	2,400,000	2,474,300	74,300	417,480
Total other financing sources	2,150,000	2,450,000	2,662,538	212,538	926,149
Net change in fund balance	$ 1,852,568	$ 638,954	2,002,542	$ 1,363,588	1,766,379
Fund Balance					
Beginning of year			2,833,633		1,067,254
End of year			$ 4,836,175		$ 2,833,633

See notes to financial statements.

Independent School District No. 720
Statement of Net Position - Proprietary Funds
As of June 30, 2019

		Governmental Activities - Internal Service Funds
Assets		
Current		
Cash and cash equivalents	$	372,297
Accounts receivable		10,506
Total assets	$	382,803
Liabilities		
Current		
Accounts payable	$	1,250
Incurred but not reported claims		880,349
Total liabilities		881,599
Net Position		
Unrestricted		(498,796)
Total liabilities and net position	$	382,803

See notes to financial statements.

Independent School District No. 720
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2019

	Governmental Activities - Internal Service Funds
Operating Revenue	
Charges for services	$ 9,105,897
Operating Expenses	
Insurance	9,061,472
Operating income	44,425
Nonoperating Revenue	
Investment income	10,759
Change in net position	55,184
Net Position	
Beginning of year	(553,980)
End of year	$ (498,796)

See notes to financial statements.

Independent School District No. 720
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2019

	Governmental Activities - Internal Service Funds
Cash Flows - Operating Activities	
Receipts from District contributions	$ 9,095,391
Employee claims paid	(9,259,094)
Net cash flows - operating activities	(163,703)
Cash Flows - Investing Activities	
Interest received	10,759
Net change in cash and cash equivalents	(152,944)
Cash and Cash Equivalents	
Beginning of year	525,241
End of year	$ 372,297
Reconciliation of Operating Income to Net Cash Flows - Operating Activities	
Operating income	$ 44,425
Adjustments to reconcile operating loss to net cash flows - operating activities	
Accounts payable	(767)
Incurred but not reported claims	(196,855)
Accounts receivable	(10,506)
Net adjustments	(208,128)
Net cash flows - operating activities	$ (163,703)

See notes to financial statements.

Independent School District No. 720
Statement of Fiduciary Net Position
June 30, 2019

	OPEB Trust Fund	Private Purpose Trust Fund
Assets		
Cash and cash equivalents	$ -	$ 29,673
Investments		
Brokered money markets	10,700	-
Mutual funds - fixed income	2,357,092	-
Mutual funds - equity	2,495,142	-
Due from other governments	79,374	-
Total assets	4,942,308	29,673
Liabilities		
Accounts payable	-	13,240
Net Position		
Held in trust for OPEB	4,942,308	-
Held in trust for scholarships	-	16,433
Total net position held in trust	$ 4,942,308	$ 16,433

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

	OPEB Trust Fund	Private Purpose Trust Fund
Additions		
Contributions	$ -	$ 8,040
Investment income	300,541	573
Total additions	300,541	8,613
Deductions		
Health insurance benefits	201,489	-
Scholarships	-	9,240
Total deductions	201,489	9,240
Change in net position	99,052	(627)
Net Position		
Beginning of year	4,843,256	17,060
End of year	$ 4,942,308	$ 16,433

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a seven member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity
The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are not under the School Board's control; therefore, separate audited financial statements have been issued. As of July 1, 2019, these accounts have been taken under board control and will not be reported separately.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)
Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated deprecation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Trust Funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting
The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures
Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences, and claims and judgments are recognized when payment is due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures (Continued)
The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

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 revenues of the District's internal service funds are charges to customers for services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Description of Funds:

Major Funds:

General Fund – This fund 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, health and safety, and disabled accessibility projects. It is the basic operating fund of the District and accounts for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond principal, interest, and related costs.

Capital Projects Fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures. Local, state, and federal revenues are received in this fund to specifically support the Food Service Program.

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services. The District receipts property tax and local and state revenues in this Fund that were received for these specific purposes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued):

Proprietary Funds:

Health Insurance Internal Service Fund – This fund is used to account for self-insured employee health costs and related stop loss insurance.

Dental Insurance Internal Service Fund – This fund is used to account for self-insured employee dental costs and related stop loss insurance.

Fiduciary Funds:

OPEB Trust Fund – This fund is used for reporting resources set aside and held in an irrevocable trust arrangement for OPEB.

Private Purpose Trust Fund – The Scholarship Trust Fund is used to account for resources received and held by the District in a trustee capacity to be used in making scholarship awards.

D. Cash and Investments

The District's total deposits and investments are comprised of two major components, each with its own set of legal and contractual provisions as described on the following pages.

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

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. Investments held by investment pools are measured at amortized cost.

District Funds Other than OPEB Trust Fund
Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances. The investments of the capital projects building construction funds are not pooled and earnings on these investments are allocated directly to that fund.

Cash and investments at June 30, 2019, were comprised of deposits and shares in the Minnesota School District Liquid Asset Fund (MSDLAF) including certificates of deposit, U.S. Treasury securities, U.S. government agencies, and commercial paper and shares in MNTrust. MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Investments (Continued)

District Funds Other than OPEB Trust Fund (Continued)
Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized costs, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF or MNTrust. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. MSDLAF+ Term investments have a maturity of 60 days to one year and early withdrawal may result in substantial early redemption penalties. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

OPEB Trust Fund
These funds represent investments administered by the District's OPEB Fund Investment Managers. As of June 30, 2019, they were comprised of mutual funds. The District's investment policy extends to the OPEB Trust Fund investments.

Minnesota Statutes authorize the OPEB Trust Fund to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments. Investments are stated at fair value.

E. Property Tax Receivable
Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represents uncollected taxes for the past six years, and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property Taxes Levied for Subsequent Year's Expenditures
Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2018, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2019. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories
Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventory is recorded as expenditures when consumed rather than when purchased.

H. Prepaid Items
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

I. Property Taxes
The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Scott County is the collecting agency for the levy and remits the collections to the District three time a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

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

J. Capital Assets
Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 with an estimated useful life in excess of five years, including all computer equipment regardless of the value. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at its acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 10 to 50 years for site improvements and buildings and 5 to 15 years for furniture and equipment.

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. A deferred outflow of resources related to pension activity is recorded for various estimate differences that will be amortized and recognized over future years and is reported in the government-wide Statement of Net Position.

In addition to liabilities, the Statement of Net Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has five types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is deferred inflows relating to pension activity and is recorded on the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years. The fourth item is a deferred charge on refunding that results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The fifth item is a deferred inflows of resources related to OPEB and is recorded on the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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 Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

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.

M. Compensated Absences

Under the terms of collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates as specified by contract, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Compensated absence benefits are paid by the General Fund and Special Revenue Funds. Unused vacation is accrued as it is earned in the government-wide financial statements.

N. Post Employment Severance and Health Benefits

Severance and health benefits consist of lump sum retirement payments and post employment health care benefits.

Under the terms of certain collectively bargained employment contracts, the District is required to contribute health insurance premiums or to a health savings account for certain retired employees. The amount to be paid is limited as specified by contract.

Additional details for post employment health benefits can be found in Note 7.

O. Pensions

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Postemployment Benefits Other than Pensions (OPEB)
For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, the District 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 report at cost.

Q. 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 injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ended June 30, 2019.

R. Fund Equity
In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include amounts set aside for inventory and prepaid items.

- Restricted Fund Balances – These amounts are subject to externally enforceable legal restrictions by either a) creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.

- Committed Fund Balances – These 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 year-end; however, the specific amounts actually committed can be determined in the subsequent year.

- Assigned Fund Balances – The School Board may vote to assign fund balances but also delegates the power to assign fund balances to the Finance Director. Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances.

- Unassigned Fund Balances – These are amounts that have not been restricted, committed, or assigned to a specific purpose in the General Fund. Other funds may also report a negative unassigned fund balance if the total nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Equity (Continued)
The District's fund balance policy includes a target unassigned General Fund balance goal of between 8% and 12% of the annual budget.

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

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

U. Comparative Data/Reclassifications
Comparative total data for the prior year has been presented by fund types and in total in the fund financial statements and government-wide statements in order to provide an understanding of the changes in financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with this year's presentation.

V. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Director of Finance and Operations submits to the School Board a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Director of Finance and Operations is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General, Food Service, Community Service, Capital Projects, and Debt Service Funds.
4. Budgets for the General, Food Service, Community Service, Capital Projects, and Debt Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

District Funds and OPEB Trust Fund
In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Custodial Credit Risk – Deposits: For a deposit, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding federal deposit coverage. *Minnesota Statutes* require all deposits be protected by federal depository insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. As of June 30, 2019, the District's bank balance was not exposed to custodial credit risk because it was insured by FDIC insurance or fully collateralized.

As of June 30, 2019, the District had the following deposits:

Checking - District funds other than trust funds	$ 1,785,682
Checking - Private Purpose Trust Fund	29,673
Total Deposits	$ 1,815,355

B. Investments

District Funds Other than OPEB Trust Fund

As of June 30, 2019, the District had the following investments:

Investment Type	Fair Value	Investment Maturities Less than 1 Year	Investment Maturities 1-5 Years	S&P/Moody's Rating
Brokered Money Markets	$ 167	$ 167	$ -	N/A
MNTrust	4,248,048	4,248,048	-	AAAf
MSDLAF+ Liquid Class	17,790,059	17,790,059	-	AAAm
MSDLAF+ MAX Class	10,093,314	10,093,314	-	AAAm
Total investments	$ 32,131,588	$ 32,131,588	$ -	

Independent School District No. 720
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

District Funds Other than OPEB Trust Fund (Continued)
Interest Rate Risk: This is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District's investment policy states the portfolio shall be managed in a manner to attain a market rate of return through budgetary and economic cycles while preserving and protecting capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. *Minnesota Statutes* 118A.04 and 118A.05 limit investments to those in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy refers to *Minnesota Statutes* 118A.01 through 118A.06. The District will minimize credit risk by limiting investments to those allowed by statutory constraints.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy places no limit on the amount the District may invest in any one issuer, though it does state the District shall diversify its investments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions, or maturities. The District's investments were not exposed to concentration of credit risk at June 30, 2019, as no investments represented more than 5% of total investments.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy states all investment securities purchased by the District shall be held in third-party safekeeping by an institution designated as custodial agent. The institution or dealer shall issue a safekeeping receipt to the school District listing pertinent investment information.

$32,131,588 of $32,131,588 are not valued under Level 1 or 2, as they are not applicable to those fair value measurements.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

OPEB Trust Fund

As of June 30, 2019, the District's OPEB Trust Fund had the following investments:

Investment Type	Fair Value	S&P Rating
Brokered money markets	$ 10,700	N/A
Mutual funds - fixed income	2,357,092	N/A
Mutual funds - equity	2,495,142	N/A
Total investments	$ 4,862,934	

The District's OPEB Trust Fund investments have the following recurring fair value measurements as of June 30, 2019:

- $4,852,234 of $4,862,934 are valued using quoted market prices (Level 1 inputs)

$10,700 of $4,844,423 are not valued under Level 1 or 2 as they are not applicable to those fair value measurements.

C. Deposits and Investments

The following is a summary of total deposits and investments:

District funds other than trust funds	
Deposits (Note 2.A.)	$ 1,785,682
Investments (Note 2.B.)	32,131,588
Petty cash	1,740
Private purpose trust fund	
Deposits (Note 2.A.)	29,673
OPEB trust fund	
Investments (Note 2.B.)	4,862,934
Total deposits and investments	$ 38,811,617

Independent School District No. 720
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)

Deposits and investments are presented in the June 30, 2019 basic financial statements as follows:

Statement of Net Position	
Cash and investments	$ 33,919,010
Statement of Fiduciary Net Position	
Private purpose trust fund	29,673
OPEB trust fund	4,862,934
Total deposits and investments	$ 38,811,617

NOTE 3 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 14,627,269	$ -	$ -	$ 14,627,269
Construction in progress	88,992,061	8,055,862	2,443,021	94,604,902
Total capital assets not being depreciated	103,619,330	8,055,862	2,443,021	109,232,171
Capital assets Being depreciated				
Site improvements	14,644,375	-	-	14,644,375
Buildings	169,600,549	1,192,598	-	170,793,147
Furniture and equipment	21,093,692	3,824,319	1,869,201	23,048,810
Total capital assets being depreciated	205,338,616	5,016,917	1,869,201	208,486,332
Less accumulated depreciation for				
Site improvements	5,078,266	674,788	-	5,753,054
Buildings	56,702,745	3,900,077	-	60,602,822
Furniture and equipment	13,194,237	2,542,387	1,869,201	13,867,423
Total accumulated depreciation	74,975,248	7,117,252	1,869,201	80,223,299
Total capital assets being depreciated, net	130,363,368	(2,100,335)	-	128,263,033
Governmental activities capital assets, net	$ 233,982,698	$ 5,955,527	$ 2,443,021	$ 237,495,204

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of $7,117,252 for the year ended June 30, 2019, was charged to the following governmental functions.

Administration	$ 576
District support services	30,164
Elementary and secondary regular instruction	3,804,477
Special education instruction	701
Instructional support services	278
Pupil support	55,798
Sites and buildings	1,367,412
Food service	49,235
Community service	94,827
Unallocated	1,713,784
Total depreciation expense	$ 7,117,252

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One year
Long-term liabilities						
G.O. bonds, including refunding bonds						
2012A Crossover Refunding Bonds	02/01/12	3.00%-5.00%	$ 39,000,000	02/01/25	$ 24,295,000	$ 3,755,000
2013A Crossover Refunding Bonds	02/21/13	3.00%-5.00%	38,325,000	02/01/26	28,470,000	3,085,000
2014A Crossover Refunding Bonds	12/16/14	3.00%-5.00%	12,055,000	02/01/22	3,325,000	1,065,000
2015A School Building Bonds	07/20/15	3.00%-5.00%	85,030,000	02/01/34	72,775,000	7,590,000
2015B School Building Bonds	07/20/15	3.65%-3.75%	12,130,000	02/01/36	12,130,000	-
2016A Crossover Refunding Bonds	05/04/16	3.00%-5.00%	15,025,000	02/01/26	14,320,000	760,000
Total G.O. bonds					155,315,000	16,255,000
Certificates of participation						
2013B certificates of participation	12/30/13	2.00-4.50%	13,175,000	02/01/33	10,340,000	610,000
Unamortized bond premium/discount					14,126,563	-
Capital lease payable					3,779,547	1,627,943
Compensated absences payable					380,169	380,169
Total all long-term liabilities					$ 183,941,279	$ 18,873,112

The long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities and to refinance (refund) previous bond issues. G.O. bonds are liquidated from the Debt Service Fund while certificates of participation and capital leases are liquidated from the General Fund. Other long-term liabilities, such as compensated absences, are also typically liquidated through the General Fund.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds and Certificate of Participation

Minimum annual principal and interest payments required to retire bond and certificate of participation liabilities:

Year Ending June 30,	G.O. Bonds Principal	G.O. Bonds Interest	G.O. Bonds Total
2020	$ 16,255,000	$ 6,512,675	$ 22,767,675
2021	18,140,000	5,773,975	23,913,975
2022	12,665,000	4,882,975	17,547,975
2023	13,380,000	4,315,275	17,695,275
2024	14,010,000	3,686,475	17,696,475
2025-2029	44,260,000	10,923,075	55,183,075
2030-2034	24,475,000	4,819,750	29,294,750
2035-2036	12,130,000	680,675	12,810,675
Total	$ 155,315,000	$ 41,594,875	$ 196,909,875

Year Ending June 30,	Certificates of Participation Principal	Certificates of Participation Interest	Certificates of Participation Total
2020	$ 610,000	$ 426,369	$ 1,036,369
2021	625,000	408,069	1,033,069
2022	655,000	383,069	1,038,069
2023	680,000	356,868	1,036,868
2024	660,000	329,669	989,669
2025-2029	3,715,000	1,229,019	4,944,019
2030-2033	3,395,000	383,731	3,778,731
Total	$ 10,340,000	$ 3,516,794	$ 13,856,794

NOTE 4 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	$ 169,630,000	$ -	$ 14,315,000	$ 155,315,000
Certificates of participation	10,930,000	-	590,000	10,340,000
Premium/discount	15,883,057	-	1,756,494	14,126,563
Capital leases payable	2,720,782	2,474,300	1,415,535	3,779,547
Compensated absences payable	311,493	605,009	536,333	380,169
Total long-term liabilities	$ 199,475,332	$ 3,079,309	$ 18,613,362	$ 183,941,279

D. Capital Lease Obligations

The District entered into two lease purchase option agreements commencing on July 20, 2015, with Apple Inc. for computers. The capital lease obligations totaled $1,239,504. The capital lease agreements include annual principal and interest payments of $69,151 and $264,622 through July 20, 2017 and July 20, 2018, respectively. The book value of the computer equipment was $371,851 at June 30, 2019.

The District entered into two lease purchase option agreements on July 15, 2016, with Apple Inc. for computers. The capital lease obligations totaled $2,011,500. The capital lease agreements include annual principal and interest payments of $78,615 and $453,594 through July 15, 2018 and July 15, 2019, respectively. The book value of the computer equipment was $1,005,750 at June 30, 2019.

The District entered into two lease purchase option agreements on April 12, 2017, with Apple Inc. for computers. The capital lease obligations totaled $1,436,110. The capital lease agreements include annual principal and interest payments of $199,906 and $165,807 through July 15, 2020. The book value of the computer equipment was $718,055 at June 30, 2019.

The District entered into a lease purchase option agreement on June 11, 2018, with Apple Inc. for computers. The capital lease obligations totaled $417,480. The capital lease agreement includes annual principal and interest payments of $141,425 through July 15, 2020. The book value of the computer equipment was $292,236 at June 30, 2019.

The District entered into a lease purchase option agreement on July 15, 2018, with Apple Inc. for computers. The capital lease obligations totaled $546,000. The capital lease agreement includes annual principal and interest payments of $139,543 through July 15, 2021. The book value of the computer equipment was $491,400 at June 30, 2019.

The District entered into a lease purchase option agreement on March 15, 2019, with Apple Inc. for iPads and Apple TV's. The capital lease obligations totaled $742,700. The capital lease agreement includes annual principal and interest payments of $252,488 through July 15, 2021. The book value of the computer equipment was $668,430 at June 30, 2019.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations (Continued)

The District entered into a lease purchase option agreement on June 15, 2019, with Apple Inc. for computers. The capital lease obligations totaled $1,185,600. The capital lease agreement includes annual principal and interest payments of $303,379 through July 15, 2022. The book value of the computer equipment was $1,067,040 at June 30, 2019.

The future minimum lease obligations and the net present value of these minimum lease payments are listed below.

Year Ending June 30,	
2020	$ 1,656,143
2021	1,202,549
2022	695,410
2023	303,379
Total minimum lease payments	3,857,481
Less amount representing interest	(77,934)
Present value of minimum lease payments	$ 3,779,547

E. Operating Lease Obligations

The District leases space for the Area Learning Center and is classified as an operating lease, which expires in 2019. Total lease expenditures for 2019 were $249,175.

The District also has two three year options after the lease expires on July 31, 2019. One year of the Option Term 1 was initiated during fiscal year 2019, extending the lease through July 31, 2020. The remaining two years of Option Term 1 and all years of Option Term 2 are not included in the payment schedule on the following page.

Option Term 1
Annual rent per square foot – $6.00
Monthly base rent – $6,175.50

Option Term 2
Annual rent per square foot – $7.00
Monthly base rent – $7,204.75

Beginning on November 1, 2014, the District began leasing space for the District Office and is classified as an operating lease, the last of which expires in 2019. Total lease expenditures for 2019 were $266,729.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

E. Operating Lease Obligations (Continued)
The District also has two three year options after the lease expires on October 31, 2019. One year of the Option Term 1 was initiated during fiscal year 2019, extending the lease through October 31, 2020. The remaining two years of Option Term 1 and all years of Option Term 2 are not included in the payment schedule below.

Option Term 1
Annual rent per square foot – $9.50
Monthly base rent – $20,134.46

Option Term 2
Annual rent per square foot – $10.50
Monthly base rent – $22,253.88

Beginning December 1, 2016, the District has an agreement with the City of Shakopee for use of the ice rink and it is classified as an operating lease, which expires March 31, 2027. Total lease expenditures for 2019 were $125,000.

Minimum future rental payments under the non-cancelable operating leases are:

Year Ending June 30,	
2020	$ 428,003
2021	211,714
2022	125,000
2023	125,000
2024	125,000
2025-2027	375,000
Total	$ 1,389,717

NOTE 5 – FUND BALANCES/NET POSITION

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

A. Fund Balances
Fund balances are classified as shown on the following page to reflect the limitations and restrictions of the respective funds.

Independent School District No. 720
Notes to Financial Statements

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

	General Fund	Debt Service	Capital Projects	Nonmajor Funds	Total
Nonspendable					
Inventory	$ -	$ -	$ -	$ 48,294	$ 48,294
Prepaid items	245,117	-	-	-	245,117
Total nonspendable	245,117	-	-	48,294	293,411
Restricted for					
Operating Capital	728,530	-	-	-	728,530
Capital Projects Levy	112,719	-	-	-	112,719
Achievement and Integration	288	-	-	-	288
Medical Assistance	37,496	-	-	-	37,496
Early Childhood and Family Education	-	-	-	82,014	82,014
School Readiness	-	-	-	340,783	340,783
Debt Service	-	3,223,859	-	-	3,223,859
Capital Projects	-	-	2,022,715	-	2,022,715
Food Service	-	-	-	708,738	708,738
Total restricted	879,033	3,223,859	2,022,715	1,131,535	7,257,142
Assigned for					
One-to-One Insurance	267,230	-	-	-	267,230
Unassigned	3,444,795	-	-	(45,220)	3,399,575
Total fund balance	$ 4,836,175	$ 3,223,859	$ 2,022,715	$1,134,609	$ 11,217,358

Nonspendable for Inventory – This balance represents a portion of the fund balance that is not available since the amounts have already been spent on inventory.

Nonspendable for Prepaid Items – This balance represents a portion of the fund balance that is not available since the amounts have already been spent by the District on expenses for the next year.

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Capital Projects Levy – This balance represents available resources from the capital projects levy to be used for building construction and other projects under *Minnesota Statues* 126C.10, subd. 14. All interest income attributable to the capital projects levy must be credited to this account.

Restricted/Reserved for Achievement and Integration Revenue – This balance represents unspent resources available from the achievement and integration program.

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)
Restricted/Reserved for Medical Assistance – This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* 125A.21, subd. 3).

Restricted/Reserved for Safe Schools Levy – The unspent resources available from the safe schools levy must be restricted in this account for future use. The balance as of June 30, 2019, is a deficit (negative) $7,172 which is presented within unassigned fund balance in the General Fund for the purposes of reporting in accordance with generally accepted accounting principles.

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* 123B.595, subd. 12). The balance as of June 30, 2019, is a deficit (negative) $154,088 which is presented within unassigned fund balance in the General Fund for the purposes of reporting in accordance with generally accepted accounting principles.

Restricted for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* 124D.16).

Restricted for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, and extended day programs. The balance as of June 30, 2019, is a deficit (negative) $45,220, which is presented within unassigned fund balance for the purposes of reporting in accordance with generally accepted accounting principles.

Restricted for Debt Service – This balance represents the balance of the Debt Service Fund available for future debt principal and interest payments.

Restricted for Capital Projects – This balance represents the balance of the Capital Projects Fund available for future capital purchases.

Restricted for Food Service – This balance represents the balance of the Food Service Fund that is available for future food service expenditures.

Assigned for One-to-One Insurance – This balance represents resources set aside for repairs/replacement of one-to-one devices.

Independent School District No. 720
Notes to Financial Statements

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

B. Net Position
Net Investment in Capital Assets – This amount represent the net book value of the District's capital assets less the balance of outstanding debt used to acquire them.

Restricted net position is comprised of the total positive General Fund restricted fund balance plus the positive fund balances of the Food Service, Community Service, Debt Service, and Capital Projects Funds.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2019, was $(20,295,775). The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the liability related to the pensions.

Teachers' Retirement Association

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

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

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

Tier I	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:

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

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9% 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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits (Continued)

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

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

C. Contribution Rate

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

	June 30, 2017		June 30, 2018		June 30, 2019	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.50%	11.00%	11.50%	11.00%	11.71%
Coordinated	7.50%	7.50%	7.50%	7.50%	7.50%	7.71%

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

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. Amounts are reported in thousands.

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

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.

Independent School District No. 720
Notes to Financial Statements

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation date	July 1, 2018
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% for ten years and 3.25% thereafter
Projected salary increase	2.85% to 8.85% for ten years and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality 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 projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

Asset Class	Allocations as of June 30, 2018	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	33 %	36 %	5.10 %
International stocks	16	17	5.30
Private markets	25	25	5.90
Fixed income	16	20	0.75
Treasuries	8	0	0.50
Unallocated cash	2	2	0.00
Total	100 %	100 %	

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

Changes in actuarial assumptions since the 2017 valuation:

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 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 0.0% 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 was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. This is an increase from the discount rate at the prior measurement date of 5.12%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2018 contribution rate, contributions from school Districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

On June 30, 2019, the District reported a liability of $51,547,642 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 0.8207% at the end of the measurement period and 0.8541% 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	$ 51,547,642
State's proportionate share of the net pension liability associated with the District	4,843,020

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)
For the year ended June 30, 2019, the District recognized pension expense of $(20,703,835). It recognized $(3,380,115) as an increase to pension expense for the support provided by direct aid.

On June 30, 2019, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 539,901	$ 1,076,888
Net difference between projected and actual earnings on plan investments	-	4,252,228
Changes of assumptions	67,394,385	88,642,304
Changes in proportion	5,457,154	5,556,038
Contributions to TRA subsequent to the measurment date	3,550,680	-
Total	$ 76,942,120	$ 99,527,458

$3,550,680 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2020	$ 5,677,269
2021	3,340,696
2022	63,525
2023	(20,175,321)
2024	(15,042,187)
Total	$ (26,136,018)

Independent School District No. 720
Notes to Financial Statements

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.5%) and 1 percent higher (8.5%) than the current rate.

District proportionate share of NPL		
1% decrease (6.50%)	Current (7.50%)	1% increase (8.50%)
$ 81,805,899	$ 51,547,642	$ 26,584,779

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

H. Pension Plan Fiduciary Net Position
Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That can be obtained at www.MinnesotaTRA.org, or 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.

Public Employees' Retirement Association

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

General Employees Retirement Plan

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years of service and 1.7% for each additional year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members 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.

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2019, were $913,064. The District's contributions were equal to the required contributions as set by state statute.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2019, the District reported a liability of $10,257,494 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $336,349. 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 proportionate share was 0.1849% at the end of the measurement period and 0.1912% for the beginning of the period.

District's proportionate share of net pension liability	$ 10,257,494
State of Minnesota's proportionate share of the net pension liability associated with the District	336,349
Total	$ 10,593,843

For the year ended June 30, 2019, the District recognized pension expense of $408,061 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $78,436 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At June 30, 2019, the District reported its proportionate share of 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	$ 280,335	$ 312,434
Changes in actuarial assumptions	1,023,301	1,179,419
Difference between projected and actual investments earnings	-	1,052,498
Change in proportion	119,198	378,777
Contributions paid to PERA subsequent to the measurement date	913,064	-
Total	$ 2,335,898	$ 2,923,128

$913,064 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2020	$ 359,675
2021	(695,949)
2022	(949,930)
2023	(214,090)
Total	$ (1,500,294)

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

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

Inflation	2.50 % Per year
Active member payroll growth	3.25 % Per year
Investment rate of return	7.50 %

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

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 occurred in 2018:

Changes in Actuarial Assumptions:
- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% 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% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, 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% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, 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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)
The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

Asset Class	Final Target Allocation	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
Total	100 %	

F. Discount Rates
The discount rate used to measure the total pension liability in 2018 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity
The following table 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 (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the PERA net pension liability	$ 16,669,741	$ 10,257,494	$ 4,964,367

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

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

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

A. Plan Description
The District provides post-employment insurance benefits to certain eligible employees through its Other Post Employment Benefits (OPEB) Plan, a single-employer defined benefit plan administered by the District. All post employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements.

The OPEB plan is included in the report of the District. A separate financial report is not issued.

B. Benefits Provided
All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical insurance from the time of retirement until the employee reaches the age of eligibility for Medicare or a limited number of years depending on the contractual language. Benefits paid by the District differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these District-paid premium benefits must pay the full District premium rate for their coverage.

C. Members

As of July 1, 2018, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	20
Active employees	1,012
Total	1,032

D. Contributions
Retirees and their families have access to the health care plan at the same premium rate as District employees. This results in the retirees receiving an implicit rate subsidy. The premiums are based on the contract terms with PreferredOne. The required contributions are on projected pay-as-you-go financing requirements. For fiscal year 2019, the District contributed $286,001 to the plan.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions
The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Investment rate of return	4.30%, net of investment expense
Salary increases	3.00%
Inflation	2.50%
Healthcare cost trend increases	6.50% initially in 2019, grading to 5.0% over 6 years
Mortality Assumption	RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2014.

The following are changes to actuarial assumptions since the prior valuation:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The percent of administration and teachers not eligible for a post-employment medical subsidy assumed to elect coverage at retirement was lowered from 70% to 50%.
- The discount rate was changed from 3.50% to 4.20%

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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term 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 table on the following page.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed income	50.00 %	3.40 %
Domestic equity	33.00	5.20
International equity	17.00	5.20
Real estate	0.00	0.00
Other	0.00	0.00
Total	100.00 %	

The details of the investments and the investment policy are described in Note 2. of the District's financial statements. For the year ended June 30, 2019, the annual money-weighed rate of return on investments, net of investment expense, was 6.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

F. Discount Rate
The discount rate used to measure the total OPEB liability was 3.2%. The projection of cash flows used to determine the discount rate assumed that employee 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 future benefit payments of 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.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2018	$ 13,433,020	$ 4,845,053	$ 8,587,967
Changes for the year			
Service cost	661,857	-	661,857
Interest	489,794	-	489,794
Assumption changes	(466,086)	-	(466,086)
Differences between expected and actual economic experience	(2,941,709)	-	(2,941,709)
Employer contributions	-	-	-
Projected investment return	-	303,542	(303,542)
Benefit payments	(203,286)	(203,286)	-
Administrative expense	-	(3,000)	3,000
Plan changes	(1,054,865)	-	(1,054,865)
Net changes	(3,514,295)	97,256	(3,611,551)
Balances at June 30, 2019	$ 9,918,725	$ 4,942,309	$ 4,976,416
Plan fiduciary net position as a percentage of the total OPEB liability			49.83%

H. OPEB Liability Sensitivity

The following presents the District's net OPEB liability calculated using the discount rate of 3.2% as well as the liability measured using 1 percent lower and 1 percent higher than the current discount rate.

	1% decrease (2.2%)	Current (3.2%)	1% increase (4.2%)
Net OPEB liability (asset)	$ 5,790,164	$ 4,976,416	$ 4,197,917

The total on the following page presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Liability Sensitivity (Continued)

	(5.50% decreasing to 4.0%)	(6.50% decreasing to 5.0%)	(7.50% decreasing to 6.0%)
Net OPEB liability (asset)	$ 3,685,480	$ 4,976,416	$ 6,509,440

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

For the year ended June 30, 2019, the District recognized OPEB expense of $569,645. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ -	$ 172,205
Differences between expected and actual economic experience	-	2,647,538
Changes of assumptions	-	894,570
Total	$ -	$ 3,714,313

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

Year Ending June 30,	Total
2020	$ (461,094)
2021	(461,093)
2022	(444,042)
2023	(423,396)
2024	(404,355)
Thereafter	(1,520,333)
Total	$ (3,714,313)

Independent School District No. 720
Notes to Financial Statements

NOTE 8 – COMMITMENTS

As of June 30, 2019, the District had the following construction commitments:

Project	Project Authorization	Work Completed	Remaining Commitment
High School Building Addition	$94,316,401	$91,649,808	$ 2,666,593
South Site Fields	2,996,567	2,600,737	395,830
Sweeney Roof	1,549,120	335,643	1,213,477

NOTE 9 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 84, Fiduciary Activities establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will be effective for the year ending June 30, 2020.

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending June 30, 2021.

Independent School District No. 720
Schedule of Changes in Net OPEB Liability
and Related Ratios

	June 30, 2017	June 30, 2018	June 30, 2019
Total OPEB Liability			
Service cost	$ 1,026,321	$ 958,236	$ 661,857
Interest	369,801	430,395	489,794
Differenced between expected and actual experience	-	-	(2,941,709)
Changes of assumptions	(335,006)	(300,738)	(466,086)
Plan changes	-	-	(1,054,865)
Benefit payments	(299,365)	(290,672)	(203,286)
Net change in total OPEB liability	761,751	797,221	(3,514,295)
Beginning of year	11,874,048	12,635,799	13,433,020
End of year	$ 12,635,799	$ 13,433,020	$ 9,918,725
Plan Fiduciary Net Pension (FNP)			
Employer contributions	$ 126,365	$ 106,667	$ -
Net investment income	180,697	202,898	208,337
Differences between expected and actual experience	85,258	103,230	95,205
Benefit payments	(299,365)	(290,672)	(203,286)
Administrative expense	-	(3,291)	(3,000)
Net change in plan fiduciary net position	92,955	118,832	97,256
Beginning of year	4,633,266	4,726,221	4,845,053
End of year	$ 4,726,221	$ 4,845,053	$ 4,942,309
Net OPEB liability	$ 7,909,578	$ 8,587,967	$ 4,976,416
Plan FNP as a percentage of the total OPEB liability	37.40%	36.07%	49.83%
Covered-employee payroll	$ 55,218,930	$ 56,875,498	$ 54,323,169
Net OPEB liability as a percentage of covered-employee payroll	14.32%	15.10%	9.16%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Independent School District No. 720
Schedule of Investment Returns

	June 30, 2017	June 30, 2018	June 30, 2019
Annual money-weighted rate of return, net of investment expense	5.70%	6.50%	6.30%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Independent School District No. 720
Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability - General Employees Retirement Fund
Last Ten Years*

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1966%	$ 9,235,283	$ -	$ 9,235,283	$ 10,320,166	89.49%	78.75%
2015	0.1839%	9,530,652	-	9,530,652	10,626,680	89.69%	78.19%
2016	0.1931%	15,678,762	204,852	15,883,614	11,984,533	130.82%	68.91%
2017	0.1912%	12,206,082	153,497	12,359,579	12,318,853	99.08%	75.90%
2018	0.1849%	10,257,494	336,349	10,593,843	12,426,720	82.54%	79.53%

* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability - TRA Retirement Fund
Last Ten Years*

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.8067%	$ 37,172,155	$ 2,615,162	$ 39,787,317	$ 36,823,971	100.9%	81.50%
2015	0.7817%	48,355,876	5,931,424	54,287,300	39,672,933	121.9%	76.77%
2016	0.8321%	198,475,704	19,921,322	218,397,026	43,284,507	458.5%	44.88%
2017	0.8541%	170,493,853	16,481,743	186,975,596	45,978,120	370.8%	51.57%
2018	0.8207%	51,547,642	4,843,020	56,390,662	45,343,640	113.7%	78.07%

* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

See notes to the required supplementary information.

Independent School District No. 720
Schedule of District Contributions -
General Employees Retirement Fund
Last Ten Years*

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 748,212	$ 748,212	$ -	$ 10,320,166	7.25%
2015	797,001	797,001	-	10,626,680	7.50%
2016	898,840	898,840	-	11,984,533	7.50%
2017	923,914	923,914	-	12,318,853	7.50%
2018	932,004	932,004	-	12,426,720	7.50%
2019	913,064	913,064	-	12,174,187	7.50%

* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

Schedule of District Contributions -
TRA Retirement Fund
Last Ten Years*

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 2,577,678	$ 2,577,678	$ -	$ 36,823,971	7.00%
2015	2,975,470	2,975,470	-	39,672,933	7.50%
2016	3,246,338	3,246,338	-	43,284,507	7.50%
2017	3,448,359	3,448,359	-	45,978,120	7.50%
2018	3,400,773	3,400,773	-	45,343,640	7.50%
2019	3,550,680	3,550,680	-	46,052,918	7.71%

* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

See notes to the required supplementary information.

Independent School District No. 720
Notes to the Required Supplementary Information

TRA Retirement Fund

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- 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 July 1, 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 0.0% 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 was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

TRA Retirement Fund (Continued)

2016 Changes
Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the 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.
- The post-retirement mortality assumption was changed to the 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.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes
Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

Independent School District No. 720
Notes to the Required Supplementary Information

General Employees Fund

2018 Changes
Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% 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% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, 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% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes
Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes
Changes in Actuarial Assumptions

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

General Employees Fund (Continued)

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

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

Post Employment Health Care Plan

2019 Changes
Benefit Changes
- For the fiscal year ending June 30, 2019, the teacher's post-employment subsidized benefit changed from the full single premium for the $1,200 deductible plan to the same annual contribution toward single coverage as active employee.

Assumption Changes
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The percent of administration and teachers not eligible for a post-employment medical subsidy assumed to elect coverage at retirement was lowered from 70% to 50%.
- The discount rate was changed from 3.50% to 3.20%

2018 Changes
Changes in Actuarial Assumptions
- The discount rate was changed from 2.90% to 3.50%.

PROPOSAL SALE DATE: February 24, 2020

Independent School District No. 720,
Shakopee Public Schools, Minnesota
$11,900,000* General Obligation Facilities Maintenance Bonds, Series 2020B

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 $11,900,000 (Par)) plus accrued interest, if any, to the date of delivery.

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

Designation of Term Maturities

Years of Term Maturities ______________ ______________
______________ ______________

In making this offer on the sale date of February 24, 2020 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated February 6, 2020 including the District's right to modify the principal amount of the Bonds. (See "Terms of Proposal" herein.) In the event of failure to deliver these Bonds in accordance with said Terms of Proposal, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

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

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

NET INTEREST COST: $___________________________

TRUE INTEREST RATE: _____________ %

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

Account Members

____
Account Manager

By: ___________________________

Phone: ________________________

The foregoing proposal has been accepted by the District.

Attest: ______________________________ Date: ________________________________

* *Preliminary; subject to change.*

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