PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 9, 2020

NEW ISSUE **S&P Ratings: Requested**
NOT BANK QUALIFIED

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

$25,882,692.20*
Independent School District No. 111
(Watertown-Mayer Public Schools)
Watertown, Minnesota
General Obligation School Building Bonds, Series 2020A
(Capital Appreciation Bonds)

(Minnesota School District Credit Enhancement Program)

(Book Entry Only)

The Bonds (as defined herein) will be dated as the date of settlement. Interest on the Bonds shall accrue from the dated date and shall be compounded beginning on August 1, 2020, and semiannually thereafter on February 1 and August 1 of each year. Interest is payable, together with principal, only at maturity or upon prior redemption. The "original principal" as used herein is that principal amount which, when accreted at its associated interest rate until its scheduled maturity date, results in a payment described hereinafter as its maturity value (the "Maturity Value"). These Maturity Values will be in $5,000 denominations or integral multiples thereof.

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 equal to the accreted value of the Bonds as of the date of redemption.

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 the acquisition and betterment of school sites and facilities within the District.

Proposals shall be for not less than $25,604,453.26 (98.9%) of the total original principal amount of $25,882,692.20 plus accrued interest, if any. Proposals shall specify rates in integral multiples of 1/100 or 1/8 of 1%. Following receipt of proposals, a good faith deposit will be required to be delivered to the District by the lowest bidder as described in each "Terms of Proposal" herein. Award of the Bonds will be made on the basis of True Interest Cost (TIC).

The Bonds will not be designated 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 specified for each $5,000 Maturity Value any integral amount thereof. Investors will not receive physical certificates representing their interest in the Bonds purchased. (See "Book Entry System" herein.) Zions Bancorporation, National Association, Chicago, Illinois will serve as registrar (the "Registrar") for the Bonds. The Bonds will be available for delivery at DTC on or about February 27, 2020.

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

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. 111 (Watertown-Mayer Public Schools)
Watertown, Minnesota

$25,882,692.20* General Obligation School Building Bonds, Series 2020A
(Capital Appreciation Bonds)

Schedule of Maturity Dates, Principal Amounts and Yields

Maturity Date (February 1)	Original Principal	Yield	Original Principal Amount per $5,000 Accreted Amount at Maturity	Maturity Value*	CUSIP
2027	$_________	___%	$_________	$2,655,000.00	_____
2028	$_________	___%	$_________	$2,655,000.00	_____
2029	$_________	___%	$_________	$2,655,000.00	_____
2030	$_________	___%	$_________	$2,655,000.00	_____
2031	$_________	___%	$_________	$2,650,000.00	_____
2032	$_________	___%	$_________	$2,650,000.00	_____
2033	$_________	___%	$_________	$2,650,000.00	_____
2034	$_________	___%	$_________	$2,930,000.00	_____
2035	$_________	___%	$_________	$2,930,000.00	_____
2036	$_________	___%	$_________	$2,930,000.00	_____
2037	$_________	___%	$_________	$2,925,000.00	_____
2038	$_________	___%	$_________	$2,930,000.00	_____
2039	$_________	___%	$_________	$2,925,000.00	_____
2040	$_________	___%	$_________	$2,925,000.00	_____

A table of Compound Accreted Values per $5,000 maturity amount will be included in Appendix V of the Final Official Statement.

* *Preliminary; subject to change.*

INDEPENDENT SCHOOL DISTRICT NO. 111
(WATERTOWN-MAYER PUBLIC SCHOOLS)
WATERTOWN, MINNESOTA

SCHOOL BOARD MEMBERS

Stacy Unowsky	Chair
Tim Thompson	Vice Chair
Erika Schulz	Treasurer
Kelly Thaemert	Clerk
Hunter Feldt	Director
Heidi Guetzkow	Director
Jeffrey Jackson	Director

SUPERINTENDENT

Ron Wilke

FINANCE OFFICER

Lisa Raiter

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Saint Paul, Minnesota

BOND COUNSEL

Knutson, Flynn & Deans, P.A.
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

	Page(s)
Terms of Proposal	i-v
Introductory Statement	1
Continuing Disclosure	1
The Bonds	2
Authority and Purpose	4
Sources and Uses of Funds	5
Security and Financing	5
Minnesota School District Credit Enhancement Program	5
Future Financing	6
Litigation	7
Legality	7
Tax Exemption	7
Not Bank-Qualified Tax-Exempt Obligations	8
Ratings	8
Municipal Advisor	8
Certification	8
District Property Values	9
District Indebtedness	10
District Tax Rates, Levies and Collections	13
Funds on Hand	13
Investments	14
General Information Concerning the District	14
Area Economy	19
Proposed Form of Legal Opinion	Appendix I
Continuing Disclosure Certificate	Appendix II
Summary of Tax Levies, Payment Provisions, and Minnesota Real Property Valuation	Appendix III
Excerpt of 2019 Annual Financial Statements	Appendix IV

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

$25,882,692.20*

**INDEPENDENT SCHOOL DISTRICT NO. 111 (WATERTOWN-MAYER PUBLIC SCHOOLS)
WATERTOWN, MINNESOTA**

**GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2020A
(CAPITAL APPRECIATION BONDS)**

(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. 111 (Watertown-Mayer Public Schools), Watertown, Minnesota (the "District") on Thursday, January 30, 2020 (the "Sale Date") until 10:00 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 and shall bear interest from their date of settlement. Interest on the Bonds shall be compounded beginning on August 1, 2020, and semiannually thereafter on February 1 and August 1 of each year. Interest is payable, together with principal, only at maturity or upon prior redemption. The "original principal" as used herein is that principal amount which, when accreted at its associated interest rate until its scheduled maturity date, results in a payment described hereinafter as its maturity value (the "Maturity Value"). These Maturity Values will be in $5,000 denominations or integral multiples thereof.

The Bonds are being issued in the aggregate original principal amount of approximately $25,882,692.20* and a Maturity Value of $39,065,000.00*. The rates specified by the lowest bidder (the "Purchaser") will determine the original principal amount of each Bond. The Maturity Values will be paid on February 1 in the years and amounts* as follows:

2027	$2,655,000	2030	$2,655,000	2033	$2,650,000	2036	$2,930,000	2039	$2,925,000
2028	$2,655,000	2031	$2,650,000	2034	$2,930,000	2037	$2,925,000	2040	$2,925,000
2029	$2,655,000	2032	$2,650,000	2035	$2,930,000	2038	$2,930,000		

* *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 order to provide approximately $39,065,000.00 in original principal amount. 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.*

Within 24 hours of award, the Purchaser shall provide a table of accreted values for a $5,000 Maturity Value of each maturity as of each February 1 and August 1 through its maturity date based on semiannual compounding at the interest rate specified for such Bonds, from the assumed settlement date of February 27, 2020. In case of discrepancy, the District's calculation of accreted values shall be controlling.

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 shown for each $5,000 accreted amount at maturity or any integral amount thereof 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 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 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 the accreted value of the Bonds as of the date of redemption.

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 the acquisition and betterment of school sites and facilities within the District.

BIDDING PARAMETERS

Proposals shall be for not less than $25,604,453.26 (98.9%) of the total original principal amount of $25,882,692.20, plus accrued interest, if any. 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%. 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 $390,650 (the "Deposit") no later than 1:00 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 February 27, 2020, the Bonds will be delivered without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of 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 December 16, 2019 BY ORDER OF THE SCHOOL BOARD

/s/ Kelly Thaemert
Clerk

OFFICIAL STATEMENT

$25,882,692.20*

INDEPENDENT SCHOOL DISTRICT NO. 111 (WATERTOWN-MAYER PUBLIC SCHOOLS)
WATERTOWN, MINNESOTA

GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2020A

(MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM)

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement contains certain information relating to Independent School District No. 111 (Watertown-Mayer Public Schools), Watertown, Minnesota (the “District”) and its issuance of $25,882,692.20* General Obligation School Building Bonds, Series 2020A (Capital Appreciation Bonds) (the “Bonds”). The Bonds are general obligations of the District for which it pledges its full faith and credit and power to levy direct general ad valorem taxes. The District has also covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 and to use the provisions of that statute pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Bonds when due if the District is unable to make a principal or interest payment.

Inquiries may be directed to Ms. Lisa Raiter, Finance Officer, Independent School District No. 111 (Watertown-Mayer Public Schools), 1001 Highway 25 NW, Watertown, Minnesota 55388-9422 by telephoning (952) 955-0487or by e-mailing lraiter@wm.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 BondService@bakertilly.com. If information of a specific legal nature is desired, requests may be directed to Mr. Thomas S. Deans, Knutson, Flynn & Deans, Professional Association, Mendota Heights, Minnesota, Bond Counsel, 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 the Award Resolution 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. 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 will be dated as of their date of settlement, and will mature on February 1 in the years and in the accreted maturity amounts set forth on the inside cover page hereof, which accreted amounts at maturity shall consist of the initial principal amount thereof plus interest accrued and compounded thereon semiannually from the date thereof to maturity (the "Maturity Value"). The Bonds will accrue interest from the dated date, which will compound semiannually on February 1 and August 1 of each year, commencing August 1, 2020 (the "Compound Accreted Value"), and will be payable only at maturity or upon prior redemption, if any. Interest on the Bonds will be computed and compounded on the basis of a 360-day year of twelve 30-day months.

The Bonds have an original principal amount of $25,882,692.20* and a Maturity Value of $39,065,000.00*. The Bonds are issuable as fully registered bonds, in denominations such that the Compound Accreted Value payable on each Bond on the stated maturity date thereof will be $5,000 or any integral multiple thereof.

The table of Compound Accreted Values to be set forth in Appendix V of the Final Official Statement will show for each February 1 and August 1 at which such Bonds are outstanding, the combined total of the principal amount thereof and the interest accrued and compounded thereon to such February 1 or August 1 for each $5,000 Maturity Value thereof based on the original principal amounts and stated interest rates. The Compound Accreted Value with respect to any date other than a February 1 or August 1 is determined by straight-line interpolation between the Compound Accreted Values for the February 1 and August 1 immediately preceding and immediately subsequent to the date of calculation, assuming twelve 30-day months.

The Bonds are issued in book entry form. The Compound Accreted Value of the Bonds will be payable at the payment office of the Registrar at the maturity or earlier redemption date thereof and will be paid as described in the section herein entitled "Book Entry System." Zions Bancorporation, National Association, Chicago, Illinois will serve as Registrar for the Bonds, and the District will pay for registrar services.

Redemption Provisions

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

<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

* *Preliminary; subject to change.*

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 the accreted value of the Bonds as of the date of redemption.

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 shown for each $5,000 accreted amount at maturity, or any integral amount thereof, 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 126C.55, and a referendum held on November 5, 2019. The referendum passed with a vote of 1,005 in favor to 750 against. The District expects to use the full amount authorized by the referendum to issue the Bonds. The proceeds of the Bonds will be used to finance the acquisition and betterment of school sites and facilities within the District.

SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Principal Amount	$25,882,692.20
Total Sources of Funds	$25,882,692.20
Uses of Funds:	
Deposit for Project Fund	$25,504,638.26
Allowance for Discount Bidding	278,238.94
Costs of Issuance	99,815.00
Total Uses of Funds	$25,882,692.20

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 will make its first levy for the Bonds in 2025 for collection in 2026. Each year's collection of taxes, if collected in full, will be sufficient to pay 105% of the debt service due on February 1 of the following year.

MINNESOTA SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM

By resolution adopted for this issue on December 16, 2019 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

The Law also requires the Registrar for this issue to notify the Commissioner of Education if it becomes aware of a potential default in the payment of principal and interest on these obligations, or if, on the day two business days prior to the payment date, there are insufficient funds to make the payment or deposit with the Registrar. The Law also requires, after receipt of a notice which requests a payment pursuant to the Law, after consultation with the Registrar and the District, and after verifying the accuracy of the information provided, the Commissioner of Education shall notify the Commissioner of Management and

Budget of the potential default. The State Payment Law provides that "upon receipt of this notice . . . the Commissioner of Management and Budget shall issue a warrant and authorize the Commissioner of Education to pay to the Registrar for the debt obligation the specified amount on or before the date due. The amounts needed for purposes of subdivision are annually appropriated to the Department of Education from the state general fund."

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

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

> "Minnesota Statutes, Section 126C.55, establishes a school district credit enhancement program. The law authorizes and directs the Commissioner of Management and Budget, under certain circumstances and subject to the availability of funds, to issue a warrant and authorize the Commissioner of Education to pay debt service due on school district and intermediate school district certificates of indebtedness issued under Minnesota Statutes, Section 126D.52, certificates of indebtedness and capital notes for equipment, certificates of participation issued under Minnesota Statutes, Section 126D.40, subdivision 6, and school district and intermediate school district general obligation bonds, in the event that the school district or intermediate school district notifies the Commissioner of Education that it does not have sufficient money in its debt service fund for this purpose, or the paying agent informs the Commissioner of Education that it has not received from the school district timely payment of moneys to be used to pay debt service. The legislation appropriates annually form the General Fund to the Commissioner of Education the amounts needed to pay any warrants which are issued.
>
> …As of the date of this Official Statement, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2046, is approximately $15.1 billion. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of the date of this Official Statement is currently estimated at $2.3 billion, with the maximum amount of principal and interest payable in any one month being $889.3 million. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.

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

FUTURE FINANCING

The District does not anticipate issuing any additional long-term general obligation debt within the next 90 days.

LITIGATION

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

LEGALITY

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

TAX EXEMPTION

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

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

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

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

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

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

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

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

MUNICIPAL ADVISOR

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

CERTIFICATION

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

DISTRICT PROPERTY VALUES

Trend of Values[(a)]

Assessment/ Collection Year	Assessor's Estimated Market Value	Sales Ratio[(b)]	Economic Market Value[(c)]	Market Value Homestead Exclusion	Taxable Market Value	Adjusted Taxable Net Tax Capacity
2018/19	$1,379,552,000	94.6%	$1,506,824,713	$39,073,417	$1,316,728,720	$14,032,951
2017/18	1,280,172,100	96.0	1,374,060,877	42,246,900	1,215,994,700	12,873,901
2016/17	1,209,474,600	91.2	1,355,186,510	44,045,791	1,114,523,609	11,973,932
2015/16	1,171,450,400	98.7	1,217,120,511	44,457,312	1,106,814,088	11,436,420
2014/15	1,120,076,700	94.7	1,210,052,513	46,343,062	1,055,160,838	10,919,961

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

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

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

Sources: Carver, Wright, and Hennepin counties, Minnesota, December 2019, except as otherwise noted.

2018/19 Net Tax Capacity: $12,787,889*

	Carver County	Wright County	Hennepin County	Total
Real Estate	$9,121,502	$1,330,451	$1,981,138	$12,433,091
Personal Property	287,772	23,526	43,500	354,798
Total	$9,409,274	$1,353,977	$2,024,638	$12,787,889

* *Excludes mobile home valuations of $24,636 and $155 for Carver and Wright counties, respectively.*

2018/19 Adjusted Taxable Net Tax Capacity: $14,032,951

Real Estate:		
Residential Homestead	$ 7,998,885	62.5%
Agricultural	2,612,336	20.4
Residential Non-Homestead	1,072,845	8.4
Commercial/Industrial and Public Utility	722,818	5.7
Seasonal Recreational	26,207	0.2
Personal Property	354,798	2.8
2018/19 Net Tax Capacity	$12,787,889	100.0%
Less: Contribution to Fiscal Disparities	(385,921)	
Plus: Distribution from Fiscal Disparities	1,630,983	
2018/19 Adjusted Taxable Net Tax Capacity	$14,032,951	

Ten of the Largest Taxpayers in the District

Taxpayer	Type of Property	2017/18 Net Tax Capacity
Northern Natural Gas Company	Utility	$175,280
Xcel Energy	Utility	63,002
CenterPoint Energy	Utility	48,504
Riverbend Plaza LLC	Commercial	44,344
Carver Farming Inc.	Agricultural	39,564
Individual	Agricultural	34,629
Individuals	Agricultural	34,336
Individual	Agricultural	30,791
Ziemer Company LLC	Industrial	29,938
Individual	Agricultural	25,914
Total		$526,302*

* *Northern Natural Gas Company represents 1.2% of the District's 2018/19 adjusted taxable net tax capacity, while the remaining nine taxpayers represent 2.6% of the District's 2018/19 adjusted taxable net tax capacity.*

DISTRICT INDEBTEDNESS

Legal Debt Limit and Debt Margin*

Legal Debt Limit (15% of 2018/19 Economic Market Value of $1,506,824,713)	$226,023,707
Less: Outstanding Debt Subject to Limit	(52,522,692)
Legal Debt Margin as of February 27, 2020	$173,501,015

* *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 2-27-20
9-15-12	$25,930,000	School Building Refunding	2-1-2026	$15,685,000
4-30-13	3,175,000	Alternative Facilities	2-1-2033	2,390,000
11-24-15	5,055,000	School Building Refunding	2-1-2022	1,020,000
11-24-15	8,115,000	School Building Refunding	2-1-2026	7,545,000
2-27-20	25,882,692	School Building Bonds (CABs) (the Bonds)	2-1-2040	25,882,692
Total				$52,522,692

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

Estimated Calendar Year Debt Service Payments Including the Bonds

	General Obligation Debt Supported Solely by Taxes	
Year	Principal	Principal & Interest(a)
2020	(Paid)	$ 407,898
2021	$ 3,775,000	4,522,548
2022	3,910,000	4,518,433
2023	4,115,000	4,591,718
2024	4,240,000	4,585,758
2025	4,375,000	4,593,435
2026	4,490,000	4,592,450
2027	2,480,511	2,926,260
2028	2,406,817	2,926,260
2029	2,329,671	2,925,915
2030	2,259,534	2,925,215
2031	2,179,244	2,924,088
2032	2,117,756	2,922,000
2033	2,050,455	2,924,050
2034	1,895,886	2,930,000
2035	1,824,101	2,930,000
2036	1,753,312	2,930,000
2037	1,680,734	2,925,000
2038	1,615,075	2,930,000
2039	1,545,190	2,925,000
2040	1,479,406	2,925,000
Total	$52,522,692(b)	$68,781,028

(a) Includes the Bonds at an assumed average annual interest rate of 3.93%.

(b) 65.5% of this debt will be retired within ten years.

Other Debt Obligations

Certificates of Participation

On July 1, 2010, the District raised funds through the issuance of a lease-purchase agreement. The maximum amount that could be drawn on the lease-purchase agreement was $1,262,512 and was used for energy savings improvements made to the schools. Repayment of the principal is made through rental payments. Principal outstanding as of June 30, 2019 is $560,399.

Overlapping Debt

Taxing Unit[a]	2018/19 Adjusted Taxable Net Tax Capacity	Est. G.O. Debt As of 2-27-20[b]	Debt Applicable to Tax Capacity in District Percent	Amount
Carver County	$ 153,858,855	$ 28,650,000	6.9%	$ 1,976,850
Hennepin County	1,979,015,644	985,890,000	0.1	985,890
Wright County	165,818,717	46,430,000	0.8	371,440
City of Mayer	2,258,140	1,500,000	100.0	1,500,000
City of Minnetrista	18,763,281	15,865,000	11.0	1,745,150
City of Watertown	4,278,634	4,194,000	100.0	4,194,000
Town of Franklin	4,913,594	565,000	10.9	61,585
Hennepin County Regional Rail Authority	1,979,015,644	98,385,000	0.1	98,385
Three Rivers Park District	1,392,585,505	51,840,000	0.1	51,840
Metropolitan Council	4,281,620,797	5,735,000[c]	0.3	17,205
Metropolitan Transit	3,433,535,041	255,485,000	0.4	1,021,940
Total				$12,024,285

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

(b) *Excludes revenue-supported debt.*

(c) *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 ($1,379,552,000)	3.81%	4.68%
Per Capita - (10,729 – U.S. Census Estimate)	$4,895	$6,016

* *Excludes other debt obligations.*

DISTRICT TAX RATES, LEVIES AND COLLECTIONS

Tax Capacity Rates for a Resident in the City of Watertown

	2014/15	2015/16	2016/17	2017/18	2018/19 Total	2018/19 For Debt Only
Carver County	40.488%	38.880%	38.851%	37.436%	36.488%	2.946%
City of Watertown	62.009	58.971	60.499	59.549	56.473	10.494
I.S.D. No. 111 (Watertown-Mayer)[(a)]	44.311	45.536	43.524	44.085	38.813	31.214
Special Districts[(b)]	4.600	4.691	4.670	3.403	2.803	0.030
Total	151.408%	148.078%	147.544%	144.472%	134.577%	44.684%

(a) In addition, the District has a 2018/19 market value tax rate of 0.11996% spread across the market value of property in support of an excess operating levy.

(b) Special districts include Metropolitan Council, Metropolitan Mosquito Control, Carver County Rail Authority, and Carver County Community Development Agency.

NOTE: Taxes are determined by multiplying the net tax capacity by the tax capacity rate, plus multiplying the referendum market value by the market value rate. This table does not include the market value based rates. See Appendix III.

Tax Levies and Collections

Levy/Collect	Net Levy*	Collected During Collection Year Amount	Collected During Collection Year Percent	Collected and/or Abated as of 6-1-19 Amount	Collected and/or Abated as of 6-1-19 Percent
2018/19	$6,656,106	(In Process of Collection)			
2017/18	6,611,593	$6,551,446	99.1%	$6,579,337	99.5%
2016/17	6,299,346	6,242,163	99.1	6,293,457	99.9
2015/16	6,172,896	6,120,193	99.1	6,166,217	99.9
2014/15	5,779,741	5,718,600	98.9	5,776,900	99.9

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

FUNDS ON HAND
As of November 30, 2019

Fund	Cash and Investments
General	$3,757,809
Food Service	79,294
Community Service	424,070
Debt Service	4,436,369
Trust	58,045
Student Activity	206,582
Total	$8,962,169

INVESTMENTS

District investments are made in accordance with Minnesota Statute 118A. As of November 30, 2019, the District had total investments of $8,712,420, all of which are held in MN Trust money market accounts.

GENERAL INFORMATION CONCERNING THE DISTRICT

The District is located approximately 30 miles west of the Minneapolis/Saint Paul metropolitan area, with the District offices located in the City of Watertown. The District is situated primarily in Carver County, with portions in Wright and Hennepin Counties, and encompasses an area of approximately 96 square miles (61,440 acres). The District includes the cities of Mayer, Minnetrista, and Watertown, and all or portions of six townships. The District's current population is estimated to be 10,729.

School Board and Administration

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

		Expiration of Term First Monday in January
Stacy Unowsky	Chair	2020
Tim Thompson	Vice Chair	2022
Erika Schulz	Treasurer	2022
Kelly Thaemert	Clerk	2020
Hunter Feldt	Director	2022
Heidi Guetzkow	Director	2020
Jeffrey Jackson	Director	2020

Mr. Ron Wilke is the Superintendent and is responsible for the daily administration of Board policy. The Superintendent is hired by the Board and serves at its discretion. Mr. Wilke has been the District's Superintendent since July 2015. Previously, Mr. Wilke was the Superintendent for Independent School District No. 300 (La-Crescent-Hokah), La Crescent, Minnesota.

Ms. Lisa Raiter is the District's Finance Officer and has served in this position since January 1, 2012. Previously, Ms. Raiter served as the District's Bookkeeper since August 2008.

Enrollment

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

School Year	Grades K-6	Grades 7-12	Total Enrollment
2019/20*	798	729	1,527
2018/19	786	722	1,508
2017/18	791	739	1,530
2016/17	826	741	1,567
2015/16	825	706	1,531

Sources: 2019/20 enrollment represents the average daily membership as provided by the District. Historical enrollment is from the Minnesota Department of Education, www.education.state.mn.us

Employment

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

School Year	Certified Employees	Uncertified Employees	Total Employees
2019/20	122	143	265
2018/19	125	147	272
2017/18	127	138	265
2016/17	122	142	264
2015/16	125	136	261

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	125	June 30, 2021
Clerical	13	June 30, 2020
Custodial	9	June 30, 2021
Food Service	9	June 30, 2021
Principals	3	June 30, 2020
Other Administrators	2	June 30, 2021
Other Administrators	3	June 30, 2020
Paraprofessionals	35	June 30, 2021
Superintendent	1	June 30, 2021
Subtotal	200	
Nonunionized Employees	65*	
Total	265	

** Includes part-time and casual employees.*

Physical Plant

School Building (Grades)	Original Construction and Additions	Location
Community Learning Center (Pre-K)	1911, 1934, 1939, 1952, 1973, 1987, 1989	City of Watertown
Elementary School (K-4)	2007	City of Watertown
Middle School and Senior High School (5-12)	1962, 1974, 1992, 2007	City of Watertown

Student Transportation

The District has 13 bus routes with 65% of the student population transported by bus.

Budget Summary

Fund	June 30, 2019 Actual Fund Balance	2019-20 Projected Revenues and Transfers In	2019-20 Projected Expenditures and Transfers Out	June 30, 2020 Projected Fund Balance
General	$3,318,937	$17,534,551	$17,824,099	$3,029,389
Food Service	74,841	710,433	702,919	82,355
Community Service	341,226	1,616,718	1,656,744	301,200
Debt Service	945,776	4,716,618	4,596,975	1,065,419
Trust	58,045	0	0	58,045
Total All Funds	$4,738,825	$24,578,320	$24,780,737	$4,536,408

Major General Fund Revenue Sources

Revenue	2015	2016	2017	2018	2019
State Sources	$13,232,609	$13,349,781	$13,471,058	$13,815,947	$13,851,678
Property Taxes	1,255,899	1,379,979	1,520,362	1,667,601	2,194,952
Other Local and County Revenues	678,892	599,720	730,474	737,234	754,869
Federal Sources	472,279	467,945	493,264	527,620	500,282
Sale and Other Conversion of Assets	37,561	28,350	(1,940)	31,069	36,455

Sources: District's Annual Financial Statements.

Post-Secondary and Nonpublic Education

District residents have access to various colleges and universities located in the Minneapolis/St. Paul metropolitan area. Non-public schools located within the District include:

School	Location	Grades	2018/19 Enrollment*
Lutheran High School	City of Mayer	9-12	184
Zion Lutheran	City of Mayer	K-8	109
Christ Community	City of Watertown	K-8	97

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

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

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 GERF and TRA for the past five years are as follows:

	GERF	TRA
2019	$206,385	$566,917
2018	210,898	540,546
2017	206,113	534,393
2016	200,075	535,854
2015	199,670	519,206

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

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

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

	GERF		TRA	
Plan's Fiscal Year Ended June 30,	Proportionate Share of Pension Costs	Net Pension Liability	Proportionate Share of Pension Costs	Net Pension Liability
2018	0.0418%	$2,318,893	0.1305%	$ 8,193,541
2017	0.0427	2,725,940	0.1324	26,429,442
2016	0.0430	3,491,387	0.1374	32,773,178
2015	0.0461	2,389,141	0.1364	8,437,689
2014	0.0498	2,339,355	0.1450	6,681,496

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.

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 Financial Statements for fiscal year ended June 30, 2019, an excerpt of which is included as Appendix IV of this Official Statement.

Other Postemployment Benefits

Governmental Accounting Standards Board (GASB) Statement No. 74, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans, and GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions established new accounting and financial reporting requirements related to post-employment healthcare and other non-pension benefits (referred to as Other Post Employment Benefits or "OPEB"). These statements included major changes in how plans and employers account for OPEB benefit obligations. These statements establish standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

The District provides a single-employer defined benefit OPEB plan which provides medical and dental benefits to eligible retired employees and their dependents in accordance with the terms of the plan. Teachers hired before January 15, 2010, are eligible for the District to contribute $200 per month toward medical insurance coverage until they are Medicare eligible. Various other employee groups also receive health insurance contributions at varying rates until they are Medicare eligible

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

Inactive employees currently receiving benefit payments	8
Active employees	227
Total	235

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2019, the District contributed $53,198 to the plan.

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

	June 30, 2019	June 30, 2018
Total OPEB liability		
Service cost	$ 40,932	$ 50,247
Interest	27,921	27,764
Difference between expected and actual experience	(179,562)	0
Changes of assumptions	131	0
Benefit payments	(72,800)	(55,459)
Net change in total OPEB liability	(183,378	22,552
Beginning of year	816,378	793,826
End of year	$ 633,000	$ 816,378
Covered payroll	$9,553,999	$9,535,899
Total OPEB liability as a percentage of covered-employee payroll	6.63%	8.56%

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

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

Sources: District's Financial Statements.

AREA ECONOMY

Labor Force Data

	Annual Average				November
	2015	2016	2017	2018	2019
Labor Force:					
Carver County	55,168	56,485	57,424	57,859	58,792
State of Minnesota	2,997,748	3,033,406	3,057,014	3,070,223	3,129,485
Unemployment Rate:					
Carver County	3.2%	3.3%	2.9%	2.5%	2.4%
State of Minnesota	3.7	3.9	3.4	2.9	2.9

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

Retail Sales and Effective Buying Income (EBI)

Carver County

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/20	N/A	$4,501,253	$84,739
2018/19	$1,271,040	4,219,638	77,524
2017/18	1,257,182	3,548,604	71,765
2016/17	1,114,035	3,305,077	70,504
2015/16	1,077,082	3,191,177	72,491

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 in and around the District

Employer	Product/Service	Approximate Number of Employees
Independent School District No. 111 (Watertown-Mayer)	Elementary and secondary education	265
Rivers Edge Golf/B's on the River	Golf course and restaurant	45
Market Place Foods	Grocery store	42
Timber Creek Golf Course	Golf course	35
Westwood Place	Assisted living	30
Lakeview Clinic	Healthcare	13

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

Financial Institutions*

District residents are served by branches of CorTrust Bank National Association and Security Bank & Trust, located in the City of Mayer; and branches of Bremer Bank, National Association; and Citizens Alliance Bank, located in the City of Watertown.

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

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

Health Care Services

District residents have access to clinic facilities at Lakeview Clinic in the City of Watertown. Lakeview Clinic is a full service clinic providing family medicine, internal medicine, pediatrics and complete x-ray facilities, and clinical laboratory. District residents have access to hospital care facilities at Ridgeview Medical Center located in the City of Waconia, approximately 10 miles southeast of the District. In addition, there are health care facilities throughout the Minneapolis/Saint Paul metropolitan area, approximately 30 miles east of the District.

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

PROPOSED FORM OF LEGAL OPINION

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

$25,882,692.20*
GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2020A
(CAPITAL APPRECIATION BONDS)
INDEPENDENT SCHOOL DISTRICT NO. 13
(WATERTOWN-MAYER PUBLIC SCHOOLS)
CARVER, HENNEPIN AND WRIGHT COUNTIES, MINNESOTA

We have acted as Bond Counsel in connection with the issuance by Independent School District No. 13 (Watertown-Mayer Public Schools), Carver, Hennepin and Wright Counties, Minnesota (the "District"), of its General Obligation School Building Bonds, Series 2020A (Capital Appreciation Bonds) (the "Bonds"), in the original principal amount of approximately $25,882,692.20*, bearing a date of original authentication and delivery of February 27, 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.

(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 accreted amounts 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 27th day of February, 2020.

KNUTSON, FLYNN & DEANS
Professional Association

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 111 (Watertown-Mayer Public Schools), State of Minnesota (the "District"), in connection with the issuance of its General Obligation School Building Bonds, Series 2020A (Capital Appreciation Bonds) (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the School Board on January 30, 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. 111
Address:	1001 Highway 25 NW Watertown, MN 55388
Telephone No.	(952) 955-0480

Dated as of this 27th day of February, 2020.

INDEPENDENT SCHOOL DISTRICT NO. 13
(WATERTOWN-MAYER PUBLIC SCHOOLS)
WATERTOWN, MINNESOTA

By: ______________________________________
Chair

And: _____________________________________
Clerk

[Signature Page for Continuing Disclosure Certificate]

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 ANNUAL FINANCIAL STATEMENTS

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

Independent Auditor's Report

To the School Board
Independent School District No. 111
Watertown-Mayer Schools
Watertown, 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. 111, Watertown-Mayer Schools, Watertown, 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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 111, Watertown-Mayer Schools, Watertown, Minnesota, as of June 30, 2019, and the respective changes in financial position 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 Government 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 accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the 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.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 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.

BergankDV, Ltd.

St. Cloud, Minnesota
October 21, 2019

This section of Independent School District No. 0111 – Watertown-Mayer Public Schools' annual financial report presents the Management 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 District's financial statements, which immediately follow this section.

The MD&A is an element of required supplementary information specified by the GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June, 1999. GASB Statement No. 34 establishes reporting requirements that include financial statements, expanded disclosure and supplemental information, including the MD&A (this section).

FINANCIAL HIGHLIGHTS

Key financial highlight for 2018 – 2019 is that the District's total general fund balance increased by $697,698.

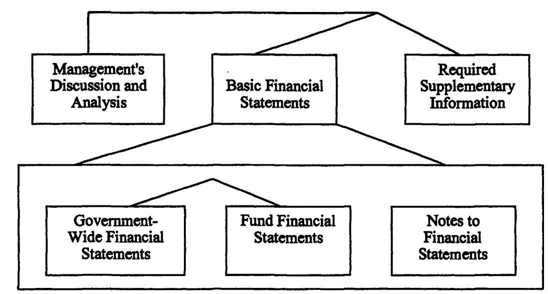
OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts: Independent Auditor's Report, required supplementary information, which includes the MD&A, the basic financial statements, and the supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
    - The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
    - Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements. The diagram on the next page shows how the various parts of this annual report are arranged and related to one another.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)



The major features of the District's financial statements, including the portion of the District's activities they cover, and the types of information they contain, are summarized on the following page. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.

	Financial Statements		
	Government Wide	**Fund - Governmental**	**Fund - Fiduciary**
Scope	Entire District (except fiduciary funds).	The activities of the District that is not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities.
Required Financial Statements	❖ Statement of Net Position ❖ Statement of Activities	❖ Balance Sheet ❖ Statement of Revenues, Expenditures, and Changes in Fund Balances	❖ Statement of Fiduciary Net Position ❖ Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.
Type of Assets/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All addition and deductions during the year, regardless of when cash is received or paid.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional 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 shown in one category:

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

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

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

The District has two kinds of funds:

- Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances 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 fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

- Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring the assets reported in these funds are used only by those to whom the assets belong. The District's fiduciary activities (consisting of an agency fund and a private purpose trust fund held for others) are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position
The District's combined net position on June 30, 2019, was $6,607,881 (see details in Table A-1 below). This is an increase of $7,328,425 from June 30, 2019. The increase was due to the District's annual pension adjustment.

Table A-1

	30-June-19	30-Jun-18	Total % Change
Current and Other Assets	$13,492,816	$12,279,442	9.88%
Capital Assets	50,873,525	52,347,404	-2.82%
Total Assets	64,366,341	64,626,846	-0.40%
Deferred Outflows of Resources	12,386,199	16,547,553	-25.15%
Total Assets and Deferred Outflows of Resources	76,752,540	$81,174,399	-5.45%
Long-Term Liabilities	$44,358,114	$67,121,172	-33.91%
Current Liabilities	2,220,945	2,012,609	10.35%
Total Liabilities	46,579,059	69,133,781	-32.62%
Deferred Inflow of Resources	23,565,600	12,761,162	84.67%
Net Position			
Net Investment in Capital Assets	17,878,920	15,395,814	16.13%
Restricted	1,749,021	1,229,337	42.27%
Unrestricted	(13,020,060)	(17,345,695)	24.94%
Total Net Position	6,607,881	(720,544)	1017.07%
Total Liabilities, Deferred Inflows of Resources and Net Position	$76,752,540	$81,174,399	-5.45%

A summary of the District's revenues and expenses are presented in Table A-2 on the following page.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

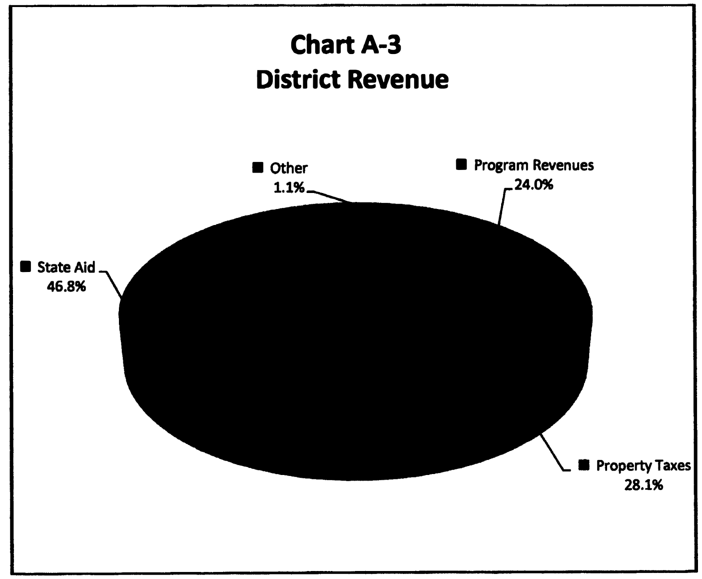
Table A-2

Revenues	2018-2019	2017-2018	Total % Change
Program revenues			
Charges for services	$1,798,626	$ 1,692,175	6.29%
Operating grants and contributions	3,502,656	3,572,834	-1.96%
Capital grants and contributions	418,402	368,149	13.65%
General revenues			
Property taxes	6,689,018	6,385,415	4.75%
Aids and payments from state and other	11,162,743	11,529,734	-3.18%
Other sources	267,350	191,061	39.93%
Total revenues	23,838,795	23,739,368	0.42%
Expenses			
Administration	608,978	1,153,009	-47.18%
District support services	614,305	587,885	4.49%
Elementary and secondary regular instruction	4,641,815	9,393,715	-50.59%
Vocational instruction	169,894	443,758	-61.71%
Special education instruction	2,207,443	4,063,903	-45.68%
Instructional support services	481,399	710,787	-32.27%
Pupil support services	1,627,657	1,586,626	2.59%
Site, buildings and equipment	3,501,948	3,277,079	6.86%
Fiscal and other fixed cost programs	73,903	78,989	-6.44%
Food service	658,891	739,934	-10.95%
Community education and services	1,218,204	1,449,362	-15.95%
Interest and fiscal charges on long-term debt	705,933	804,173	-12.22%
Total expenses	16,510,370	24,289,220	-32.03%
Change in net position	7,328,425	(549,852)	1,432.80%
Net position – beginning	(720,544)	626,812	-214.95%
Change in accounting principle	-	[illegible]	100.00%
Net position – ending	$ 6,607,881	$ (720,544)	1,017.07%

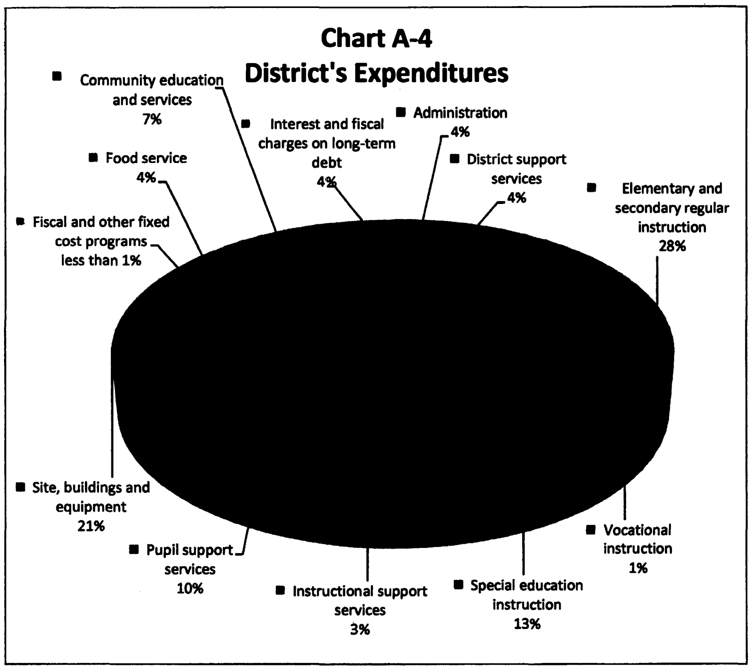
Independent School District No. 111
Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The District's total revenue consisted of program revenues of $5,719,684, property taxes of $6,689,018, aid payments from the state and other of $11,162,743 and $267,350 from miscellaneous other sources. Expenses totaling $16,510,370 consisted mainly of regular, vocational, special education instruction, instructional support and pupil support cost of $9,128,208. Other areas of cost included: support services (District and administrative) totaling $1,223,283, sites, building and equipment $3,501,948, fiscal and other fixed cost of $73,903, food services activities $658,891, Community Education activities of $1,218,204 and interest and other fiscal changes on long-term, debt of $705,933.



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenue and Expenditures
A comparison of General Fund Revenue and Expenditures are below in Table A-5. Total General Fund revenues increased by $558,755 or about 3.33% from the previous year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. The increase in revenue is primarily due to increases in property tax levy from the Pay 2018 levy cycle due to the completion of the operating capital adjustment.

Total General Fund expenditures increased $620,076 or about 3.87% from the prior year. Factors contributing to the increase were capital purchases.

Table A-5

General Fund Revenues

	Year Ended		Change	
	June 30, 2019	June 30, 2018	Increase / (Decrease)	Percentage
Local sources	$ 754,869	$ 737,234	$ 17,635	2.39%
Property taxes	2,194,952	1,667,601	527,351	31.62%
Other	36,445	31,069	5,376	17.30%
State sources	13,851,678	13,815,947	35,731	.26%
Federal sources	500,282	527,620	-27,338	-5.18%
Total	17,338,226	$ 16,779,471	$ 558,755	3.33%

General Fund Expenses

	Year Ended		Change	
	June 30, 2019	June 30, 2018	Increase / (Decrease)	Percentage
Salaries	$ 9,101,110	$ 9,151,854	$ (50,743)	-0.55%
Employee benefits	2,655,648	2,632,792	22,856	0.87%
Purchased services	3,719,171	3,203,474	515,697	16.10%
Supplies and materials	646,903	619,812	27,092	4.37%
Capital expenditures	405,713	282,122	123,591	43.81%
Other expenditures	127,951	146,366	(18,416)	-33.80%
Total	16,656,496	$ 16,036,420	$ 620,076	3.87%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

Fund Balance

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported an increase in combined fund balance of $1,000,310 for an overall combined District fund balance of $4,719,665.

Table A-6
District's Fund Balances

Fund	June 30, 2018 Fund Balance	Revenues and other financing sources	Expenditures	June 30, 2019 Fund Balance	Change
General	$2,621,242	$17,354,194	$16,656,496	$3,318,940	$697,698
Food Service	59,259	704,335	663,122	100,472	41,213
Community Ed	224,044	1,621,746	1,491,314	354,476	30,432
Debt Service	14,810	4,728,830	4,597,863	945,777	130,967
Total	$3,719,355	$24,409,105	$23,408,795	$4,719,665	$1,003,310

General Fund Budgetary Highlights

The District's final General Fund budget anticipated that expenditures would exceed revenues by $107,322. The actual result was an increase in fund balance of $697,698. Revenues were $272,983 over budget (1.59% of the projected budget) and expenditures were $301,425 under budget (1.78% of the projected budget). The final budget was modified from the original budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Asset

By the end of 2019, the District had invested $74,030,836 in a broad range of capital assets, including land, school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table A-7). Total accumulated depreciation increased $1,533,302 from 2018. See Note 3 in the financial statement for further detail.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Asset (Continued)

Table A-7
District's Capital Assets

	2019	2018
Land	$ 26,700	$ 26,700
Land improvements	414,769	414,769
Building and improvements	71,284,843	71,284,843
Equipment	2,304,524	2,245,101
Less: accumulated depreciation	(23,157,311)	(21,624,009)
Total	$ 50,873,525	$ 52,347,404

Long-Term Debt

At June 30, 2019 the District had $30,280,000 in general obligation bond payable. This is a decrease of $3,515,000 from June 30, 2018. Under current state statutes, the District's general obligation bonded debt issuances are subject to a legal limitation of 10 percent of the fair market value of property in the District. The District is within its legal authority for bonded debt. See Note 4 in the financial statements for further detail.

Table A- 8
District's Long-Term Debt

	2019	2018
General Obligation Bonds	$ 30,280,000	$ 33,795,000
Premiums on Bonds	2,154,206	2,503,689
Certificates of Participation	560,399	652,901
Compensated Absences	218,075	197,822
Total	$ 33,212,680	$ 37,149,412
Long-Term Liabilities		
Due within one year	3,923,156	$3,714,834
Due in more than one year	29,289,524	33,434,578
Total	$ 33,212,680	$ 37,149,412

FACTORS BEARING ON THE DISTRICT'S FUTURE

Enrollment is a critical factor in determining revenue, with approximately 75% of general Fund Revenue being determined by enrollment, therefore, understanding and making efforts to impact student enrollment choices is a key factor to the long-term fiscal health of the District. The district will need to remain diligent in watching the student count closely. The chart below displays the change in ADM for the past five years. 2019 shows a decrease from 2018. Future enrollment will be monitored closely to assure accurate budgeting.

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

Table A-9
District's Adjusted Daily Membership (ADM)

Grade	2015	2016	2017	2018	2019
K	132.50	119.75	90.53	102.39	109.47
1-3	339.64	355.79	376.12	353.74	312.98
4-6	356.60	351.19	358.58	337.20	363.27
7-12	718.98	714.35	746.78	753.23	728.73
Total K - 12 ADM	1,547.72	1,541.09	1,572.01	1,546.56	1,514.45
ADM change	9.70	(6.63)	30.92	(25.45)	(32.11)

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

- This report is designed to provide the District's citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact the District Office, 1001 Highway 25, Watertown, Minnesota, 55735.

Independent School District No. 111
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Cash and investments (including cash equivalents)	$ 7,966,383
Current property taxes receivable	3,972,654
Delinquent property taxes receivable	154,321
Accounts receivable	34,725
Due from Department of Education	958,052
Due from Federal Government through Department of Education	260,219
Due from other Minnesota school districts	117
Due from other governmental units	31,052
Inventory	21,900
Prepaid items	93,393
Capital assets, not being depreciated	
Land	26,700
Capital assets, net of accumulated depreciation	
Land improvements	7,132
Buildings	50,256,929
Equipment	582,764
Total assets	64,366,341
Deferred Outflows of Resources	
Deferred outflows related to OPEB	53,307
Deferred outflows related to pensions	12,332,892
Total deferred outflows of resources	12,386,199
Total assets and deferred outflows of resources	$ 76,752,540
Liabilities	
Accounts payable	$ 336,902
Salaries and benefits payable	1,287,054
Interest payable	390,646
Due to other Minnesota school districts	138,331
Due to other governmental units	47,109
Unearned revenue	20,903
Bond principal payable	
Payable within one year	3,640,000
Payable after one year	28,794,206
Certificates of participation	
Payable within one year	101,681
Payable after one year	458,718
Compensated absences payable	
Payable within one year	181,475
Payable after one year	36,600
Total OPEB liability	633,000
Net pension liability	10,512,434
Total liabilities	46,579,059
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	6,822,728
Deferred inflows related to OPEB	149,635
Deferred inflows related to pensions	16,593,237
Total deferred inflows of resources	23,565,600
Net Position	
Net investment in capital assets	17,878,920
Restricted	
Debt service	639,030
Other purposes	1,109,991
Unrestricted	(13,020,060)
Total net position	6,607,881
Total liabilities, deferred inflows of resources, and net position	$ 76,752,540

See notes to financial statements.

Independent School District No. 111
Statement of Activities
Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Administration	$ 608,978	$ -	$ -	$ -	$ (608,978)
District support services	614,305	-	-	-	(614,305)
Elementary and secondary regular instruction	4,641,815	291,440	855,486	-	(3,494,889)
Vocational education instruction	169,894	865	17,070	-	(151,959)
Special education instruction	2,207,443	94,543	1,962,411	-	(150,489)
Instructional support services	481,399	5,740	-	-	(475,659)
Pupil support services	1,627,657	-	47,366	-	(1,580,291)
Sites and buildings	3,501,948	-	-	418,402	(3,083,546)
Fiscal and other fixed cost programs	73,903	-	-	-	(73,903)
Food service	658,891	441,369	262,966	-	45,444
Community education and services	1,218,204	964,669	357,357	-	103,822
Interest and fiscal charges on long-term debt	705,933	-	-	-	(705,933)
Total governmental activities	$ 16,510,370	$ 1,798,626	$ 3,502,656	$ 418,402	(10,790,686)
General revenues					
Taxes					
Property taxes, levied for general purposes					2,199,018
Property taxes, levied for community service					299,870
Property taxes, levied for debt service					4,190,130
State aid-formula grants					11,162,743
Other general revenues					123,967
Investment income					127,415
Gain on disposal of capital assets					15,968
Total general revenues					18,119,111
Change in net position					7,328,425
Net position - beginning					(720,544)
Net position - ending					$ 6,607,881

See notes to financial statements.

Independent School District No. 111
Watertown, Minnesota
Balance Sheet - Governmental Funds
June 30, 2019

	General	Debt Service	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	$ 4,552,124	$ 2,738,049	$ 676,210	$ 7,966,383
Current property taxes receivable	1,223,554	2,578,560	170,540	3,972,654
Delinquent property taxes receivable	40,510	107,332	6,479	154,321
Accounts receivable	24,053	-	10,672	34,725
Due from Department of Education	889,698	54,153	14,201	958,052
Due from Federal Government through Department of Education	260,219	-	-	260,219
Due from other Minnesota school districts	-	-	117	117
Due from other governmental units	31,052	-	-	31,052
Inventory	820	-	21,080	21,900
Prepaid items	93,393	-	-	93,393
Total assets	$ 7,115,423	$ 5,478,094	$ 899,299	$ 13,492,816
Liabilities				
Accounts payable	$ 275,856	$ -	$ 61,046	$ 336,902
Salaries and benefits payable	1,236,540	-	50,514	1,287,054
Due to other Minnesota school districts	138,331	-	-	138,331
Due to other governmental units	47,109	-	-	47,109
Unearned revenue	-	-	20,903	20,903
Total liabilities	1,697,836	-	132,463	1,830,299
Deferred Inflows of Resources				
Property taxes levied for subsequent year's expenditures	2,066,612	4,449,235	306,881	6,822,728
Unavailable revenue - delinquent property taxes	32,035	83,082	5,007	120,124
Total deferred inflows of resources	2,098,647	4,532,317	311,888	6,942,852
Fund Balances				
Nonspendable	94,213	-	21,080	115,293
Restricted	650,036	945,777	433,868	2,029,681
Assigned	75,101	-	-	75,101
Unassigned	2,499,590	-	-	2,499,590
Total fund balances	3,318,940	945,777	454,948	4,719,665
Total liabilities, deferred inflows of resources, and fund balances	$ 7,115,423	$ 5,478,094	$ 899,299	$ 13,492,816

See notes to financial statements.

Independent School District No. 111
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2019

Total fund balances - governmental funds	$ 4,719,665
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	74,030,836
Less accumulated depreciation	(23,157,311)
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	(30,280,000)
Premium on bonds payable	(2,154,206)
Certificates of participation	(560,399)
Compensated absences	(218,075)
Total OPEB liability	(633,000)
Net pension liability	(10,512,434)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.	
Deferred outflows of resources related to OPEB	53,307
Deferred outflows of resources related to pensions	12,332,892
Deferred inflows of resources related to OPEB	(149,635)
Deferred inflows of resources related to pensions	(16,593,237)
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.	120,124
Governmental funds do not report a liability for accrued interest on bonds and capital loans until due and payable.	(390,646)
Total net position - governmental activities	$ 6,607,881

See notes to financial statements.

Independent School District No. 111
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2019

	General	Debt Service	Nonmajor Funds	Total Governmental Funds
Revenues				
Local property taxes	$ 2,194,952	$ 4,187,082	$ 299,720	$ 6,681,754
Other local and county revenues	754,869	-	1,031,073	1,785,942
Revenue from state sources	13,851,678	541,748	322,369	14,715,795
Revenue from federal sources	500,282	-	231,550	731,832
Sales and other conversion of assets	36,445	-	441,369	477,814
Total revenues	17,338,226	4,728,830	2,326,081	24,393,137
Expenditures				
Current				
Administration	868,243	-	-	868,243
District support services	523,817	-	-	523,817
Elementary and secondary regular instruction	7,187,522	-	-	7,187,522
Vocational education instruction	286,657	-	-	286,657
Special education instruction	3,094,171	-	-	3,094,171
Instructional support services	603,709	-	-	603,709
Pupil support services	1,620,721	-	82,008	1,702,729
Sites and buildings	1,992,041	-	-	1,992,041
Fiscal and other fixed cost programs	73,903	-	-	73,903
Food service	-	-	660,823	660,823
Community education and services	-	-	1,393,812	1,393,812
Capital outlay				
Administration	78	-	-	78
District support services	179,944	-	-	179,944
Elementary and secondary regular instruction	36,474	-	-	36,474
Special education instruction	4,257	-	-	4,257
Pupil support services	28,438	-	-	28,438
Sites and buildings	39,320	-	-	39,320
Food service	-	-	2,299	2,299
Community education and services	-	-	15,494	15,494
Debt service				
Principal	92,502	3,515,000	-	3,607,502
Interest and fiscal charges	24,699	1,082,863	-	1,107,562
Total expenditures	16,656,496	4,597,863	2,154,436	23,408,795
Excess of revenues over expenditures	681,730	130,967	171,645	984,342
Other Financing Sources				
Proceeds from sale of capital assets	15,968	-	-	15,968
Net change in fund balances	697,698	130,967	171,645	1,000,310
Fund Balances				
Beginning of year	2,621,242	814,810	283,303	3,719,355
End of year	$ 3,318,940	$ 945,777	$ 454,948	$ 4,719,665

See notes to financial statements.

Independent School District No. 111
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2019

Net change in fund balances - total governmental funds	$ 1,000,310
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	135,739
Depreciation expense	(1,609,618)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(20,253)
Total OPEB are recognized as paid in the governmental funds, but recognized as the expense is incurred in the Statement of Activities.	14,250
Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.	3,607,502
Governmental funds report the effect of bond premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	349,483
Governmental funds recognized 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.	3,791,602
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 fund:	7,264
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 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.	52,146
Change in net position - governmental activities	$ 7,328,425

See notes to financial statements.

Independent School District No. 111
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund
Year Ended June 30, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Local property taxes	$ 2,190,702	$ 2,172,069	$ 2,194,952	$ 22,883
Other local and county revenues	570,540	663,430	754,869	91,439
Revenue from state sources	13,639,795	13,725,614	13,851,678	126,064
Revenue from federal sources	475,236	504,130	500,282	(3,848)
Sales and other conversion of assets	-	-	36,445	36,445
Total revenues	16,876,273	17,065,243	17,338,226	272,983
Expenditures				
Current				
Administration	880,083	880,083	868,243	(11,840)
District support services	595,559	572,917	523,817	(49,100)
Elementary and secondary regular instruction	7,084,858	7,187,959	7,187,522	(437)
Vocational education instruction	272,436	274,048	286,657	12,609
Special education instruction	3,235,305	3,161,995	3,094,171	(67,824)
Instructional support services	601,685	698,090	603,709	(94,381)
Pupil support services	1,507,401	1,557,401	1,620,721	63,320
Sites and buildings	2,161,109	2,072,109	1,992,041	(80,068)
Fiscal and other fixed cost programs	73,903	73,903	73,903	-
Capital outlay				
Administration	-	-	78	78
District support services	114,540	156,540	179,944	23,404
Elementary and secondary regular instruction	44,216	42,716	36,474	(6,242)
Special education instruction	45,294	21,600	4,257	(17,343)
Instructional support services	22,500	-	-	-
Pupil support services	44,794	44,794	28,438	(16,356)
Sites and buildings	50,024	96,564	39,320	(57,244)
Debt service				
Principal	92,502	92,502	92,502	-
Interest and fiscal charges	24,700	24,700	24,699	(1)
Total expenditures	16,850,909	16,957,921	16,656,496	(301,425)
Excess of revenues over expenditures	25,364	107,322	681,730	574,408
Other Financing Sources				
Proceeds from sale of capital assets	-	-	15,968	15,968
Net change in fund balance	$ 25,364	$ 107,322	697,698	$ 590,376
Fund Balance				
Beginning of year			2,621,242	
End of year			$ 3,318,940	

See notes to financial statements.

Independent School District No. 111
Statement of Fiduciary Net Position
June 30, 2019

	Private Purpose Trust Fund
Assets	
Cash and investments	$ 58,474
Liabilities	
Due to students	$ 430
Net Position	
Held in trust for scholarships	58,044
Total liabilities and net position	$ 58,474

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

	Private Purpose Trust Fund
Additions	
Contributions	$ 2,200
Interest revenue	94
Total additions	2,294
Deductions	
Scholarship	38,347
Change in net position	(36,053)
Net Position	
Beginning of year	94,097
End of year	$ 58,044

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 three-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 basic 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 not properly included among program revenues are reported instead as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. 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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The fiduciary 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 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 restricted fund balances do not exist: committed, assigned, and unassigned.

Description of Funds:

Major Funds:

General Fund – This fund is the basic operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund accounts for: administration, kindergarten through 12th grade instruction, transporting students to and from school, maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

Debt Service Fund – This fund accounts for the accumulation of resources for, and the payment of, general long-term obligation principal and interest. Assets of the Debt Service Fund are restricted to the payment of bond principal and interest.

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures. Revenues consist of state and federal aids and grants and sales to pupils and adults.

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, K-6 extended day programs, or other similar services. Revenues consist of state and federal aids and grants and program participant fees.

Fiduciary Fund:

Private Purpose Trust Fund – This fund is used for reporting resources that are to be used for scholarships to support students that continue their education.

D. Deposits and Investments
Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

Independent School District No. 111
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)
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.

Cash and investments at June 30, 2019, were comprised of deposits, shares in the Minnesota Trust (MNTrust) Investment Shares Portfolio and MNTrust Term Series.

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 authorizes 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 MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio. 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.

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 is 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Inventories are recorded as expenditures when purchased rather than when consumed.

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 Wright, Hennepin, and Carver Counties are the collecting agency for the levy and remit(s) the collections to the District three times 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 $2,500 and an estimated useful life in excess of one year. 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 their 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.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for equipment.

Capital assets not being depreciated include land. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources
In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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 two items that qualify for reporting in this category. Deferred outflows of resources related to pensions and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is also recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Financial 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 four 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 related to pensions and is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to OPEB is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

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 source. 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 withheld or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences
Employees earn vacation pay at rates dependent upon each employee labor contract. Outstanding vacation liabilities are payable upon termination of employment. Vacation that is earned and unused as of June 30, 2019, is shown as a liability in the Statement of Net Position. Sick pay does not vest and is accounted for as an expenditure when paid.

N. Other Postemployment Benefits (OPEB)
The District provides postemployment health insurance benefits to some retired employees as established by contracts with bargaining units or other employment contracts.

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 merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015.

P. 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 ending June 30, 2019.

Q. Fund Balance
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 these funds can be spent.

- Nonspendable Fund Balances – These amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact and include inventory and prepaid items.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Balance (Continued)

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

- Committed Fund Balances – These are amounts comprised of unrestricted funds that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the School Board and that remain binding unless removed by the School Board by subsequent formal action.

- Assigned Fund Balances – These are amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The School Board, by a majority vote, may assign balances. The School Board also delegates authority to assign fund balances to the Superintendent and or the Budget and Finance Committee.

- 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.

- Minimum Fund Balance Policy – The District will strive to maintain a minimum unassigned General Fund balance of not less than 7% and not more than 20% of the annual operating expenditures.

R. 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.

S. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Budgetary Information

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

1. Prior to July 1, the Superintendent 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 Superintendent 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 and Special Revenue Funds. Formal budgetary integration is not required for the Debt Service Fund; however, during the year, the District approved a Debt Service Fund budget.
4. Budgets for the General, Special Revenue, 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

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

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District requires collateral for deposits over FDIC insurance amounts. At June 30, 2019, the District deposits were not exposed to custodial credit risk.

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

Checking	$ 393,530
Certificate of deposit	1,776,237
Total	$ 2,169,767

Independent School District No. 111
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

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

	Investment Maturity (In Years)		
Investment Type	Fair Value	Less Than 1 Year	Moody's Rating
MN Trust Investment Shares Portfolio	$ 2,853,940	$ 2,853,940	AAAm
MN Trust Term Series	3,000,000	3,000,000	AAAm
Total	$ 5,853,940	$ 5,853,940	

Interest Rate Risk: This is the risk that the market value of securities will be adversely affected due to the changes in market interest rates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to those in the top two ratings issued by nationally recognized statistical rating organizations. It is the District's policy to invest in securities that meet the ratings requirements set by state statute. Investments are rated as indicated in the table above.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of a District's investment in a single issuer. The District has no policy in place that would limit its investment in a single issuer. The District's investments were not exposed to concentration of credit risk.

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 following is a summary of total deposits and investments.

Petty cash	$ 1,150
Deposits	2,169,767
Investments	5,853,940
Total	$ 8,024,857

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

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

Statement of Net Position	
Cash and investments	$ 7,966,383
Statement of Fiduciary Net Position	
Private Purpose Trust Fund - cash and investments	58,474
Total deposits and investments	$ 8,024,857

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	$ 26,700	$ -	$ -	$ 26,700
Capital assets being depreciated				
Land improvements	414,769	-	-	414,769
Buildings	71,284,843	-	-	71,284,843
Equipment	2,245,101	135,739	76,316	2,304,524
Total capital assets being depreciated	73,944,713	135,739	76,316	74,004,136
Less accumulated depreciation for				
Land improvements	400,461	7,176	-	407,637
Buildings	19,528,614	1,499,300	-	21,027,914
Equipment	1,694,934	103,142	76,316	1,721,760
Total accumulated depreciation	21,624,009	1,609,618	76,316	23,157,311
Total capital assets being depreciated, net	52,320,704	(1,473,879)	-	50,846,825
Governmental activities, capital assets, net	$ 52,347,404	$ (1,473,879)	$ -	$ 50,873,525

Independent School District No. 111
Notes to Financial Statements

NOTE 3 – CAPITAL ASSETS (CONTINUED)

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

Administration	$ 612
District support services	37,827
Elementary and secondary regular instruction	16,365
Special education instruction	4,318
Instructional support services	3,499
Pupil support services	5,483
Sites and buildings	1,531,830
Food service	8,153
Community service	1,531
Total depreciation expense	$ 1,609,618

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						
2012B G.O. School Building Bonds	09/15/12	3.0%-4.0%	$ 25,930,000	02/01/26	$ 18,025,000	$ 2,340,000
2013A G.O. Alternative Facilities Bonds	04/30/13	.04%-3.0%	3,175,000	02/01/33	2,460,000	70,000
2015A G.O. School Building Refunding Bonds	11/24/15	3.0%	5,055,000	02/01/22	1,895,000	875,000
2015B G.O. School Building Refunding Bonds	11/24/15	2.0%-4.0%	8,115,000	02/01/26	7,900,000	355,000
Unamortized premium on bonds					2,154,206	-
Total G.O. bonds, net of premium					32,434,206	3,640,000
Certificates of participation	07/09/10	4.04%	1,262,512	02/07/24	560,399	101,681
Compensated absences payable					218,075	181,475
Total all long-term liabilities					$ 33,212,680	$ 3,923,156

The long-term bond and compensated absences liabilities listed above were issued to finance acquisition and construction of capital facilities or were earned through employment with the District.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds and Loans

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

Year Ending June 30,	G.O. Bonds Principal	G.O. Bonds Interest	G.O. Bonds Total
2020	$ 3,640,000	$ 947,100	$ 4,587,100
2021	3,775,000	815,796	4,590,796
2022	3,910,000	679,300	4,589,300
2023	4,115,000	537,566	4,652,566
2024	4,240,000	415,870	4,655,870
2025-2029	9,570,000	536,252	10,106,252
2030-2033	1,030,000	91,330	1,121,330
Total	$ 30,280,000	$ 4,023,214	$ 34,303,214

Year Ending June 30,	Certificates of Participation Principal	Certificates of Participation Interest	Certificates of Participation Total
2020	$ 101,681	$ 20,794	$ 122,475
2021	111,481	16,506	127,987
2022	121,935	11,811	133,746
2023	133,083	6,681	139,764
2024	92,219	1,297	93,516
Total	$ 560,399	$ 57,089	$ 617,488

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. school bonds	$ 33,795,000	$ -	$ 3,515,000	$ 30,280,000
Certificates of participation	652,901	-	92,502	560,399
Premium on bonds	2,503,689	-	349,483	2,154,206
Compensated absences payable	197,822	117,799	97,546	218,075
Total long-term liabilities	$ 37,149,412	$ 117,799	$ 4,054,531	$ 33,212,680

The General Fund typically liquidates the liability related to compensated absences and certificates of participation.

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 below to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service Fund	Other Nonmajor Funds	Total
Nonspendable				
Inventory	$ 820	$ -	$ 21,080	$ 21,900
Prepaid items	93,393	-	-	93,393
Total nonspendable	94,213	-	21,080	115,293
Restricted/reserved for				
Staff Development	1,220	-	-	1,220
LTFM	451,937	30	-	451,967
Operating capital	2,586	-	-	2,586
State-Approved Alternative Programs	2,737	-	-	2,737
Medical Assistance	191,556	-	-	191,556
Debt Service	-	945,747	-	945,747
Food Service	-	-	79,392	79,392
Community Education	-	-	288,934	288,934
Early Childhood Family Education	-	-	33,948	33,948
School Readiness	-	-	16,578	16,578
Community Service	-	-	15,016	15,016
Total restricted/reserved	650,036	945,777	433,868	2,029,681
Assigned for				
HRA Rollovers	101	-	-	101
Senior Center Improvements	75,000	-	-	75,000
Total assigned	75,101	-	-	75,101
Unassigned	2,499,590	-	-	2,499,590
Total fund balance	$ 3,318,940	$ 945,777	$ 454,948	$ 4,719,665

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 the portion of fund balance that is not available as the amounts have already been spent by the District on items for the next year.

Restricted/Reserved for Staff Development – This balance represents unspent staff development revenues set aside from general education revenue that were restricted/reserved for staff development related to Finance Code 316. Expenditures for staff development must equal at least 2% of the basic general education revenue, unless legal stipulations are met (*Minnesota Statutes* 122A.61, subdivision 1).

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)
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).

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 State Approved Alternative Programs – Per *Minnesota Statutes*, section 123.05, subd. 2, each district that is a member of a state approved alternative learning program must restrict/reserve revenue in an amount equal to the sum of (1) at least 90 and no more than 100 percent of the district average General Education Revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to section 126.10 subd. 2, times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units attending a state-approved public alternative program, plus (2) the amount of basic skills revenue generated by pupils attending the alternative learning program.

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 Debt Service – This balance represents resources available for payment of G.O. bond principal, interest, and related costs.

Restricted/Reserved for Food Service – This balance represents the positive fund balance of the Food Service Fund not already spent on inventory.

Restricted/Reserved 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, early childhood and family education and extended day programs.

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

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

Restricted/Reserved for Community Service – This balance represents the positive fund balance of the Community Service Fund not restricted for other programs.

Assigned – This balance represents amounts set aside for the District's prior insurance policy HRA rollovers, which are due to employees and the Senior Center Improvements.

Independent School District No. 111
Notes to Financial Statements

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

B. Net Position
Net position restricted for other purposes is comprised of the total positive General Fund restricted fund balance plus the positive fund balances of the Food Service and Community Service, adjusted to full accrual.

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 ($3,538,176). 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.

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.

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier 1 Benefits

Tier 1	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)

C. Benefits Provided (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	11.0%	11.5%	11.0%	11.5%	11.0%	11.71%
Coordinated	7.5%	7.5%	7.5%	7.5%	7.5%	7.71%

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

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

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

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation date	July 1, 2018
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% for 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 zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

E. Discount Rate
The discount rate used to measure the total pension liability was 7.5%. 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 the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability
On June 30, 2019, the District reported a liability of $8,193,541 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 0.1305% at the end of the measurement period and 0.1324% for the beginning of the year.

Independent School District No. 111
Notes to Financial Statements

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)
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	$ 8,193,541
State's proportionate share of the net pension liability associated with the District	770,309

For the year ended June 30, 2019, the District recognized pension expense of $(3,551,862). It recognized ($537,626) as a decrease 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	$ 96,954	$ 167,439
Net difference between projected and actual earnings on plan investments	-	596,932
Changes in assumptions	11,141,194	14,014,605
Changes in proportion	30,930	1,152,901
District's contributions to TRA subsequent to the measurement date	566,917	-
Total	$ 11,835,995	$ 15,931,877

$566,917 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.

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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
2020	$ 723,559
2021	424,651
2022	(121,930)
2023	(3,411,523)
2024	(2,277,556)
Total	$ (4,662,799)

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.

1% decrease (6.5%)	Current (7.5%)	1% increase (8.5%)
$ 13,008,005	$ 8,193,541	$ 4,227,262

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.

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

Public Employees' Retirement Association (Continued)

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 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.

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.

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

Public Employees' Retirement Association (Continued)

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% 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 $206,385. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2019, the District reported a liability of $2,318,893 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 $76,115. 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, 2016, 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 0.0418%, at the end of the measurement period and 0.0427% for the beginning of the period.

School's proportionate share of net pension liability	$ 2,318,893
State of Minnesota's proportionate share of the net pension liability associated with the School	76,115
Total	$ 2,395,008

For the year ended June 30, 2019, the District recognized pension expense of $13,686 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $17,750 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 GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 62,640	$ 69,573
Changes in actuarial assumptions	227,872	264,392
Difference between projected and actual investment earnings	-	231,958
Change in proportion	-	95,437
District's contributions to PERA subsequent to the measurement date	206,385	-
Total	$ 496,897	$ 661,360

$206,385 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 End June 30,	Pension Expense
2020	$ 28,595
2021	(146,083)
2022	(204,961)
2023	(48,399)
Total	$ (370,848)

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, 2017, 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 morality 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

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	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 Rate
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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

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 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	$ 3,768,497	$ 2,318,893	$ 1,122,285

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

A. Plan Description
The District provides a single-employer defined benefit OPEB plan which provides medical and dental benefits to eligible retired employees and their dependents in accordance with the terms of the plan. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees. No assets are acclimated in a trust.

B. Benefits Paid
Teachers hired before January 15, 2010, are eligible for the District to contribute $200 per month toward medical insurance coverage until they are Medicare eligible. Various other employee groups also receive health insurance contributions at varying rates until they are Medicare eligible. The General Fund, Food Service Funds, and Community Service Fund typically liquidate the liability related to OPEB.

C. Members

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

Inactive employees or beneficiaries currently receiving benefits	8
Active employees	227
Total	235

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

D. Contributions
Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2019, the District contributed $53,198 to the plan.

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

Discount Rate	3.50%
Salary Increases	3.00%
Inflation	2.50%
Healthcare cost trend increases	6.5% initially, decreasing over six years to an ultimate rate of 5.0%
Mortality Assumption	RP-2014 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, 2017 – July 1, 2018.

The Discount rate was based on the 20-year Municipal Bond yield.

The following changes in actuarial assumptions in 2018:

Assumption changes:

- The healthcare 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-2016 Generational Improvement scale to RP-2014 white collar mortality tables with MP-2017 Generational improvement scale.
- The discount rate was changes from 3.40% to 3.50%.

F. Total OPEB Liability
The District's total OPEB liability of $633,000 was measured as of July 1, 2018, and was determined by an actuarial valuation as of that date.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at July 1, 2017	$ 816,378
Changes for the year	
Service cost	40,932
Interest	27,921
Differences between expected and actual economic experience	(179,562)
Changes in assumptions	131
Benefit payments	(72,800)
Net changes	(183,378)
Balances at July 1, 2018	$ 633,000

OPEB Liability Sensitivity
The following presents the District's total OPEB liability calculated using the discount rate of 3.50% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% decrease (2.50%)	Current (3.50%)	1% increase (4.50%)
Total OPEB liability (asset)	$ 669,489	$ 633,000	$ 597,719

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

	1% decrease (5.5% decreasing to 4.0%)	Current (6.5% decreasing to 5.0%)	1% increase (7.5% decreasing to 6.0%)
Total OPEB liability (asset)	$ 588,583	$ 633,000	$ 685,337

Independent School District No. 111
Notes to Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. 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 $38,948. 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	$ -	$ 149,635
Changes of assumptions	109	-
Subsequent Contributions	53,198	-
Total	$ 53,307	$ 149,635

$53,198 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB 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 OPEB expense as follows:

Year Ending June 30,	Total
2020	$ (29,905)
2021	(29,905)
2022	(29,905)
2023	(29,905)
2024	(29,906)
Total	$ (149,526)

Independent School District No. 111
Notes to Financial Statements

NOTE 8 – 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. 111
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2019	June 30, 2018
Total OPEB Liability		
Service cost	$ 40,932	$ 50,247
Interest	27,921	27,764
Differenced between expected and actual experience	(179,562)	-
Changes of assumptions	131	-
Benefit payments	(72,800)	(55,459)
Net change in yotal OPEB liability	(183,378)	22,552
Beginning of year	816,378	793,826
End of year	$ 633,000	$ 816,378
Covered payroll	$ 9,553,999	$ 9,535,899
Total OPEB liability as a percentage of covered-employee payroll	6.63%	8.56%

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

Independent School District No. 111
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 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	0.0498%	$ 2,339,355	$ -	$ 2,339,355	$ 2,615,489	89.44%	78.7%
2015	0.0461%	2,389,141	-	2,389,141	2,662,267	89.74%	78.2%
2016	0.0430%	3,491,387	45,639	3,537,026	2,667,667	130.88%	68.9%
2017	0.0427%	2,725,940	34,243	2,760,183	2,748,173	99.19%	75.9%
2018	0.0418%	2,318,893	76,115	2,395,008	2,811,973	82.46%	79.5%

Note: Schedule is intended to show ten year trend. Additional years will be reported 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 Proportionate Share of the Net Pension Liability	District's Proportionate Shareof the Net Pension Liability and District's Share of the State of Minnesota's Shareof 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	0.1450%	$ 6,681,496	$ 470,033	$ 7,151,529	$ 6,617,287	101.0%	81.50%
2015	0.1364%	8,437,689	1,034,755	9,472,444	6,922,747	121.9%	76.80%
2016	0.1374%	32,773,178	3,289,760	36,062,938	7,144,720	458.7%	44.88%
2017	0.1324%	26,429,442	2,554,872	28,984,314	7,125,240	370.9%	51.60%
2018	0.1305%	8,193,541	770,309	8,963,850	7,207,280	113.7%	78.07%

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

See notes to required supplementary information.

Independent School District No. 111
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	$ 189,624	$ 189,624	$ -	$ 2,615,489	7.25%
2015	199,670	199,670	-	2,662,267	7.50%
2016	200,075	200,075	-	2,667,667	7.50%
2017	206,113	206,113	-	2,748,173	7.50%
2018	210,898	210,898	-	2,811,973	7.50%
2019	206,385	206,385	-	2,751,800	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported 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	$ 463,210	$ 463,210	$ -	$ 6,617,287	7.00%
2015	519,206	519,206	-	6,922,747	7.50%
2016	535,854	535,854	-	7,144,720	7.50%
2017	534,393	534,393	-	7,125,240	7.50%
2018	540,546	540,546	-	7,207,280	7.50%
2019	566,917	566,917	-	7,353,009	7.71%

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

See notes to required supplementary information.

TRA Retirement Fund

2018 Changes
Changes in Actuarial Assumptions

- The discount rate was increased from 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 zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

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.

Independent School District No. 111
Notes to the Required Supplementary Information

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%.

General Employees Fund

2018 Changes
Changes in Actuarial Assumptions:
- The morality 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.

Independent School District No. 111
Notes to the Required Supplementary Information

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 Healthcare Plan

2018 Changes
Changes in Actuarial Assumptions
- The healthcare 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-2016 Generational Improvement scale to the RP-2014 white collar mortality tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40% to 3.50%.

PROPOSAL SALE DATE: January 30, 2020

Independent School District No. 111 (Watertown-Mayer Public Schools)
Watertown, Minnesota
$25,882,692.20* General Obligation School Building Bonds, Series 2020A
(Capital Appreciation Bonds)

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 $25,604,453.26 (98.9%) of the total original principal amount of $25,882,692.20), plus accrued interest, if any, to the date of delivery.

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

Designation of Term Maturities

Years of Term Maturities ______________ ______________
______________ ______________

In making this offer on the sale date of January 30, 2020 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated January 9, 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