

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 13, 2020

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

The District will not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986. See "TAX CONSIDERATIONS" herein.

New Issue

Rating Application Made: Moody's Investors Service, Inc.

INDEPENDENT SCHOOL DISTRICT NO. 761 (OWATONNA PUBLIC SCHOOLS), MINNESOTA (Steele and Waseca Counties)

(Minnesota School District Credit Enhancement Program)

\$109,720,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2020A

PROPOSAL OPENING: February 24, 2020, 10:30 A.M., C.T.

CONSIDERATION: February 24, 2020, 5:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$109,720,000* General Obligation School Building Bonds, Series 2020A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, and a special election held November 5, 2019 by Independent School District No. 761 (Owatonna Public Schools), Minnesota (the "District") for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

DATE OF BONDS:

March 19, 2020

MATURITY:

February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2021	\$965,000	2030	\$2,085,000	2039	\$8,225,000
2022	1,225,000	2031	2,190,000	2040	8,495,000
2023	1,280,000	2032	2,275,000	2041	8,775,000
2024	1,550,000	2033	2,365,000	2042	9,075,000
2025	1,630,000	2034	2,440,000	2043	9,390,000
2026	1,705,000	2035	2,510,000	2044	9,720,000
2027	1,790,000	2036	2,585,000	2045	10,060,000
2028	1,885,000	2037	7,540,000		
2029	1,985,000	2038	7,975,000		

MATURITY

ADJUSTMENTS:

* The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS:

See "Term Bond Option" herein.

INTEREST:

February 1, 2021 and semiannually thereafter.

OPTIONAL REDEMPTION:

Bonds maturing on February 1, 2029 and thereafter are subject to call for prior optional redemption on February 1, 2028 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL:

\$108,842,240.

GOOD FAITH DEPOSIT:

A good faith deposit in the amount of \$2,194,400 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT:

Bond Trust Services Corporation

BOND COUNSEL:

Dorsey & Whitney LLP

MUNICIPAL ADVISOR:

Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY:

See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.



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REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the District and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the District, is contingent upon the delivery of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the District for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the District is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the District nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the District which indicates that the District does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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OWATONNA PUBLIC SCHOOLS SCHOOL BOARD

		<u>Term Expires</u>
Mark Sebring	Chair	January 2023
Lori Weisenburger	Vice Chair	January 2023
Eric Schuster	Clerk	January 2021
Jolayne Mohs	Treasurer	January 2023
Nikki Gieseke	Member	January 2023
Christina Ingvaldson	Member	January 2021
Timothy Jensen	Member	January 2021

ADMINISTRATION

Jeff Elstad, Superintendent of Schools
Amanda Heilman, Director of Finance and Operations

PROFESSIONAL SERVICES

Dorsey & Whitney LLP, District Attorney and Bond Counsel, Minneapolis, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(Other offices located in Waukesha, Wisconsin and Denver, Colorado)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 761 (Owatonna Public Schools), Minnesota (the "District") and the issuance of its \$109,720,000* General Obligation School Building Bonds, Series 2020A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the Board of Education on February 24, 2020.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the District's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of March 19, 2020. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2021, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2021 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The District has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The District will pay the charges for Paying Agent services. The District reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2029 shall be subject to optional redemption prior to maturity on February 1, 2028 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the District. If only part of the Bonds having a common maturity date are called for redemption, then the District or Paying Agent, if any, 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 interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued by the District pursuant to Minnesota Statutes, Chapter 475, and a special election held November 5, 2019, at which voters approved the issuance of \$112,000,000 in school building bonds.

The referendum approved by the voters authorized the issuance of general obligation bonds in an amount not to exceed \$112,000,000, however, Minnesota Statutes, Section 475.56, allows municipalities (including school districts) to increase the principal amount of any bond issue by the amount of the discount, not to exceed two percent of the amount authorized by voters.

Question No. 1 was approved by a vote of 6,311 to 5,017, and authorized the issuance of \$104,000,000 to provide funds for the acquisition and betterment of school sites and facilities, including but not limited to, construction of a new high school.

Question No. 2 was approved by a vote of 5,756 to 5,420, and authorized the issuance of \$8,000,000 to provide funds for acquisition and betterment of school sites and facilities, including but not limited to, re-purposing of the old high school site for School District use.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	\$109,720,000	
Reoffering Premium	<u>3,155,730</u>	
Total Sources		\$112,875,730
Uses		
Total Underwriter's Discount (0.800%)	\$877,760	
Costs of Issuance	312,000	
Deposit to Project Construction Fund	<u>111,685,970</u>	
Total Uses		\$112,875,730

*Preliminary, subject to change.

SECURITY

The Bonds are general obligations of the District to which its full faith, credit and taxing powers are pledged. In accordance with Minnesota Statutes, the District will levy each year an amount not less than 105% of the debt service requirements on the Bonds, less estimated collections of other revenues pledged for payments on the Bonds. In the event funds on hand for payment of principal and interest are at any time insufficient, the District is required to levy additional taxes upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

RATING

The District will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a rating from Moody's Investors Service ("Moody's"). Moody's has a policy which assigns a minimum rating of "Aa2" to issuers participating in the MNCEP. The "Aa2" rating is based on the State of Minnesota's current "Aa1" rating from Moody's. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS" for further details.

The District currently has a "Aa3" underlying rating from Moody's and will be requesting an underlying rating on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgement of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the District nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on January 27, 2020 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota 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 the 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 Paying Agent 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 Paying Agent 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 Paying Agent.

The Law also requires, after receipt of a notice which requests a payment pursuant to the Law, after consultation with the Paying Agent and 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 Paying Agent 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 the District to the State with interest, either via a reduction in State aid payable to the District, or through the levy of an ad valorem tax which may be made with the approval of the Commissioner of Education.

In its Official Statement dated August 6, 2019, for General Obligation State Bonds, Series 2019A, 2019B, 2019C and 2019D, the State of Minnesota disclosed the following information about the State Credit Enhancement Program for School Districts.

"As 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 \$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 the 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."

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the District shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the District shall execute and deliver a Continuing Disclosure Certificate, under which the District will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the District are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the District to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Prior continuing disclosure undertakings entered into by the District included language stating that an Annual Report including the District's audited financial statements and operating data would be filed "as soon as available." Although the District did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. Except to the extent that the preceding is deemed to be material, the District believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The District has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the District.

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the District.

TAX CONSIDERATIONS

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

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

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

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

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

Tax Exempt Interest

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

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

Original Issue Discount

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

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

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

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

Market Discount

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

Bond Premium

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

Related Tax Considerations

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

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

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

Sale or Other Disposition

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

Information Reporting and Backup Withholding

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

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the District, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the District under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2019 have been audited by CliftonLarsonAllen LLP, Minneapolis, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the District, the ultimate payment of which rests in the District's ability to levy and collect sufficient taxes to pay debt service should other revenue (state aids) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the District in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the District, the taxable value of property within the District, and the ability of the District to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the District and to the Bonds. The District can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the District or the taxing authority of the District.

Ratings; Interest Rates: In the future, the District's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the bond resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. 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, retroactive to the date of issuance.

Continuing Disclosure: A failure by the District to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such 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. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the District to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the District, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the District may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Cybersecurity: The District is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the District will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2016/17	2017/18	2018/19
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,050,000 - 0.50% ² Over \$2,050,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,940,000 - 0.50% ² Over \$1,940,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$115,000 - .75% Over \$115,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$121,000 - .75% Over \$121,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$139,000 - .75% Over \$139,000 - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2018/19 Economic Market Value \$3,178,260,057¹

2018/19 Assessor's Estimated Market Value

	Steele County	Waseca County	Total
Real Estate	\$ 3,015,803,100	\$ 1,852,000	\$ 3,017,655,100
Personal Property	<u>30,121,900</u>	<u>2,100</u>	<u>30,124,000</u>
Total Valuation	<u>\$ 3,045,925,000</u>	<u>\$ 1,854,100</u>	<u>\$ 3,047,779,100</u>

2018/19 Net Tax Capacity

	Steele County	Waseca County	Total
Real Estate	\$ 30,510,827	\$ 13,134	\$ 30,523,961
Personal Property	<u>575,692</u>	<u>42</u>	<u>575,734</u>
Net Tax Capacity	\$ 31,086,519	\$ 13,176	\$ 31,099,695
Less: Captured Tax Increment Tax Capacity ²	<u>(738,434)</u>	<u>0</u>	<u>(738,434)</u>
Taxable Net Tax Capacity	<u>\$ 30,348,085</u>	<u>\$ 13,176</u>	<u>\$ 30,361,261</u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for Independent School District No. 761 (Owatonna Public Schools) is about 95.98% of the actual selling prices of property most recently sold in the District. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the District of \$3,178,260,057.

² The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts located in the District.

2018/19 NET TAX CAPACITY BY CLASSIFICATION

	2018/19 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$12,932,878	41.59%
Agricultural	6,282,933	20.20%
Commercial/industrial	8,054,121	25.90%
Public utility	243,040	0.78%
Railroad operating property	213,702	0.69%
Non-homestead residential	2,763,924	8.89%
Commercial & residential seasonal/rec.	33,363	0.11%
Personal property	575,734	1.85%
Total	<u>\$31,099,695</u>	<u>100.00%</u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity¹	Taxable Net Tax Capacity²	Percent +/- in Estimated Market Value
2014/15	\$2,818,010,500	\$2,609,967,900	\$27,312,772	\$26,765,197	+7.07%
2015/16	2,814,083,600	2,608,623,625	27,706,423	27,081,892	-0.14%
2016/17	2,874,226,700	2,672,989,555	28,550,919	28,081,670	+2.14%
2017/18	2,933,090,500	2,732,567,087	29,577,269	28,796,978	+2.05%
2018/19	3,047,779,100	2,849,781,737	31,099,695	30,361,261	+3.91%

¹ Net Tax Capacity includes tax increment values.

² Taxable Net Tax Capacity does not include tax increment values.

LARGER TAXPAYERS

Taxpayer	Type of Property	2018/19 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Viracon, Inc.	Industrial	\$ 551,872	1.77%
Federated Mutual Ins. Co.	Commercial	315,296	1.01%
Cybex International, Inc.	Industrial	257,428	0.83%
Northern Natural Gas Company	Utility	204,452	0.66%
Crystal Valley Cooperative	Industrial	182,401	0.59%
SPT Prairie 3900 CB Drive LLC	Commercial	177,432	0.57%
Daikin Applied Americas Inc.	Industrial	161,348	0.52%
Owatonna Clinic - Mayo	Commercial	156,386	0.50%
MFF Mortgage Borrower 24 LLC	Commercial	155,968	0.50%
JAS Realty LLC	Industrial	134,038	0.43%
Total		<u><u>\$2,296,621</u></u>	<u><u>7.38%</u></u>

District's Total 2018/19 Net Tax Capacity \$31,099,695

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Steele and Waseca Counties.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids² \$172,900,000

*Preliminary, subject to change.

STATE AID FOR DEBT SERVICE³

The Minnesota Debt Service Equalization program provides state aid to finance a portion of the principal and interest payments on most school district bonds. Bonds not eligible for the program include all alternative facilities bonds, facilities maintenance bonds, capital facilities bonds and OPEB bonds, as well as building bonds with relatively short maturities.

Under the Debt Service Equalization Formula (the Formula) adopted by the 2001 Minnesota State Legislature, each school district is responsible for the amount of its qualifying annual debt service which is equal to 15.74% of its Adjusted Net Tax Capacity (ANTC). The District does not currently qualify for debt service equalization aid.

In addition to debt service equalization aid, some school districts will qualify for state Long Term Facilities Maintenance Aid to finance a portion of the payments on Alternative Facilities Bonds and Facilities Maintenance Bonds, pursuant to the Long Term Facilities Maintenance Revenue (LTFMR) program approved by the State in 2015. If any aid is received, it is deposited into the District's debt service fund and must be used for payments on the bonds; any payment of state aid into the debt service fund causes a reduction in the tax levy for Alternative Facilities Bonds and Facilities Maintenance Bonds. The amount of aid received in the debt service fund will vary each year, depending on a number of factors. The District does not currently qualify for Long Term Facilities Maintenance Aid in the debt service fund.

Some Districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to Districts to offset a portion of certain bond levies (Minn. Stat. Section 273.1387). The reimbursement percentages are 40% for taxes payable in 2018 and 2019, 50% for 2020, 55% for 2021, 60% for 2022, and 70% for 2023 and thereafter. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, rural vacant land and managed forestland. The amount of agricultural credit received in the debt service fund for taxes payable 2020 is approximately 9.2% of total annual debt service levies, based on the District's 2018/19 qualifying agricultural land valuation.

¹ Outstanding debt is as of the dated date of the Bonds.

² Based upon the agricultural land valuation and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

³ The District will be eligible to qualify for debt service equalization aid and long term facilities maintenance aid beginning in Fiscal Year 2021-22.

Independent School District No. 761 (Owatonna Public Schools), Minnesota
 Schedule of Bonded Indebtedness
 General Obligation Debt Secured by Taxes
 (As of 03/19/2020)

Fiscal Year Ending	School Building Bonds Series 2015A		School Building Bonds Series 2016A		School Building Bonds Series 2020A		Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity				
2021	200,000	200,000	2,860,000	965,000	4,025,000	5,450,409	9,475,409	168,875,000	2.33%	2021
2022	200,000	200,000	2,950,000	1,225,000	4,375,000	5,839,545	10,214,545	164,500,000	4.86%	2022
2023	200,000	200,000	3,045,000	1,280,000	4,525,000	5,685,795	10,210,795	159,975,000	7.48%	2023
2024	200,000	200,000	3,140,000	1,550,000	4,890,000	5,526,445	10,416,445	155,085,000	10.30%	2024
2025	200,000	200,000	3,235,000	1,630,000	5,065,000	5,350,745	10,415,745	150,020,000	13.23%	2025
2026	200,000	200,000	3,405,000	1,705,000	5,310,000	5,101,495	10,411,495	144,710,000	16.30%	2026
2027	200,000	200,000	3,580,000	1,790,000	5,570,000	4,839,995	10,409,995	139,140,000	19.53%	2027
2028	200,000	200,000	3,695,000	1,885,000	5,780,000	4,637,095	10,417,095	133,360,000	22.87%	2028
2029	1,000,000	1,000,000	3,010,000	1,985,000	5,995,000	4,425,995	10,420,995	127,365,000	26.34%	2029
2030	1,000,000	1,000,000	3,130,000	2,085,000	6,215,000	4,206,445	10,421,445	121,150,000	29.93%	2030
2031	1,000,000	1,000,000	3,255,000	2,190,000	6,445,000	3,978,295	10,423,295	114,705,000	33.66%	2031
2032	1,000,000	1,000,000	3,385,000	2,275,000	6,660,000	3,763,045	10,423,045	108,045,000	37.51%	2032
2033	1,000,000	1,000,000	3,515,000	2,365,000	6,880,000	3,540,495	10,420,495	101,165,000	41.49%	2033
2034	1,000,000	1,000,000	3,650,000	2,440,000	7,090,000	3,334,095	10,424,095	94,075,000	45.59%	2034
2035	1,000,000	1,000,000	3,790,000	2,510,000	7,300,000	3,121,395	10,421,395	86,775,000	49.81%	2035
2036	1,000,000	1,000,000	3,935,000	2,585,000	7,520,000	2,901,395	10,421,395	79,255,000	54.16%	2036
2037				7,540,000	7,540,000	2,673,295	10,213,295	71,715,000	58.52%	2037
2038				7,975,000	7,975,000	2,435,785	10,410,785	63,740,000	63.13%	2038
2039				8,225,000	8,225,000	2,184,573	10,409,573	55,515,000	67.89%	2039
2040				8,495,000	8,495,000	1,917,260	10,412,260	47,020,000	72.81%	2040
2041				8,775,000	8,775,000	1,636,925	10,411,925	38,245,000	77.88%	2041
2042				9,075,000	9,075,000	1,338,575	10,413,575	29,170,000	83.13%	2042
2043				9,390,000	9,390,000	1,020,950	10,410,950	19,780,000	88.56%	2043
2044				9,720,000	9,720,000	692,300	10,412,300	10,060,000	94.18%	2044
2045				10,060,000	10,060,000	352,100	10,412,100	0	100.00%	2045
				109,720,000	109,720,000	67,778,347	258,854,447	258,854,447		

* Preliminary, subject to change.

BONDED DEBT LIMIT

Minnesota Statutes, Section 475.53, subdivision 4, presently limits the "net debt" of a school district to 15% of its actual market value. The actual market value of property within a district, on which its debt limit is based, is (a) the value certified by the county auditors, or (b) this value divided by the ratio certified by the commissioner of revenue, whichever results in a higher value. The current debt limit of the District is computed as follows:

2018/19 Economic Market Value	\$3,178,260,057
Multiply by 15%	<u>0.15</u>
Statutory Debt Limit	\$ 476,739,009
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	<u>(172,900,000)</u>
Unused Debt Limit*	<u><u>\$ 303,839,009</u></u>

*Preliminary, subject to change.

OVERLAPPING DEBT¹

Taxing District	2018/19 Taxable Net Tax Capacity	% In District	Total G.O. Debt ²	District's Proportionate Share
Steele County	\$ 40,489,842	74.9523%	\$12,844,096	\$ 9,626,945
Waseca County	24,910,288	0.0529%	7,035,000	3,722
City of Owatonna	20,795,263	100.0000%	13,740,000	<u>13,740,000</u>
District's Share of Total Overlapping Debt				<u><u>\$ 23,370,667</u></u>

DEBT PAYMENT HISTORY

The District has no record of default in the payment of principal and interest on its debt.

¹ Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. It does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

² Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value (\$3,178,260,057)	Debt/ Current Population Estimate (29,420)
Direct G.O. Debt Paid By Taxes and State Aids ¹	\$ 172,900,000	5.44%	\$5,876.95
Less: Agricultural Credit	<u>(15,906,800)</u>		
Tax Supported General Obligation Debt*	\$ 156,993,200	4.94%	\$5,336.27
District's Share of Total Overlapping Debt	<u>\$ 23,370,667</u>	<u>0.74%</u>	<u>\$794.38</u>
Total*	<u><u>\$ 180,363,867</u></u>	<u><u>5.67%</u></u>	<u><u>\$6,130.65</u></u>

*Preliminary, subject to change.

FUTURE FINANCING

The District has no current plans for additional financing in the next 12 months.

LEVY LIMITS

Minnesota school district tax levies for most purposes are subject to statutory limitations. No limit, however, is placed on the debt service levy, and districts are required to levy 105% of actual principal and interest requirements to allow for delinquencies.

School districts receive a basic revenue amount per pupil unit from aid and levy proceeds in a variety of categorical state aids. They are also allowed to certify additional levies within limits for certain specified purposes. The State Department of Education and the applicable County Auditors review the levies of each school district to determine compliance with state levy limits.

¹ Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 9.2% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is \$15,906,800.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2014/15	\$ 8,441,516	\$ 8,391,734	\$ 8,436,118	99.94%
2015/16	12,919,790	12,819,067	12,913,575	99.95%
2016/17	12,951,262	12,885,902	12,938,163	99.90%
2017/18	12,550,050	12,497,794	12,497,794	99.58%
2018/19	12,955,366	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.³ Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

TAX CAPACITY RATES⁴

	2014/15	2015/16	2016/17	2017/18	2018/19
I.S.D. No. 761 (Owatonna Public Schools)	16.856%	31.681%	30.889%	30.283%	27.810%
Steele County	59.187%	61.769%	60.974%	61.739%	61.731%
Waseca County	50.169%	58.877%	59.942%	63.384%	64.337%
City of Owatonna	59.533%	60.393%	61.513%	63.554%	63.283%
Library-Le Sueur/Waseca	1.567%	1.695%	1.733%	1.781%	1.791%
Region 9	0.154%	0.177%	0.166%	0.177%	0.175%
Town of Meriden ⁵	9.342%	9.905%	9.618%	10.174%	10.769%

Referendum Market Value Rates:

I.S.D. No. 761 (Owatonna Public Schools)	0.21041%	0.22234%	0.21392%	0.20237%	0.21989%
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Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Steele and Waseca Counties.

¹ This reflects the Final Levy Certification of the District after all adjustments have been made.

² Collections are through December 31, 2018 for Steele County and through May 15, 2019 for Waseca County.

³ Second half tax payments on agricultural property are due on November 15th of each year.

⁴ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

⁵ Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 759, including 354 non-licensed employees and 405 licensed employees (380 of whom are teachers). The District provides education for 4,893 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

All teachers employed by the District are covered by defined benefit pension plans administered by the State of Minnesota Teachers Retirement Association (TRA). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. These plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

Public Employees' Retirement Association (PERA)

All full-time and certain part-time employees of the District (other than those covered by TRA) are covered by a defined benefit plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Owatonna Education Association	June 30, 2021
Owatonna Principals Association	June 30, 2020
AFSCME - Local 487	June 30, 2020
Owatonna Food Service Association	June 30, 2020
Owatonna Paraeducator Association	June 30, 2020
AFSCME	June 30, 2020

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's Comprehensive Annual Financial Report (CAFR) shows a total OPEB liability of \$4,586,858 as of July 1, 2019. The District has been funding these obligations on a pay-as-you-go basis.

Source: The District's most recent CAFR.

STUDENT BODY

The number of students enrolled for the past four years and for the current year have been as follows:

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2015/16	397	2,277	2,187	4,861
2016/17	428	2,227	2,246	4,901
2017/18	390	2,226	2,268	4,884
2018/19	476	2,188	2,279	4,943
2019/20	503	2,104	2,286	4,893

Enrollments for the next three years are projected to be as follows:

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2020/21	446	2,075	2,338	4,859
2021/22	407	2,023	2,337	4,767
2022/23	410	1,995	2,247	4,652

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Lincoln Elementary	1959	1961, 1966, 1990, 2014, 2018
McKinley Elementary	1990	2017
Washington Elementary	1955	1959, 1964, 1968, 1988, 1990, 2018
Wilson Elementary	1968	1998
Owatonna Education Center	1949	1990, 1999
Owatonna Middle School	1966	1998, 2017
Owatonna Senior High	1920	1949, 1955, 1960, 1977, 1998
District Office	1956	1978
Storage Facility	2005	--
Rose Street Center	1956	2006
Roosevelt Community Education Center	1954	1978, 2000

FUNDS ON HAND (as of November 30, 2019)

Fund	Total Cash and Investments
General	\$ 7,076,058
Food Service	719,377
Community Service	1,790,730
Debt Service	5,593,958
Building/Construction	5,244,285
Trust & Agency	2,489
Internal Service	229,633
Total Funds on Hand	<u><u>\$20,656,531</u></u>

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the District or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

Currently there is no statutory authority for Minnesota school districts to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future while the Bonds are outstanding; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the District to file for relief under Chapter 9; or (c) whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. Such action could impact the rights of holders of the Bonds. Such modifications could be adverse to holders of the Bonds and there could ultimately be no assurance that holders of the Bonds would be paid in full or in part on the Bonds.

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the District's General Fund. These summaries are not purported to be the complete audited financial statements of the District, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the District. Copies of the complete statements are available upon request. Appendix A includes the 2018 audited financial statements.

	FISCAL YEAR ENDING JUNE 30				2019-20 Revised Budget
	2016 Audit	2017 Audit	2018 Audit	2019 Audit	
COMBINED STATEMENT					
Revenues					
Local property taxes	\$6,048,854	\$6,498,033	\$6,773,102	\$6,836,522	\$7,458,612
Earnings on investments	28,098	47,587	89,490	200,439	153,000
Other	1,262,176	1,733,740	1,139,765	1,637,816	1,091,847
State sources	46,377,303	47,090,815	48,363,332	50,135,866	51,201,175
Federal sources	1,726,973	1,935,377	2,580,989	2,393,682	2,162,144
Total Revenues	\$55,443,404	\$57,305,552	\$58,946,678	\$61,204,325	\$62,066,778
Expenditures					
Current:					
Administration	\$2,161,376	\$2,307,867	\$1,991,411	\$2,102,128	\$2,097,839
District support services	1,953,769	2,184,030	2,109,779	2,554,368	2,503,150
Regular instruction	24,484,071	25,337,708	26,546,720	28,458,873	29,067,546
Vocational education instruction	990,356	1,028,694	1,000,843	1,106,373	1,041,775
Special education instruction	11,656,999	11,891,557	12,281,737	12,908,692	13,508,181
Instructional support services	2,662,586	2,717,301	2,883,971	2,904,404	3,075,328
Pupil support services	3,915,037	4,710,045	4,879,388	5,000,003	4,787,924
Sites and buildings	4,946,245	5,421,044	5,224,579	5,691,862	6,207,702
Fiscal and other fixed cost programs	164,374	131,805	182,457	136,438	204,655
Capital outlay	1,168,002	749,579	852,880	579,982	1,490,831
Debt service	476,695	481,891	423,044	414,951	0
Total Expenditures	\$54,579,510	\$56,961,521	\$58,376,809	\$61,858,074	\$63,984,931
Excess of revenues over (under) expenditures	863,894	344,031	569,869	(653,749)	(1,918,153)
Other Financing Sources (Uses)					
Capital lease proceeds	\$103,681	\$0	\$0	\$127,085	\$0
Judgments for school districts	999	0	0	0	0
Sale of equipment proceeds	57,660	42,327	25,505	57,152	30,000
Insurance recovery proceeds	0	195,132	48,347	13,334	4,865
Operating transfers in	0	0	0	0	0
Operating transfers out	(10,791)	0	0	(19,000)	(5,000)
Total Other Financing Sources (Uses)	151,549	237,459	73,852	178,571	29,865
Net changes in Fund Balances	\$1,015,443	\$581,490	\$643,721	(\$475,178)	(\$1,888,288)
General Fund Balance July 1	\$6,929,146	\$7,944,589	\$8,526,079	\$9,169,800	\$8,694,622
Prior Period Adjustment	0	0	0	0	0
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance June 30	\$7,944,589	\$8,526,079	\$9,169,800	\$8,694,622	\$6,806,334
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	\$176,123	\$167,720	\$97,649	\$170,646	\$170,646
Restricted	952,611	1,077,566	1,507,756	2,527,361	2,632,356
Unassigned	6,815,855	7,280,793	7,564,395	5,996,615	4,003,332
Total	\$7,944,589	\$8,526,079	\$9,169,800	\$8,694,622	\$6,806,334

- 1 The 2019-20 revised budget has been reviewed by the school board, and they are expected to approve it on February 24. A large portion of the planned deficit for 2019-20 is due to one-time expenses (including \$88,000 in expenses related to the November referendum, \$150,000 in expenses related to bringing student activities under board control and \$834,000 in capital projects). The district is planning to make approximately \$2 million in budget reductions for 2020-21, resulting in a balanced budget for that year.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 29,301 and a current population estimate of 29,420, and comprising an area of 232.1 acres, is located approximately 60 miles southeast of the Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS¹

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Viracon, Inc.	Glass manufacturer	1,650
Federated Mutual Insurance Co.	Insurance	1,402
I.S.D. No. 761 (Owatonna Public Schools)	Elementary and secondary education	759
Amesbury Truth ²	Patio door and window hardware manufacturer	600
Bosch	Electronic diagnosis manufacturer	540
Josten's Inc.	School memorabilia	500
Wenger Corporation	Musical equipment manufacturer	420
Daikin	HVAC assembly and fabrication	415
Steele County	County government and services	389
Mayo Clinic Health System	Hospital and health services	350

Source: 2019 District CAFR, ReferenceUSA, written and telephone survey (January 2020), and the Minnesota Department of Employment and Economic Development.

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data.

² Formally listed as Truth Hardware Corporation.

U.S. CENSUS DATA

Population Trend: The District

2000 U.S. Census population	26,715 ¹
2010 U.S. Census population	29,301
2018 Population Estimate	29,420
Percent of Change 2010 - 2018	+ 0.41%

Income and Age Statistics

	The District	Steele County	State of Minnesota	United States
2018 per capita income	\$31,544	\$30,822	\$36,245	\$32,621
2018 median household income	\$62,342	\$62,731	\$68,411	\$60,293
2018 median family income	\$81,022	\$79,951	\$86,204	\$73,965
2018 median gross rent	\$741	\$742	\$944	\$1,023
2018 median value owner occupied units	\$160,100	\$158,500	\$211,800	\$204,900
2018 median age	39.4 yrs.	38.9 yrs.	37.9 yrs.	37.9 yrs.

	State of Minnesota	United States
District % of 2018 per capita income	87.03%	96.70%
District % of 2018 median family income	93.99%	109.54%

Source: 2000 and 2010 Census of Population and Housing, and 2018 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (www.factfinder.census.gov).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Steele County	Steele County	State of Minnesota	State of Minnesota
2015	20,494	3.3%	3.7%	
2016	20,493	3.6%	3.9%	
2017	19,852	3.3%	3.4%	
2018	19,958	2.9%	2.9%	
2019, December	19,933	3.5%	3.5%	

Source: Minnesota Department of Employment and Economic Development.

¹ 2000 U.S. Census population data is not available.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the District's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The District has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the District requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the District since the date of the financial statements, in connection with the issuance of the Bonds, the District represents that there have been no material adverse change in the financial position or results of operations of the District, nor has the District incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED

JUNE 30, 2019

Owatonna Public Schools
Independent School District No. 761
515 West Bridge Street
Owatonna, MN 55060

OWATONNA
PUBLIC SCHOOLS
INSPIRING EXCELLENCE • EVERY LEARNER • EVERY DAY

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
OWATONNA, MINNESOTA**

YEAR ENDED JUNE 30, 2019

**PREPARED BY:
DISTRICT BUSINESS OFFICE**

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INDEPENDENT SCHOOL DISTRICT NO. 761
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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2019**

BOARD OF EDUCATION

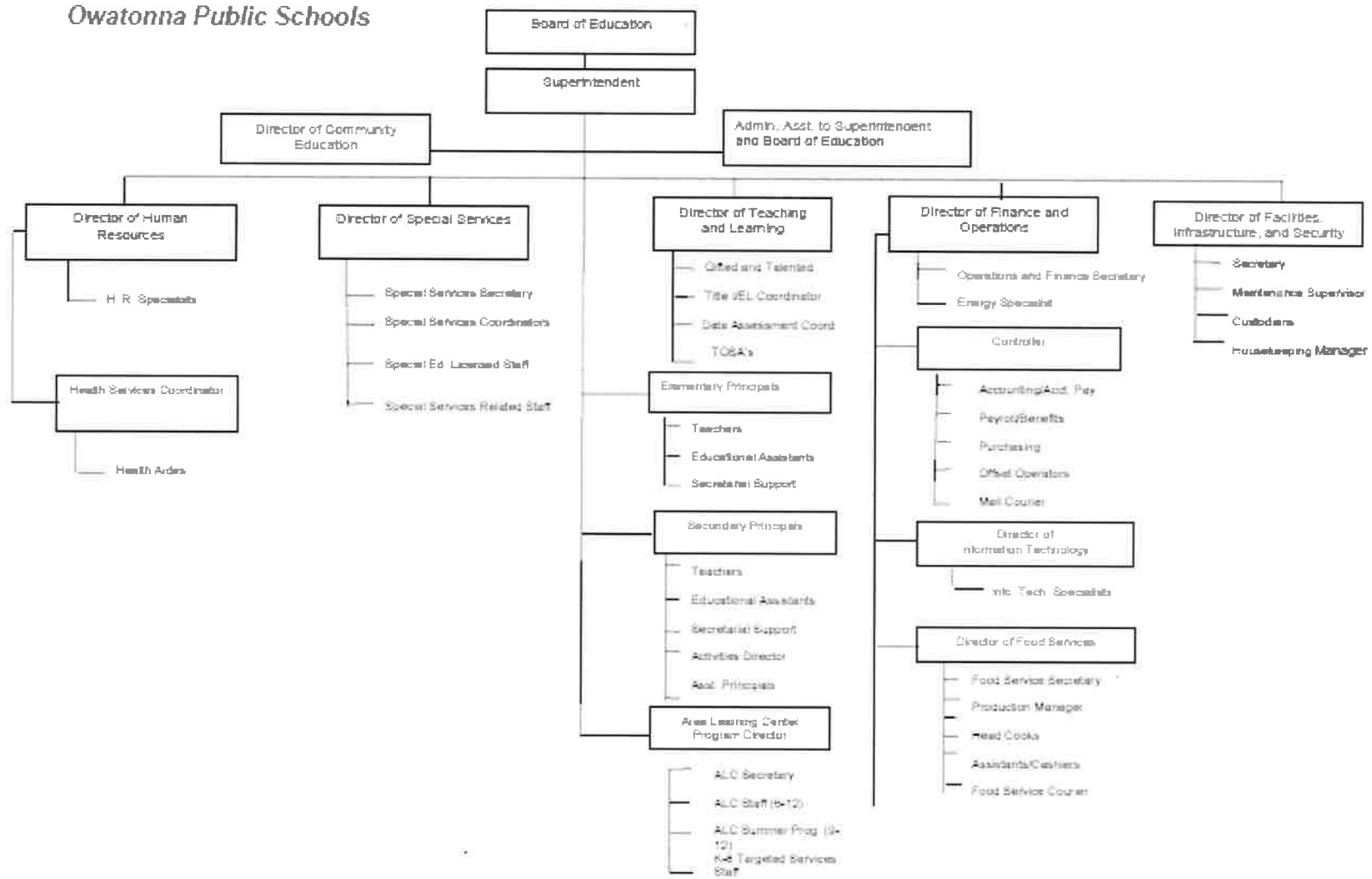
Mark Sebring	Chair
Lori Weisenburger	Vice Chair
Jolayne Mohs	Treasurer
Eric Schuster	Clerk
Nikki Gieseke	Director
Christina Ingvaldson	Director
Timothy Jensen	Director

ADMINISTRATION

Jeff Elstad	Superintendent
Amanda Heilman	Director of Finance and Operations
Sarah Cramblit	Controller

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
ORGANIZATIONAL CHART
JUNE 30, 2019**

Owatonna Public Schools





November 12, 2019

To: The School Board, Citizens, and Employees of Owatonna Public Schools

Introduction

We respectfully submit the Comprehensive Annual Financial Report of Independent School District 761, Owatonna, Minnesota, for the fiscal year ended June 30, 2019. Responsibility for the entire financial report rests with District management. The report contains all of the funds and government-wide statements of the District in conformity with auditing standards generally accepted in the United States of America for defining the reporting entity. The organization, form, and content of this report were prepared in accordance with standards prescribed by the Governmental Accounting Standards Board (GASB), the Association of School Business Officials International, the American Institute of Certified Public Accountants, and the Minnesota Department of Education. The District's annual financial reports are prepared according to School Board policy and Minnesota State Statutes.

This Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes a list of the Board of Education and central administrators, organizational chart, this transmittal letter, and a copy of the Certificate of Excellence in Financial Reporting for fiscal year ended June 30, 2018. The financial section includes the Independent Auditor's Report, Management's Discussion and Analysis, basic financial statements, required supplementary information, and supplementary information. The statistical section includes selected financial and general information presented on a multi-year comparative basis.

Management's Discussion and Analysis (MD&A) and the Notes to the Basic Financial Statements are provided in the financial section and are considered essential for fair presentation and adequate disclosure in the financial statements. The MD&A provides additional financial information, which is important to the reader's understanding of this report. The MD&A discusses the financial condition of the District at fiscal year-end in a narrative and graphic format. The notes include a summary of significant accounting policies for the District and other disclosures relating to the financial position of the District.

District management is responsible for the integrity of the financial data presented. We believe all disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activity have been included. The District's accounting system and budgetary control records are maintained on the accrual basis. Revenues are recognized when earned. Expenditures are recognized when a liability is incurred. Capital assets are recorded at cost and depreciated over their estimated useful lives on the statement of net position and the statement of activities found in the financial section.

Reporting Entity and Its Services

Independent School District No. 761, also known as the Owatonna Public Schools, is an instrumentality of the State of Minnesota established to function as an educational institution. The District is an independent entity governed by an elected seven-member School Board. The School Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The School Board has the power and duty to set budgets, certify tax levies, issue debt, and perform other tasks necessary to the operation of the District. The District is subject to the oversight of the Minnesota Department of Education. The District does not have any component units.

The District is a public educational system serving a 245 square mile area located in south central Minnesota. District boundaries encompass geographic portions of Steele and Waseca Counties, including the City of Owatonna, Minnesota. The adjusted net tax capacity as defined by the Minnesota Department of Revenue for the 2018 valuation year was \$32,480,308 or a 4.2% increase over 2017.

District facilities currently include four elementary schools, a middle school, a senior high school, a community education building, a combination early childhood center and area learning center, a district administration center, a storage facility, and a combined printing and storage facility. The average age of these buildings is 37.97 years.

The District provides a full range of public education services appropriate to our students in grade levels ranging from pre-kindergarten through grade 12. These include regular and enriched academic education, special education, and vocational education. Food service and transportation are provided as supporting programs. The District's community education program includes Early Childhood and Family Education, Adult Basic Education, School Readiness, and a variety of classes for lifelong learning experience for children and adults.

Economic Condition and Outlook

The District is dependent on the State of Minnesota for the majority of its revenue. In the opinion of the Board, legislated revenues make it difficult to meet the demands posed by a quality education system. As a result, the District has relied on property tax referenda to support its educational programs.

For fiscal year 2019, the State of Minnesota did increase the general education aid for school districts by 2.0%. With this change, the state increased the basic formula amount to \$6,312. The consumer price index during the past five years has been running at 1.5%, and the basic formula allotment (currently at \$6,438 per pupil unit) has increased on average 2.0% per year. The District is anticipating expenditures to exceed revenues by \$2,101,520 in FY20. This will bring the total general fund balance to 8.12%.

The FY20 District budget is dependent on \$42.5 million in state general education aid. Approximately 95% of this revenue is derived from the basic per pupil allotment of \$6,438.

Total enrollment for the 2018-19 school year was 4,938. This represents an increase of 54 students from the previous year. Kindergarten birth rates continue to decline in Steele County.

As is the case almost everywhere, the economy in Minnesota, and Steele County in particular, is improving. The housing market is also improving, though slowly. Residential property values are increasing. Commercial properties seem to have been assessed higher than usual, perhaps in response to local tax levies still requiring certain amounts of revenue generation. The local insurance and manufacturing industries have remained strong. The local unemployment rate is 2.6%, slightly higher than the state average of 2.5%. Signs of a recovery are beginning to take root, but most business owners, local leaders, and residents remain cautiously optimistic.

MISSION

**Inspiring Excellence.
Every Learner, Every Day.**

VISION

Owatonna Public Schools inspires a community of learners with equitable access to high quality, innovative learning opportunities ensuring all students are college, career and life ready.

CORE VALUES

Build and Nurture Relationships
Develop and Maintain a Growth Mindset
Challenge the Status Quo

OWATONNA PUBLIC SCHOOLS COMMITMENTS



21st CENTURY LEARNERS

who are:
- Collaborative
- Creative
- Critical Thinkers
- Effective Communicators
- Community Focused



SAFE AND CARING COMMUNITY



EQUITY



HIGH QUALITY TEACHING AND LEARNING

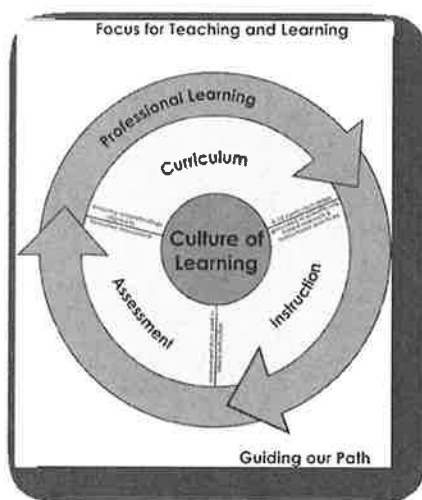
The Owatonna Public Schools World's Best Workforce Plan aligns the state requirements to current district initiatives including: four core commitments, district literacy plan, Title I, II, III plans and ADSIS funding and provides stakeholders updates in curriculum, instruction, and student achievement within the district. Our vision is to inspire a community of learners with equitable access to high quality, innovative learning opportunities ensuring all students are college, career and life ready.

Goals outlined in the WBWF	
PERFORMANCE MEASURE 1:	ALL CHILDREN ARE READY FOR SCHOOL
<p>The Owatonna Public Schools offer school readiness programs that follow state standards for early learning. The school readiness programs focus on early literacy development, which leads to reading well by third grade. Research has shown education begins long before a child reaches kindergarten. The district's investment in its early learning program creates an environment of success for each of our early learners, closes the achievement gap, and prepares children for continued success.</p> <p>OPS conducts individual kindergarten interviews in the spring to assess the needs of the students entering kindergarten in the fall. Interview data is then used to determine which students are eligible for kindergarten camp. Kindergarten camp is a four-week summer program which is offered to students identified as needing additional support on the core kindergarten readiness skills. Benchmark data is collected throughout the year to monitor participating students' progress, to help determine the impact of this program.</p>	
PERFORMANCE MEASURE 2:	ALL THIRD GRADERS CAN READ AT GRADE LEVEL
<p>The OPS believe that literacy is the cornerstone of all learning. Supporting the development of capable readers and writers at every level is our goal as educators, parents, and as a community. The first step toward equipping students with the necessary prerequisite skills begins early in their education with a comprehensive, evidence-based literacy program and quality instruction. To meet the challenges of teaching literacy in the 21st century, we implement a balanced literacy framework. The framework outlines the "core" elements of literacy instruction. Our literacy educators implement a coherent set of practices in whole class, small group, and individual contexts.</p>	
PERFORMANCE MEASURE 3:	CLOSE ACHIEVEMENT GAPS AMONG ALL STUDENT GROUPS
<p>The achievement gap refers to the differences in academic performance between groups of students. Closing gaps in achievement and ensuring all students are performing at high levels are critical to the social and economic well-being of our state and community.</p> <p>OPS monitors the achievement gap for seven subgroups defined by differences in race/ethnicity, economic status, and special population: Asian, Hispanic, Black, Free/Reduced Price Lunch, Special Education, and English Learner. In an effort to close the achievement gap, we are committed to providing equitable access to high quality, innovative learning opportunities ensuring all students are college, career and life ready.</p>	
PERFORMANCE MEASURE 4:	ALL STUDENTS ARE READY FOR CAREER AND COLLEGE
<p>All students entering grade nine will have a career and college readiness plan in accordance to MN State 120B.125. This plan is centered around seven key elements: academic scheduling, career exploration, 21st Century Skills, community partnerships, college access, all forms of postsecondary training, and experiential learning opportunities. Owatonna Public Schools is producing prepared graduates using:</p> <ul style="list-style-type: none"> • An academic rigorous diploma that exceeds the State of Minnesota minimum requirements. • Post-secondary options through Advanced Placement (AP) courses, College in the Schools (CIS), Career and Technical Education articulation, College Level Examination Program (CLEP), and Rasmussen online college coursework. • All 8th grade students participate in a College and Career Readiness Course • Accessible counseling and other supports that prepare students for post-secondary education and careers using Options Mentorship, Business Internships, Career Exploration, Life on Your Own, Career Mentorship, and a Career Center with licensed school guidance counselors. • Accountability and progress monitoring efforts to ensure all kids are making adequate progress to meet state and local graduation requirements through local assessments, ACT college entrance exam, and academic planning and registration conferences. 	
PERFORMANCE MEASURE 5:	ALL STUDENTS GRADUATE FROM HIGH SCHOOL
<p>The Owatonna Public Schools graduation rate represents Owatonna High School and the Alternative Learning Center. The MMR report available in previous years is no longer available, so we have transitioned to using AYP four-year graduation rates reported on the MDE Report Card in the Spring for the previous year, therefore results lag one year.</p>	

Improving Instruction, Curriculum, & Student Achievement

The end in mind for curriculum and instruction is to develop a collaborative culture where all staff have the tools and resources to address the four critical questions of learning, as introduced by the DuFour model.

The teaching and learning framework was created based on research and best practice to guide the improvement process in our District. Development and implementation of a guaranteed and viable curriculum, common assessments and professional learning will allow all staff to make our framework for a systematic approach to teaching and learning actionable. Professional Learning Communities (PLCs) focused on student learning and growth have been implemented throughout our District E-12. This has required extensive work on systems and structures that support collaboration as well as to hold ourselves collectively accountable for results.



Teaching and Learning Framework

Teaching and Learning

This graphic represents the system we use to create a guaranteed and viable curriculum that ensures all students will learn at high levels. Last year the emphasis was on development of common assessment in order to establish a consistent foundation.

Our work has been aligned to allow us to answer DuFours' four critical questions of learning –

1. What do we want all students to learn – to know and be able to do?
2. How will we know when they have learned it?
3. How will we respond if they did not learn it?
4. How will we respond if they already know it?

Curriculum must be based on agreed-upon enduring understandings and state standards, align grade levels and courses vertically and horizontally, be clearly understood and effectively implemented by all instructional staff.

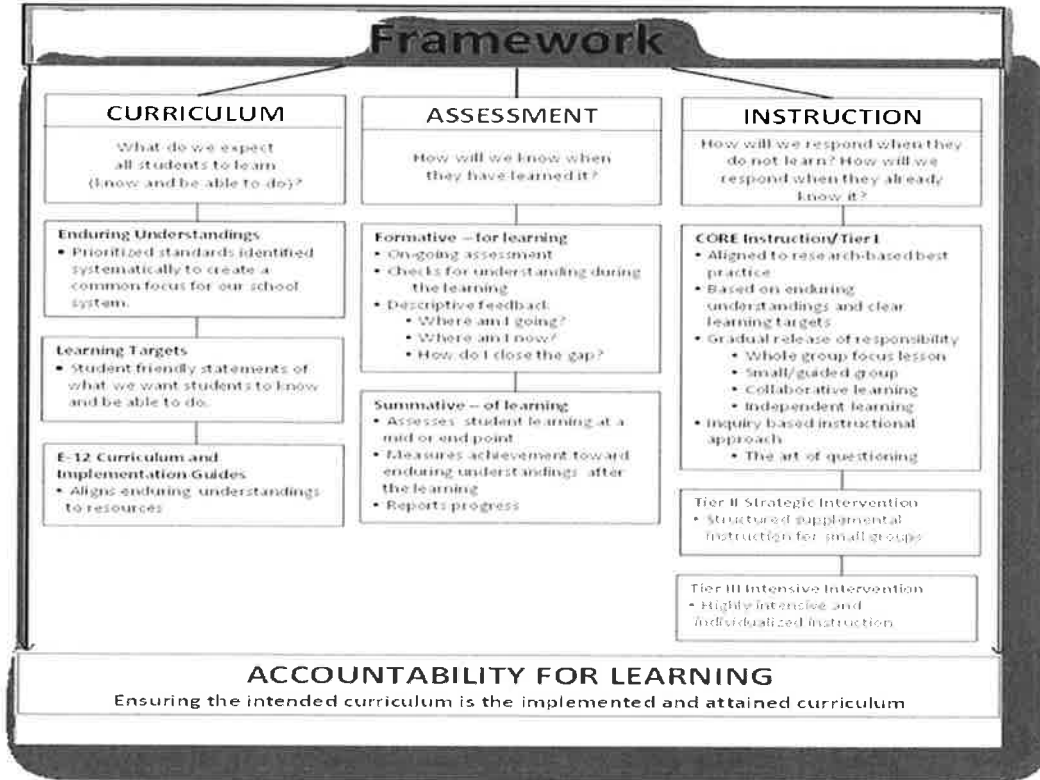
Assessment must be purposeful, measure progress toward enduring understandings both during learning and after learning, guide instruction and be used to evaluate curriculum.

Instruction must be directly connected to enduring understandings, aligned to research based best practices, engage students in learning, be differentiated to reach all students, and be informed by formative assessments.

Professional Learning must be ongoing and job-embedded, be based on best practices, standards, and data trends to support teachers in ensuring the intended curriculum is the implemented curriculum.

A Systematic Approach to Teaching and Learning

This framework guides the implementation of our guaranteed and viable curriculum while providing direction for consistent application of our beliefs.



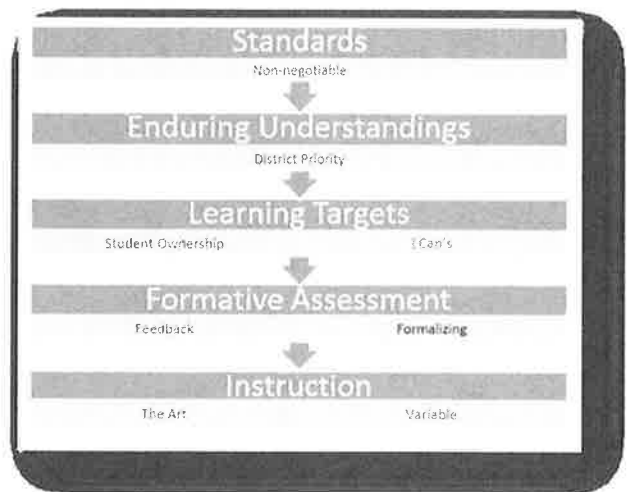
Development Process

This systematic approach to curriculum development has been used by all curricular areas. District resources have been prioritized to support this effort.

Departments and grade level teams worked together to implement enduring understandings and learning targets for all required courses and selected electives. This aligned our work when answering the first question, what all students must know and be able to do.

Development and use of common assessments allowed teachers to begin answering question 2, how will we know if all students have learned?

Elementary teachers continued to focus on literacy instruction, emphasizing how to use a balanced literacy or gradual release of responsibility structure. This supported us in beginning to answer question 3 and 4, how will we respond when students do not learn or when they already know it?





TECHNOLOGY

Owatonna Public School's success with technology over the years can largely be attributed to the district's commitment to maintaining a four-year Life Cycle Management (LCM) plan. In short this LCM plan is the replacement of approximately 25% of our computer inventory every year. This ensures that our hardware remains current and can be depended on. It is imperative that we budget for the cost of this LCM plan in the future to ensure students, faculty, and staff have access to the technology necessary to succeed.

Increase/Improve Technology Access

With increased school owned and personal devices, along with increased audio/video streaming and collaboration, we've increased our internet bandwidth speed to 2GB for both uploads and downloads to keep up with the needs of our students, staff, and community. This increase allows for faster and more consistent results when accessing such internet content.

Delivery of Ongoing Professional Development

Over the course of the calendar year, personnel new to the District receive the appropriate technology training for their position during an orientation period. At the beginning of each school year, the District conducts a technology training session during "new teacher workshop" for all new instructional personnel. There are also several opportunities for technology training throughout the school year and summer.

When introducing new software applications, the District will typically utilize the expertise of the software vendor to assist with the training program within the District. This then moves to a "train the trainer" model in order to create a sustainability system throughout the District.

The Technology & Innovation department is responsible for providing training and support for hardware and software applications utilized in the district.

Technology Support Staff

Our support staff consists of (1) Director of Technology & Innovation, (2) TI Specialist II District Wide, (5) TI Specialist I positions, and (1) Student Management Systems Specialist that take care of eleven sites which consists of 5,900 users, 3,200 desktops/laptops/Chromebooks, 220 Smartboards, 350 iPads, 100 documents cameras, plus many other additional peripherals.

TI support personnel pride themselves on meeting their goal of taking care of all technical issues the same day they are reported. If the issue is reported before noon, the support personnel will try to resolve the same day. If the issue is reported after noon, the support personnel will try to resolve the next business day.



SPECIAL SERVICES

The Special Services department provides instruction and support services to students who have unique needs. Special Education, Title I, and English Language Learner are all included in this department. Special Education programs educate eligible students in the setting that is the least restrictive to meeting their identified specialized needs. The students receive educational and related services in the appropriate setting, whether it be the classroom or the Learning Center. Title I is a federally funded Special Services program that provides instructional help for qualifying students who need additional instructional support in reading and math. Title I services are provided by licensed teachers and educational assistants. English Language Learner is a program that assists students who are not native speakers of English. Programs are available at buildings throughout the District.

Internal and Budgetary Controls

The District maintains a system of internal controls designed to safeguard the assets of the District. Also, there are budgetary controls in place that help prevent expenditures from going beyond those that are planned. The preliminary budget is adopted and legally enacted by the School Board in June, and this budget is revised once during the fiscal year.

Legal budgetary control is at the fund level; however, directors and principals are responsible for monitoring their budget centers within each of the funds. All appropriations lapse at year-end.

Debt Administration

The primary component of long-term debt on June 30, 2019 is outstanding bonds on school district facilities in the amount of \$66,910,000. The balance consists of two general obligation school building bonds, and one outstanding general obligation capital equipment note. These bonds have varying maturity dates with the latest maturity date being in fiscal year 2036. The bond issues in December 2015 and February 2016 were used to address deferred maintenance, security, and elementary crowding. The District also acquired \$1.855 million in certificates of participation debt to finance roof repair and maintenance throughout the District. This debt was retired in February 2019 through the use of operating capital revenue.

The District has six capital leases relating to copiers, portable classrooms, and a food service vending machine capital lease in 2019. The balance on the portable classrooms, vending machine, and copier capital leases totaled \$165,212 on June 30, 2019.

The Debt Service Fund is used to account for the current year payment of principal and interest on District bonded debt. The District is authorized to levy 105% of the amount needed to make timely debt service payments. That degree of levy authority has provided excess reserves in this fund that continue to be systematically depleted by levying less.

Independent Audit

District policy requires that an annual audit be completed on the financial statements of the District by an independent public accounting firm. This requirement has been complied with and the opinion of CliftonLarsonAllen is included in this report. The financial statements are the responsibility of the District's management. The auditor's responsibility is to express an opinion on those financial statements based on their audit.

Other Information

The Association of School Business Officials International (ASBO) awarded the Certificate of Excellence in Financial Reporting to Independent School District No. 761 for its Comprehensive Annual Financial Report for the fiscal years ended June 30 of 1992 through 1995 and 1997 through 2018. The District has received the award for 26 years. In order to be awarded a Certificate of Excellence in Financial Reporting by ASBO, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, which conforms to the program standard. Such reports must satisfy both auditing standards generally accepted in the United States of America and applicable legal requirements. A Certificate of Excellence is valid for a period of one year. We believe our current report conforms to the Certificate of Excellence in Financial Reporting program requirements. We will be submitting this year's report to ASBO to determine eligibility for the certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the District's business office staff.

We would like to express our appreciation to the School Board for their interest and support in planning and conducting the financial operations of the District in a responsible and progressive manner.

Respectfully submitted,



Amanda Heilman
Director of Finance and Operations



Sarah Cramblit
Controller

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
FISCAL YEAR 2018 CERTIFICATE OF EXCELLENCE
JUNE 30, 2019**



**ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**

**The Certificate of Excellence in Financial Reporting
is presented to**

Owatonna Public Schools ISD 761

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2018.**

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.



A handwritten signature in black ink, appearing to read 'Tom Wohlsheber'.

Tom Wohlsheber, CSRM
President

A handwritten signature in black ink, appearing to read 'David J. Lewis'.

David J. Lewis
Executive Director

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Education
Independent School District No. 761
Owatonna, 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. 761 (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 the District as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, and budgetary comparison for General Fund, Food Service Fund, and Community Service Fund, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the District's 2018 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and we expressed unmodified opinions on respective financial statements in our report dated November 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended **June 30, 2018** is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the District's Net OPEB Liability and Related Ratios, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of the District's Contributions, and Schedule of Changes in the District's Total Pension Liability and Related Ratios – Supplemental Pension Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Information (Continued)

The Supplementary Information 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result 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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 12, 2019

REQUIRED SUPPLEMENTARY INFORMATION

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

This section of Owatonna Independent School District No. 761's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is required supplementary information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1989. Certain comparative information between the current year (2018-19) and the prior year (2017-18) is presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2018-19 fiscal year include the following:

- Net position increased by \$13,026,012 from the prior year. Most of the increase in net position was primarily due to the net effect of the large changes in District's proportionate share of the net pension liability, deferred inflows of resources, and deferred outflows of resources of the State pension plans with which the District participates.
- In the statement of activities, overall revenues were \$71,876,394, while overall expenses totaled \$58,850,382.
- The General Fund balance decreased by \$475,178, the Food Service Fund balance increased by \$64,307, and the Community Service Fund balance increased by \$124,425.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of five parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, supplementary information, and statistical section. 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 explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

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OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

- Proprietary funds statements provide short-term and long-term financial information about the activities the District operates similar to a business.
- 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. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
 Organization of Owatonna Public Schools Annual Financial Report**

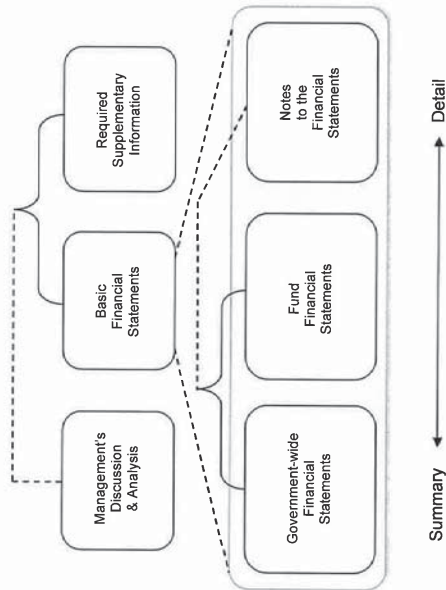


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and content of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

**Figure A-2
 Major Features of the Government-Wide and Fund Financial Statements**

	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as special education, building and maintenance, food service, and community education.	Activities the District operates similar to a private business; Internal Service Fund.	Instances in which the District administers resources on behalf of someone else, such as the District's museum.
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • 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.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources both financial and capital, short-term and long-term.	Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities are included.	All assets, deferred outflows of resources, liabilities and deferred inflows of resources both financial and capital, and short-term and long-term.	All assets and deferred outflows of resources, liabilities, and deferred inflows of resources 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 the 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 revenues and expenses during the year, regardless of when cash is received or paid.	All additions and deductions during the year, regardless of when cash is received or paid.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

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 it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are 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 – Includes most of the District's basic services, such as regular instruction, 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 debt).

The District has three 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. Since this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship (or differences) between these two types of financial statement presentations.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

FUND FINANCIAL STATEMENTS (CONTINUED)

- **Proprietary Funds** – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
 - The District uses proprietary funds to report activities that provide supplies and services for the District's other programs and activities. The District currently has two proprietary funds (combined for financial statement presentation), an internal service fund for previously self-insured health benefits, and an internal service fund for actively self-insured dental benefits.
- **Fiduciary Funds** – The District is the trustee, or fiduciary, for assets that belong to others, such as the museum trust. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in 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 from Governmental activities was \$(19,175,348) on June 30, 2019 (see Table A-1). This was an increase of \$13,026,012 from the prior year.

**Table A-1
The District's Net Position**

	Governmental Activities as of June 30,		Percentage Change
	2019	2018	
Current and Other Assets	\$ 37,577,068	\$ 51,351,413	(26.82)%
Capital Assets	91,862,120	85,864,530	6.98
Total Assets	129,439,188	137,215,943	(5.67)
Deferred Outflows of Resources	45,932,004	56,881,410	(19.25)
Current Liabilities	8,010,127	12,674,237	(36.80)
Net Pension Liability	37,099,685	100,489,155	(63.08)
Long-Term Liabilities	78,655,707	83,942,167	(6.06)
Total Liabilities	123,965,519	197,105,559	(37.11)
Deferred Inflows of Resources	70,581,021	29,193,154	141.77
Net Position:			
Net investment in Capital Assets	25,775,466	25,321,667	1.79
Restricted	6,077,521	4,406,926	37.91
Unrestricted	(51,028,335)	(61,929,953)	(17.60)
Total Net Position	\$ (19,175,348)	\$ (32,201,360)	(40.45)

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Change in Net Position. The increase in net position was the result of the District's revenues being greater than expenditures as presented in Table A-2 below.

**Table A-2
Change in Net Position**

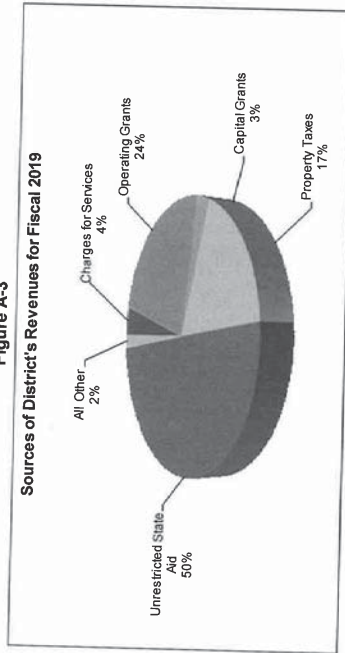
	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2019	2018	
Revenues			
Program Revenues			
Charges for Services	\$ 2,753,810	\$ 2,758,229	(0.16)%
Operating Grants and Contributions	17,365,383	19,118,955	(9.17)
Capital Grants and Contributions	2,028,735	1,710,160	18.63
General Revenues			
Property Taxes	12,641,352	13,073,594	(3.31)
Unrestricted State Aid	35,825,372	34,366,105	4.25
Investment Earnings	529,214	406,016	30.34
Other	732,528	330,548	121.61
Total Revenues	<u>71,876,394</u>	<u>71,763,627</u>	0.16
Expenses			
Administration	1,603,607	2,609,603	(38.55)
District Support Services	2,711,024	2,737,804	(0.98)
Regular Instruction	22,816,196	37,360,547	(38.96)
Vocational Education Instruction	740,965	1,410,958	(47.48)
Special Education Instruction	9,512,823	15,644,812	(39.20)
Instructional Support Services	2,320,004	3,573,685	(35.08)
Pupil Support Services	4,658,190	5,278,376	(11.77)
Sites and Buildings	6,362,997	4,930,141	29.06
Fiscal and Other Fixed Cost Programs	136,438	182,457	(25.22)
Food Service	2,969,206	2,987,795	(0.62)
Community Service	3,013,798	3,544,540	(14.97)
Interest and Fiscal Charges on Long-Term Liabilities			
Total Expenses	<u>2,005,134</u>	<u>2,101,446</u>	(4.58)
	<u>58,850,382</u>	<u>82,383,164</u>	(28.57)
Change in Net Position	<u>13,026,012</u>	<u>(10,619,537)</u>	
Beginning Net Position	<u>(32,201,360)</u>	<u>(21,581,823)</u>	
Ending Net Position	<u>\$ (19,175,348)</u>	<u>\$ (32,201,360)</u>	

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The District's total revenues were \$71,876,394 for the year ended June 30, 2019. This is an increase of \$112,767 from June 30, 2018 (see Table A-2 on the previous page). Revenues for the year were a mix of increases and decreases. This included an increase of \$1,459,267 in unrestricted state aid due mainly to the increase in the basic formula allowance and state aid received for a new voluntary pre-kindergarten program in 2018-19. There was also an increase in other revenues of \$401,980 due to increases in miscellaneous revenues related to energy efficiency rebates and the District's sale of surplus technology equipment. These increases were mostly offset by a \$1,753,572 decrease in Operating Grants and Contributions and a \$432,242 decrease in property taxes. The decrease in property tax revenues was offset by an increase in the school building bond agriculture credit state aid. Operating grants and contributions decreased primarily due to the negative special funding revenues related to the Teacher Retirement Association (TRA) in the amount of \$1,972,928. See Figure A-3 below for the related percentages of the District's revenues.

Figure A-3



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The total cost of all programs and services was \$58,850,382. The District's expenses are predominantly related to educating and caring for students and community members (78%) as shown in Figure A-4. Administrative activities of the District accounted for 7% of total costs.

Figure A-4

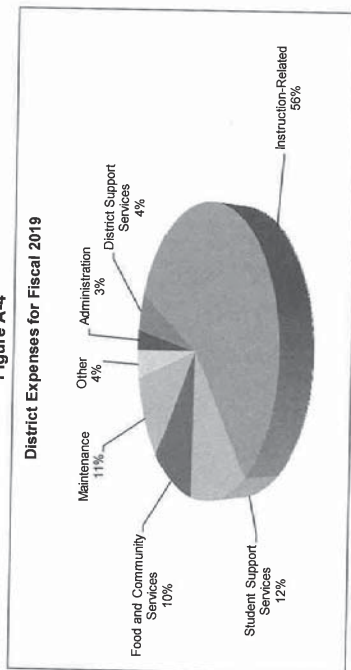


Table A-3 presents the cost of twelve major District activities such as instruction, pupil and instructional services, administration, maintenance and operations, and others. The table also shows each activity's net costs (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

- The cost of all governmental activities this year was \$58.8 million.
- Of this cost, \$2.8 million was paid by the users of the District's programs.
- Federal and state governments, along with local donations, subsidized certain programs with grants and contributions of \$19.4 million.
- District property taxpayers financed \$12.6 million.
- State taxpayers financed \$35.8 million in the form of unrestricted state aid based on the statewide education aid formula.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Table A-3
Program Expenses and Net Cost of Services

	Total Cost of Services		Net Cost of Services		Percentage Change
	2018	2019	2018	2019	
Administration	\$ 1,603,607	\$ 2,609,603	\$ 1,656,555	\$ 2,580,365	(35.72)%
District Support Services	2,711,024	2,737,804	2,668,870	2,700,270	(0.81)
Regular Instruction	22,816,166	37,380,547	16,006,870	25,842,322	(48.97)
Vocational Instruction	740,965	1,410,958	731,275	1,342,397	(73.78)
Special Education Instruction	9,512,823	15,644,812	2,027,558	7,739,309	(40.47)
Instructional Support Services	2,320,004	3,573,685	1,729,565	2,905,553	(11.26)
Pupil Support Services	4,658,190	5,279,376	4,576,938	5,157,925	(25.22)
Facilities and Buildings	6,382,997	4,930,141	182,457	182,457	(101.90)
Food and Other Fixed Cost Programs	136,438	182,457	136,438	182,457	(25.22)
Food Service	2,989,268	2,987,795	2,989,268	2,987,795	(0.62)
Community Service	3,013,786	3,944,540	3,013,786	3,944,540	(14.97)
Interest and Fiscal Charges on Long-Term Liabilities	2,005,134	2,101,446	2,005,134	2,101,446	(4.58)
Total	\$ 35,850,382	\$ 82,383,164	\$ 35,850,382	\$ 67,950,600	(37.56)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. In the Food Service, Community Service, and Debt Service funds revenues exceeded expenditures, thereby increasing the fund balance in these funds. The General Fund's expenditures and other financing uses exceeded revenues and other financing sources in the amount of \$475,178. In total, including the Capital Projects Fund, governmental funds decreased by \$9,516,802 with an ending total fund balance of \$17,209,988. The proprietary fund type had an increase of \$32,729 resulting in an ending balance of \$210,532.

General Fund

The General Fund is used to account for all revenues and expenditures of the school district not accounted for elsewhere. The General Fund is used to account for: K-12 educational activities, District instructional and student support programs, expenditures for the superintendent, District administration, normal operations and maintenance, pupil transportation, capital expenditures, and legal District expenditures not specifically designated to be accounted for in any other fund.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

Enrollment

Funding for Minnesota school districts is largely driven by enrollment. In 2018-19, the District saw an increase of 1.10% in student enrollment from 2018-19. The District has seen an overall increase in enrollment of 76 pupil units since 2015.

Figure A-5

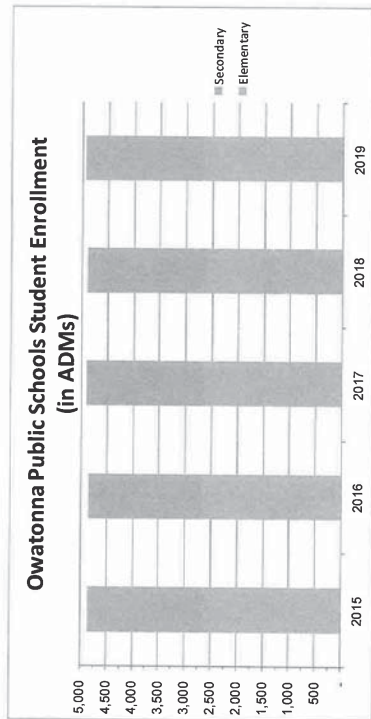


Table A-4 presents a summary of General Fund revenues.

Table A-4
General Fund Revenues

	Year Ended		Change	Percent
	June 30, 2019	June 30, 2018		
Local Sources:				
Property Taxes	\$ 6,836,522	\$ 6,773,102	\$ 63,420	0.9 %
Earnings on Investments	200,439	89,490	110,949	124.0
Other	1,637,816	1,139,765	498,051	43.7
State Sources	50,135,866	48,363,332	1,772,534	3.7
Federal Sources	2,393,682	2,550,989	(187,307)	(7.3)
Total General Fund Revenues	\$ 61,204,325	\$ 58,946,676	\$ 2,257,647	3.8

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

Total General Fund revenues increased \$2,257,647 or 3.8% from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referenda, involves an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year-to-year without any net change on revenue. The increase in state sources is due mainly to an increase of \$124 per pupil unit on the basic general education formula and an increase in student enrollment. The increase in other local sources is mainly due to the District receiving approximately \$380,000 in rebates related to energy efficient upgrades made by the District.

Table A-5 presents a summary of General Fund expenditures.

Table A-5
General Fund Expenditures

	Year Ended		Change	Percent
	June 30, 2019	June 30, 2018		
Salaries	\$ 35,853,360	\$ 33,809,241	\$ 2,044,119	6.0 %
Employee Benefits	13,318,306	12,313,078	1,005,228	8.2
Purchased Services	8,734,870	8,407,577	327,293	3.9
Supplies and Materials	2,699,117	2,318,731	380,386	16.4
Capital Expenditures	579,982	852,880	(272,898)	(32.0)
Debt Service	414,951	423,044	(8,093)	(1.9)
Other Expenditures	257,488	252,258	5,230	2.1
Total General Fund Expenditures	\$ 61,858,074	\$ 58,376,609	\$ 3,481,265	6.0

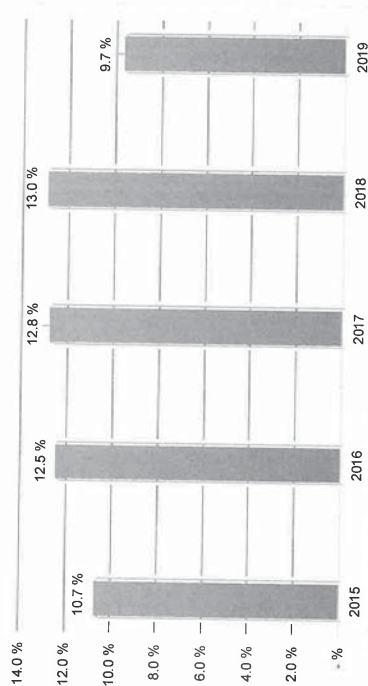
Total General Fund expenditures increased \$3,481,265 or 6.0% from the previous year. This is mainly due to salary and benefits increases.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

In 2018-19, General Fund expenditures and other financing uses exceeded revenues and other financing sources by \$475,178, thereby decreasing the total fund balance as of June 30, 2019. After deducting statutory restrictions, the unassigned fund balance decreased from \$7,564,395 at June 30, 2018 to \$5,996,615 at June 30, 2019.

The School Board has adopted a fund balance policy to maintain an 8% to 10% fund balance in the unassigned category of fund balance in the General Fund. Figure A-6 shows the General Fund unassigned fund balance as a percentage of unrestricted expenditures.

**Figure A-6
 General Fund Unassigned Fund Balance
 as a Percentage of Unrestricted Expenditures**



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

**Table A-6
 General Fund Unassigned Fund Balance
 as a Percentage of Unrestricted Expenditures**

	2015	2016	2017	2018	2019
Unassigned Fund Balance	\$ 5,679,818	\$ 6,815,855	\$ 7,280,793	\$ 7,564,395	\$ 5,996,615
% Increase (Decrease)	19.9 %	20.0 %	6.8 %	3.9 %	(20.7) %
Total Expenditures	\$ 53,041,920	\$ 54,579,510	\$ 56,961,521	\$ 58,376,809	\$ 61,858,074
% Increase	12.6 %	2.7 %	4.4 %	2.5 %	6.0 %
Unassigned Fund Balance as a % of Total Expenditures	10.7 %	12.5 %	12.8 %	13.0 %	9.7 %

The preceding table is the single best measure of overall financial health. The unassigned fund balance of \$5,996,615 at June 30, 2019 represents 11.4% of annual unrestricted expenditures. The \$5,996,615 represents about six weeks of average expenditures. The District closely monitors its fund balances.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget. The budget amendments fall into two categories:

- Implementing budgets for specially funded projects which include both federal and state grants, reinstating prior year purchase orders being carried over, and budgeting for donations received.
- Increases in appropriations for unbudgeted revenues or expenditures.

While the District's final budget for the General Fund anticipated a net decrease in fund balance of \$1,866,481, the actual results for the year show a \$475,178 decrease.

Actual revenues were \$1,285,670 more than expected. The largest impact came from State Sources, specifically student enrollment in excess of budget expectations, resulting in general education aid in excess of budget. Other local revenues had the next largest budget surplus, the District receiving approximately \$380,000 in rebates related to energy efficient upgrades that were not included in the budget.

Overall, the actual expenditures were \$34,786 over budget, which was only 0.06% of the total expenditure budget.

Food Service Fund

Ending fund balance of the Food Service Fund increased by \$64,307. An anticipated decrease in the fund balance of \$5,996 was expected when the budget was prepared. Total revenues were under budget by \$67,809 due mainly to fewer meals being served to students than anticipated – largely related to the number of snow days in 2018-19. The actual increase to the Food Service fund balance is attributed to cost savings in food purchases, and less repair and maintenance costs.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

Community Service Fund

The restricted balances for Community Education, Early Childhood and Family Education, School Readiness, Adult Basic Education, and Other Purposes increased fund balance by \$124,425 from the prior year. This increase is primarily related to participation in school age care programs, extended tours, and enrichment classes in excess of budget expectations.

Capital Projects – Building Construction Fund

The capital projects fund is where the District's revenue and expenditures for the November 2015 bond referendum are being tracked. This money is being used for deferred maintenance, security upgrades, and alleviating elementary crowding. The restricted for capital projects fund balance decreased by \$9,482,889 from the prior year to a balance of \$5,218,365 as of June 30, 2019. This is solely due to progress on planned construction projects.

Debt Service Fund

The restricted for debt service fund balance increased by \$252,533 as of June 30, 2019 due to revenues exceeding the regular payment of principal and interest. The increase in property tax and state aid revenue was required relative to payments on the fiscal year 2016 bonds issued in the prior years.

Proprietary Fund

The Self-insurance Internal Service Fund and Dental Self-Insurance Fund are combined and presented as one Fund and represent the only proprietary fund for the District. The District started dental self-insurance activities in fiscal year 2019. Starting with fiscal year 2004, the District discontinued self-insuring its health costs but continues to maintain a balance in the fund for future use.

Fiduciary Fund

The museum trust fund is the District's fiduciary fund. The net position of the museum trust is \$2,917.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2019, the District had net capital assets of \$91,862,120 representing a broad range of capital assets, including school buildings, computer and audio-visual equipment, and other equipment for various instructional programs (see Table A-7). More detailed information about capital assets can be found in Note 4 of the financial statements.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

Total depreciation expense for the year was \$3,350,321.

Table A-7
Capital Assets

	2019	2018	Percentage Change
Land	\$ 1,823,335	\$ 1,823,335	-
Construction in Progress	84,623	4,895,904	(98.3)
Land Improvements	3,896,179	3,450,919	12.9
Buildings and Improvements	105,825,509	94,482,793	12.0
Equipment	15,559,686	13,363,107	16.4
Less: Accumulated Depreciation	(35,327,212)	(32,151,528)	9.9
Total Capital Assets	<u>\$ 91,862,120</u>	<u>\$ 85,864,530</u>	7.0

Long-Term Liabilities

At year-end, the District had \$66,910,000 in general obligation bonds outstanding. The decrease from 2018 was due to regular principal payments made during fiscal year 2019. The District paid off their Certificates of Participation in 2018-2019. The District had \$3.4 million in severance payable at June 30, 2019, a decrease of 3.3% over the previous year. More detailed information about the District's long-term liabilities is presented in Note 5 of the financial statements.

Table A-8
The District's Long-Term Liabilities

	2019	2018	Percentage Change
General Obligation Bonds	\$ 66,910,000	\$ 70,570,000	(5.2)%
Bond Premiums	3,047,950	3,234,598	(5.8)
Capital Leases Payable	165,212	199,572	(17.2)
Certificates of Participation Payable	-	255,000	(100.0)
Net Pension Liability	37,099,685	100,489,155	(63.1)
Other Postemployment Benefits Payable	4,586,858	5,510,620	(18.6)
Severance Benefits Payable	3,410,412	3,526,372	(3.3)
Supplemental Pension Payable	423,075	346,258	22.2
Compensated Absences Payable	312,200	299,747	4.2
Total Long-Term Liabilities	<u>\$ 115,955,392</u>	<u>\$ 184,431,322</u>	(37.1)
Long-Term Liabilities:			
Due Within One Year	\$ 4,564,121	\$ 4,871,753	
Due in More Than One Year	111,391,271	179,559,569	
Total	<u>\$ 115,955,392</u>	<u>\$ 184,431,322</u>	

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved levies and other minor levies, the District is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, creditors, and other stakeholders with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Business Office, Independent School District No. 761, 515 West Bridge Street, Owatonna, Minnesota 55060.

BASIC FINANCIAL STATEMENTS

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF NET POSITION
JUNE 30, 2019**

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	Governmental Activities	
	2019	2018
ASSETS		
Cash and Investments	\$ 22,342,991	\$ 37,869,139
Receivables:		
Property Taxes	7,537,249	6,487,566
Other Governments	7,188,021	6,493,895
Other	264,194	336,036
Prepaid Items	195,909	118,415
Inventories	48,704	46,362
Capital Assets:		
Land and Construction in Progress	1,907,958	6,719,239
Other Capital Assets, Net of Depreciation	89,954,162	79,145,291
Total Assets	129,439,188	137,215,943
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Other Postemployment Benefits	293,864	310,154
Deferred Outflows - Single Employer Supplemental Pensions	141,405	76,303
Deferred Outflows - Pensions	45,496,735	56,494,953
Total Deferred Outflows	45,932,004	56,881,410
LIABILITIES		
Salaries and Benefits Payable	5,895,134	5,184,270
Accounts and Contracts Payable	625,981	5,834,670
Accrued Interest	889,107	922,609
Due to Other Governmental Units	372,892	501,606
Unearned Revenue	227,013	231,082
Long-Term Liabilities:		
Net Pension Liability	37,099,685	100,489,155
Other Postemployment Benefits Payable	4,586,858	5,510,620
Bonds, Capital Leases, and Other Due Within One Year	4,564,121	4,871,753
Bonds, Capital Leases, and Other Due in More Than One Year	69,704,728	73,559,794
Total Liabilities	123,965,519	197,105,559
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	12,951,881	12,597,341
Deferred Inflows - Other Postemployment Benefits	1,208,621	-
Deferred Inflows - Single Employer Supplemental Pensions	14,758	12,459
Deferred Inflows - Pensions	56,405,761	16,583,354
Total Deferred Inflows of Resources	70,581,021	29,193,154
NET POSITION		
Net Investment in Capital Assets	25,775,466	25,321,667
Restricted for:		
General Fund Operating Capital Purposes	383,894	299,307
General Fund State-Mandated Reserves	2,143,467	1,208,449
Food Service	704,407	647,385
Community Service	1,195,456	1,079,422
Debt Service	468,440	187,416
Capital Projects - Building Construction	1,181,857	984,947
Unrestricted	(51,028,335)	(61,929,953)
Total Net Position	\$ (19,175,348)	\$ (32,201,360)

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2018)**

Functions	2019				2018	
	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position	Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
GOVERNMENTAL ACTIVITIES						
Administration	\$ 1,603,607	\$ -	\$ (68,643)	\$ 13,695	\$ (1,658,555)	\$ (2,580,365)
District Support Services	2,711,024	2,516	3,015	27,084	(2,678,409)	(2,700,270)
Regular Instruction	22,816,196	405,950	5,632,216	371,160	(16,406,870)	(29,868,632)
Vocational Education Instruction	740,965	-	9,690	-	(731,275)	(1,347,937)
Special Education Instruction	9,512,823	288,173	7,196,365	727	(2,027,558)	(7,732,309)
Instructional Support Services	2,320,004	-	589,738	681	(1,729,585)	(2,905,553)
Pupil Support Services	4,658,190	-	81,252	-	(4,576,938)	(5,157,531)
Sites and Buildings	6,362,997	30,498	3,172	1,615,387	(4,713,940)	(3,731,925)
Fiscal and Other Fixed Cost Programs	136,438	-	-	-	(136,438)	(182,457)
Food Service	2,969,206	1,159,703	1,810,592	-	1,089	(57,217)
Community Service	3,013,798	866,970	2,107,986	-	(38,842)	(430,158)
Interest and Fiscal Charges on Long-Term Liabilities	2,005,134	-	-	-	(2,005,134)	(2,101,446)
Total School District	\$ 58,850,382	\$ 2,753,810	\$ 17,365,383	\$ 2,028,735	(36,702,454)	(58,795,800)
GENERAL REVENUES						
Property Taxes Levied for:						
General Purposes					6,827,834	6,766,704
Community Service					306,821	306,774
Debt Service					5,506,697	6,000,116
State Aid Not Restricted to Specific Purposes					35,825,372	34,366,105
Earnings on Investments					529,214	406,016
Miscellaneous					694,478	330,548
Gain on Sale of Capital Assets					38,050	-
Total General Revenues					49,728,466	48,176,263
CHANGE IN NET POSITION					13,026,012	(10,619,537)
Net Position - Beginning					(32,201,360)	(21,581,823)
NET POSITION - ENDING					\$ (19,175,348)	\$ (32,201,360)

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)**

	Major Funds					Total Governmental	
	General	Food Service	Community Service	Capital Projects	Debt Service	2019	2018
ASSETS							
Cash and Investments	\$ 10,864,504	\$ 720,415	\$ 1,531,914	\$ 5,245,361	\$ 3,747,447	\$ 22,109,641	\$ 37,691,336
Receivables:							
Current Property Taxes	3,899,224	-	165,995	-	3,356,210	7,421,429	6,389,715
Delinquent Property Taxes	66,777	-	3,204	-	45,839	115,820	97,851
Accounts and Interest Receivable	240,681	14,066	8,248	-	-	262,995	336,036
Due from Other Minnesota School Districts	403,254	-	-	-	-	403,254	472,638
Due from Minnesota Department of Education	5,294,741	4,294	208,755	-	53,808	5,561,598	4,859,440
Due from Federal through Minnesota Department of Education	1,104,287	38,674	76,435	-	-	1,219,396	1,159,254
Due from Other Governmental Units	3,773	-	-	-	-	3,773	2,563
Inventory	10,176	38,528	-	-	-	48,704	46,362
Prepays	160,470	8,439	27,000	-	-	195,909	118,415
Total Assets	<u>\$ 22,047,887</u>	<u>\$ 824,416</u>	<u>\$ 2,021,551</u>	<u>\$ 5,245,361</u>	<u>\$ 7,203,304</u>	<u>\$ 37,342,519</u>	<u>\$ 51,173,610</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
Liabilities:							
Salaries and Compensated Absences Payable	\$ 2,932,181	\$ 13,155	\$ 28,377	\$ -	\$ -	\$ 2,973,713	\$ 2,462,109
Payroll Deductions and Employer Contributions Payable	2,921,421	-	-	-	-	2,921,421	2,722,161
Accounts and Contracts Payable	511,911	3,437	62,021	26,996	-	604,365	5,834,670
Due to Other Governmental Units	129,426	-	243,466	-	-	372,892	501,606
Unearned Revenue	10,490	56,450	157,672	-	-	224,612	231,082
Total Liabilities	<u>6,505,429</u>	<u>73,042</u>	<u>491,536</u>	<u>26,996</u>	<u>-</u>	<u>7,097,003</u>	<u>11,751,628</u>
Deferred Inflows of Resources:							
Unavailable Revenue - Property Taxes Levied for Subsequent Year	6,798,565	-	307,559	-	5,845,757	12,951,881	12,597,341
Unavailable Revenue - Delinquent Property Taxes	49,271	-	2,393	-	31,983	83,647	97,851
Total Deferred Inflows of Resources	<u>6,847,836</u>	<u>-</u>	<u>309,952</u>	<u>-</u>	<u>5,877,740</u>	<u>13,035,528</u>	<u>12,695,192</u>
Fund Balance:							
Nonspendable:							
Inventory	10,176	38,528	-	-	-	48,704	46,362
Prepays	160,470	8,439	27,000	-	-	195,909	118,415
Restricted for:							
Staff Development	160,645	-	-	-	-	160,645	53,742
Operating Capital	383,894	-	-	-	-	383,894	299,307
Community Education	-	-	395,598	-	-	395,598	290,480
Early Childhood and Family Education	-	-	78,370	-	-	78,370	138,411
Teacher Development and Evaluation	27,568	-	-	-	-	27,568	37,520
Basic Skills Programs	175,093	-	-	-	-	175,093	390,307
School Readiness	-	-	505,608	-	-	505,608	421,591
Adult Basic Education	-	-	158,780	-	-	158,780	157,525
Basic Skills Extended Time	1,784	-	-	-	-	1,784	1,784
Long-Term Facilities Maintenance	1,672,855	-	-	-	-	1,672,855	633,635
Medical Assistance	105,522	-	-	-	-	105,522	91,461
Restricted for Other Purposes	-	704,407	54,707	5,218,365	1,325,564	7,303,043	16,481,855
Unassigned	5,996,615	-	-	-	-	5,996,615	7,564,395
Total Fund Balance	<u>8,694,622</u>	<u>751,374</u>	<u>1,220,063</u>	<u>5,218,365</u>	<u>1,325,564</u>	<u>17,209,988</u>	<u>26,726,790</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 22,047,887</u>	<u>\$ 824,416</u>	<u>\$ 2,021,551</u>	<u>\$ 5,245,361</u>	<u>\$ 7,203,304</u>	<u>\$ 37,342,519</u>	<u>\$ 51,173,610</u>

See accompanying Notes to Basic Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)**

	<u>2019</u>	<u>2018</u>
Total Fund Balance for Governmental Funds	\$ 17,209,988	\$ 26,726,790
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	1,823,335	1,823,335
Construction in Progress	84,623	4,895,904
Land Improvements, Net of Accumulated Depreciation	1,629,976	1,305,922
Buildings and Improvements, Net of Accumulated Depreciation	80,545,535	71,448,991
Equipment, Net of Accumulated Depreciation	7,778,651	6,390,378
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unearned revenue in the funds.	83,647	97,851
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due.	(889,107)	(922,609)
The District's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Liability	(37,099,685)	(100,489,155)
Deferred Inflows of Resources - Pensions	(56,420,519)	(16,595,813)
Deferred Outflows of Resources - Pensions	45,638,140	56,571,256
Supplemental Pension Payable	(423,075)	(346,258)
Compensated Absences Payable	(312,200)	(299,747)
The District's liability for other postemployment benefits is a long-term liability and therefore only recorded on the statement of net position. Balances at year-end are:		
Other Postemployment Benefits Payable	(4,586,858)	(5,510,620)
Deferred Outflows - Other Postemployment Benefits	293,864	310,154
Deferred Inflows - Other Postemployment Benefits	(1,208,621)	-
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position. Balances at year-end are:		
Bonds Payable	(66,910,000)	(70,570,000)
Unamortized Premiums	(3,047,950)	(3,234,598)
Certificates of Participation Payable	-	(255,000)
Obligations Under Capital Leases	(165,212)	(199,572)
Severance Benefits Payable	(3,410,412)	(3,526,372)
Internal service funds are used by management to charge the costs of health and dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position at year-end is:		
	<u>210,532</u>	<u>177,803</u>
Total Net Position of Governmental Activities	\$ (19,175,348)	\$ (32,201,360)

See accompanying Basic Notes to Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2018)**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Projects	Debt Service	2019	2018
REVENUES							
Local Sources:							
Property Taxes	\$ 6,836,522	\$ -	\$ 307,326	\$ -	\$ 5,511,708	\$ 12,655,556	\$ 13,080,919
Earnings and Investments	200,439	13,988	35,580	207,062	67,843	524,912	404,190
Other	1,637,816	1,178,544	896,133	-	-	3,712,493	3,262,593
State Sources	50,135,866	184,735	2,038,823	-	538,078	52,897,502	50,724,378
Federal Sources	2,393,682	1,600,518	76,435	-	-	4,070,635	4,218,004
Total Revenues	61,204,325	2,977,785	3,354,297	207,062	6,117,629	73,861,098	71,690,084
EXPENDITURES							
Current:							
Administration	2,102,128	-	-	-	-	2,102,128	1,991,411
District Support Services	2,554,368	-	-	-	-	2,554,368	2,109,779
Elementary and Secondary Regular Instruction	28,458,873	-	-	-	-	28,458,873	26,546,720
Vocational Education Instruction	1,106,373	-	-	-	-	1,106,373	1,000,843
Special Education Instruction	12,908,692	-	-	-	-	12,908,692	12,281,737
Instructional Support Services	2,904,404	-	-	-	-	2,904,404	2,883,971
Pupil Support Services	5,000,003	-	-	-	-	5,000,003	4,879,388
Sites and Buildings	5,691,862	-	-	-	-	5,691,862	5,224,579
Fiscal and Other Fixed Cost Programs	136,438	-	-	-	-	136,438	182,457
Food Service	-	2,885,984	-	-	-	2,885,984	2,863,630
Community Service	-	-	3,221,435	-	-	3,221,435	3,233,767
Capital Outlay	579,982	27,494	24,383	9,689,951	-	10,321,810	37,366,787
Debt Service:							
Principal	395,115	-	2,695	-	3,660,000	4,057,810	3,981,171
Interest and Fiscal Charges	19,836	-	359	-	2,205,096	2,225,291	2,311,825
Total Expenditures	61,858,074	2,913,478	3,248,872	9,689,951	5,865,096	83,575,471	106,858,065
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(653,749)	64,307	105,425	(9,482,889)	252,533	(9,714,373)	(35,167,981)
OTHER FINANCING SOURCES (USES)							
Sale of Equipment	57,152	-	-	-	-	57,152	25,505
Insurance Recovery	13,334	-	-	-	-	13,334	48,347
Capital Lease Issuance	127,085	-	-	-	-	127,085	-
Transfers In	-	-	19,000	-	-	19,000	-
Transfers Out	(19,000)	-	-	-	-	(19,000)	-
Total Other Financing Sources	178,571	-	19,000	-	-	197,571	73,852
NET CHANGE IN FUND BALANCE	(475,178)	64,307	124,425	(9,482,889)	252,533	(9,516,802)	(35,094,129)
FUND BALANCE							
Beginning of Year	9,169,800	687,067	1,095,638	14,701,254	1,073,031	26,726,790	61,820,919
End of Year	\$ 8,694,622	\$ 751,374	\$ 1,220,063	\$ 5,218,365	\$ 1,325,564	\$ 17,209,988	\$ 26,726,790

See accompanying Basic Notes to Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2018)**

	<u>2019</u>	<u>2018</u>
Net Change in Fund Balance - Total Governmental Funds	\$ (9,516,802)	\$ (35,094,129)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is:		
Capital Outlays	9,385,641	37,687,442
Loss on Disposal of Capital Assets	-	(205,547)
Gain on Disposal of Capital Assets	38,050	-
Proceeds from the Sales of Capital Assets	(57,152)	(25,505)
Depreciation Expense	(3,350,321)	(2,222,493)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are unearned in the governmental funds.		
	(14,204)	(7,325)
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.		
Other Financing Sources - Capital Lease	(127,085)	-
Change in Accrued Interest - Capital Leases	309	662
Principal Payments - Capital Leases	142,817	144,762
Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.		
	12,568,845	(14,591,252)
To record the change in the OPEB Liability		
	(301,149)	(343,369)
In the statement of activities, certain operating expenses - severance benefits, supplemental pensions, and compensated absences and the related deferred outflows and inflows - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).		
	89,493	19,004
The governmental funds report bond issuance as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Repayment of Bond Principal	3,660,000	3,590,000
Repayment of Certificates of Participation Payable	255,000	245,000
Change in Accrued Interest - General Obligation Bonds	33,193	32,240
Amortization of Bond Premium	186,340	177,040
Amortization of Certificates of Participation Premium	308	1,846
Internal service funds are used by the District to charge the costs of employee health benefits to individual funds. The change in net position of the internal service funds is reported with governmental activities.		
	32,729	(27,913)
Total	\$ <u>13,026,012</u>	\$ <u>(10,619,537)</u>

See accompanying Basic Notes to Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Property Taxes	\$ 6,773,649	\$ 6,826,726	\$ 6,836,522	\$ 9,796
Earnings and Investments	50,000	150,000	200,439	50,439
Other	1,172,262	1,093,776	1,637,816	544,040
State Sources	49,152,400	49,590,098	50,135,866	545,768
Federal Sources	2,405,988	2,258,055	2,393,682	135,627
Total Revenues	<u>59,554,299</u>	<u>59,918,655</u>	<u>61,204,325</u>	<u>1,285,670</u>
EXPENDITURES				
Current:				
Administration	2,070,363	2,045,678	2,102,128	56,450
District Support Services	2,841,732	2,732,406	2,554,368	(178,038)
Elementary and Secondary Regular Instruction	27,751,428	28,380,145	28,458,873	78,728
Vocational Education Instruction	1,098,927	1,105,808	1,106,373	565
Special Education Instruction	12,180,432	12,277,130	12,908,692	631,562
Instructional Support Services	2,959,368	3,117,892	2,904,404	(213,488)
Pupil Support Services	4,701,834	4,690,502	5,000,003	309,501
Sites and Buildings	6,470,910	6,405,737	5,691,862	(713,875)
Fiscal and Other Fixed Cost Programs	208,000	193,840	136,438	(57,402)
Capital Outlay	360,265	448,961	579,982	131,021
Debt Service:				
Principal	386,045	386,045	395,115	9,070
Interest and Fiscal Charges	39,144	39,144	19,836	(19,308)
Total Expenditures	<u>61,068,448</u>	<u>61,823,288</u>	<u>61,858,074</u>	<u>34,786</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,514,149)	(1,904,633)	(653,749)	1,250,884
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	-	57,152	57,152	-
Insurance Recovery	-	-	13,334	13,334
Capital Lease Proceeds	-	-	127,085	127,085
Transfers Out	(19,000)	(19,000)	(19,000)	-
Total Other Financing Sources (Uses)	<u>(19,000)</u>	<u>38,152</u>	<u>178,571</u>	<u>140,419</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,533,149)</u>	<u>\$ (1,866,481)</u>	(475,178)	<u>\$ 1,391,303</u>
FUND BALANCE				
Beginning of Year			<u>9,169,800</u>	
End of Year			<u>\$ 8,694,622</u>	

See accompanying Basic Notes to Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Earnings and Investments	\$ 150	\$ 150	\$ 13,988	\$ 13,838
Other - Primarily Meal Sales	1,220,625	1,220,625	1,178,544	(42,081)
State Sources	197,295	199,795	184,735	(15,060)
Federal Sources	1,625,024	1,625,024	1,600,518	(24,506)
Total Revenues	<u>3,043,094</u>	<u>3,045,594</u>	<u>2,977,785</u>	<u>(67,809)</u>
EXPENDITURES				
Current:				
Food Service	3,008,671	3,001,590	2,885,984	(115,606)
Capital Outlay	50,000	50,000	27,494	(22,506)
Total Expenditures	<u>3,058,671</u>	<u>3,051,590</u>	<u>2,913,478</u>	<u>(138,112)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (15,577)</u>	<u>\$ (5,996)</u>	64,307	<u>\$ 70,303</u>
FUND BALANCE				
Beginning of Year			<u>687,067</u>	
End of Year			<u>\$ 751,374</u>	

See accompanying Basic Notes to Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Property Taxes	\$ 306,772	\$ 309,474	\$ 307,326	\$ (2,148)
Earnings and Investments	700	700	35,580	34,880
Other - Primarily Tuition and Fees	773,383	773,383	896,133	122,750
State Sources	2,105,079	2,107,248	2,038,823	(68,425)
Federal Sources	72,552	76,933	76,435	(498)
Total Revenues	<u>3,258,486</u>	<u>3,267,738</u>	<u>3,354,297</u>	<u>86,559</u>
EXPENDITURES				
Current:				
Community Service	3,500,381	3,264,356	3,221,435	(42,921)
Capital Outlay	22,694	22,694	24,383	1,689
Debt Service:				
Principal	2,868	2,868	2,695	(173)
Interest and Fiscal Charges	1,469	1,469	359	(1,110)
Total Expenditures	<u>3,527,412</u>	<u>3,291,387</u>	<u>3,248,872</u>	<u>(42,515)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(268,926)	(23,649)	105,425	129,074
OTHER FINANCING SOURCES				
Transfers In	<u>19,000</u>	<u>19,000</u>	<u>19,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (249,926)</u>	<u>\$ (4,649)</u>	<u>124,425</u>	<u>\$ 129,074</u>
FUND BALANCE				
Beginning of Year			<u>1,095,638</u>	
End of Year			<u>\$ 1,220,063</u>	

See accompanying Basic Notes to Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)**

	Governmental Activities - Internal Service Funds	
	2019	2018
ASSETS		
Current Assets		
Cash and Investments	\$ 233,350	\$ 177,803
Accounts Receivable	1,199	-
Total Assets	\$ 234,549	\$ 177,803
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 21,616	\$ -
Unearned Revenue	2,401	-
Total Liabilities	24,017	-
NET POSITION		
Unrestricted	\$ 210,532	\$ 177,803

See accompanying Basic Notes to Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2018)**

	Governmental Activities - Internal Service Funds	
	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Charges for Services:		
Insurance Premiums	\$ 262,850	\$ -
Total Operating Revenues	<u>262,850</u>	<u>-</u>
OPERATING EXPENSES		
Insurance Claim Payments	<u>234,423</u>	<u>29,739</u>
Total Operating Expenses	<u>234,423</u>	<u>29,739</u>
OPERATING INCOME (LOSS)	28,427	(29,739)
NONOPERATING INCOME		
Earnings on Investments	<u>4,302</u>	<u>1,826</u>
CHANGE IN NET POSITION	32,729	(27,913)
Net Position - Beginning	<u>177,803</u>	<u>205,716</u>
NET POSITION - ENDING	<u>\$ 210,532</u>	<u>\$ 177,803</u>

See accompanying Basic Notes to Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2018)**

	Governmental Activities - Internal Service Funds	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Insurance Services Provided	\$ 264,052	\$ -
Payments for Medical Fees and Insurance Claims	(212,807)	(29,739)
Net Cash Provided (Used) by Operating Activities	<u>51,245</u>	<u>(29,739)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>4,302</u>	<u>1,826</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	55,547	(27,913)
Cash and Investments - Beginning	<u>177,803</u>	<u>205,716</u>
CASH AND INVESTMENTS - ENDING	<u>\$ 233,350</u>	<u>\$ 177,803</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 28,427	\$ (29,739)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(1,199)	-
Increase (Decrease) Accounts Payable	21,616	-
Increase (Decrease) in Unearned Revenue	<u>2,401</u>	<u>-</u>
Total Adjustments	<u>22,818</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 51,245</u>	<u>\$ (29,739)</u>

See accompanying Basic Notes to Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019**

	<u>Museum Private-Purpose Trust</u>
ASSETS	
Cash and Investments	\$ 3,097
LIABILITIES	
Salaries and Compensated Absences Payable	<u> 180</u>
NET POSITION	
Restricted for Museum	<u><u>\$ 2,917</u></u>

See accompanying Basic Notes to Financial Statements.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2019**

	<u>Museum Private-Purpose Trust</u>
ADDITIONS	
Gifts and Contributions	\$ 2,845
Earnings on Investments	67
Total Additions	<u>2,912</u>
DEDUCTIONS	
Salaries and Benefits	3,123
Supplies and Materials	179
Total Deductions	<u>3,302</u>
CHANGE IN NET POSITION	(390)
Net Position - Beginning of Year	<u>3,307</u>
NET POSITION - END OF YEAR	<u><u>\$ 2,917</u></u>

See accompanying Basic Notes to Financial Statements.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 761 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as GAAP for state and local governments.

B. Financial Reporting Entity

Independent School District No. 761 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

GAAP requires that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the District's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the District. These financial statements include all funds of the District. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota State Statutes, the District's Board has not elected to control or exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are not included in these financial statements.

C. Basic Financial Statement Presentation

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 statement of changes in fiduciary net position at the fund financial statement level.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. The District has only one type of fiduciary fund – Private-Purpose Trust. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide statements.

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statement of the Internal Service Fund is consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

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

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 GAAP. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

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

OWATONNA PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

The existence of the various District funds has been established by the state of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

Major Governmental Funds

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

Food Service Special Revenue Fund – The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund are generated from user fees, federal reimbursements and state aids.

Community Service Special Revenue Fund – The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes, federal reimbursements, and state credits.

Capital Projects Fund – The Capital Projects Fund accounts for financial resources related to debt issued for the school building projects.

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

Proprietary Fund

Internal Service Fund – The Internal Service Fund accounts for financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. Prior to 2004, the District's Internal Service Fund accounted for the District's health self-insurance program. The self-insurance program was discontinued at the end of fiscal year 2003. The District started a dental self-insurance program in fiscal year 2019, but the District is not self-insured for health.

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OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

Fiduciary Funds

Private-Purpose Trust Fund – The Private-Purpose Trust Fund is used to account for trust arrangements under which principal and income benefits individuals, private organizations, or other governments. This fund accounts for gifts and bequests that are to be used for the school museum.

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budget amounts represent the amended budget as adopted by the Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by Board action. Revisions to budgeted amounts must be approved by the Board.

Total fund expenditures in excess of the budget require approval of the Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

Budgeted amounts include mid-year budget amendments that changed revenue and expenditure budgets as follows:

	Original Budget	Amendments	Amended Budget
Revenues			
General Fund	\$ 59,564,299	\$ 421,508	\$ 59,975,807
Special Revenue Funds:			
Food Service Fund	3,043,094	2,500	3,045,594
Community Service Fund	3,277,486	9,252	3,286,738
Capital Projects Fund	120,000	115,000	235,000
Debt Service Fund	6,051,085	30,000	6,081,085
Expenditures			
General Fund	\$ 61,087,448	\$ 754,840	\$ 61,842,288
Special Revenue Funds:			
Food Service Fund	3,058,671	(7,081)	3,051,590
Community Service Fund	3,527,412	(236,025)	3,291,387
Capital Projects Fund	22,397,831	(7,461,577)	14,936,254
Debt Service Fund	5,865,100	-	5,865,100

Unencumbered expenditure appropriations lapse at year-end. Encumbrances are generally not recorded.

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

F. Cash and Investments

Cash and investments consist of interest and noninterest bearing checking and money market accounts, certificates of deposit, deposits in the MN Trust Investment Shares Portfolio, MN Trust Limited Term Duration Series and MN Trust Term Series, negotiable certificates of deposit. Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

OWATONNA PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are current property taxes receivable.

H. Inventories

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are expensed during the period benefited.

J. Property Taxes

Property tax levies are established by the Board of Education in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1. Taxes are due on May 15 and October 15. The County generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as a deferred inflow of resources (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes (Continued)

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy, which is frozen at \$339,315 for the District. The tax shift also includes certain other levies that are recognized early based on statutory requirements.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is a deferred inflow of resources because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2019, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

K. Capital Assets

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

Capital assets are recorded in the government-wide financial statement, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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

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

OWATONNA PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows of Resources

In addition to assets, the financial statements 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 (expenses) until that time. The District has three items that qualify for reporting as this element – pension, single employer supplemental pension, and other postemployment benefits related deferred outflows of resources. All related deferred outflows of resources will be recognized as expense in subsequent years.

M. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period they are incurred.

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

N. 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/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.

O. Accrued Employee Benefits

Vacation Pay

All full-time, noncertified employees earn annual vacation pay at various rates based on length of service. All outstanding unpaid vacation pay is payable upon termination of employment. At June 30, 2019, unpaid vacation pay totaling \$312,200 is recorded in the financial statements.

OWATONNA PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Accrued Employee Benefits (Continued)

Sick Pay

Substantially all District employees are entitled to sick leave at various rates. For certain employees, unused sick leave enters into the calculation of severance pay upon termination.

Severance Benefits Payable

Severance benefits consist of convertible sick leave.

The District maintains various severance plans for its employee groups. Each employee group contract contains benefit formulas based on years of service and/or minimum age requirements. No employee can receive severance payments exceeding one year's salary.

The District has recorded a liability for accrued convertible sick leave based on the sick leave accumulated at June 30, 2019 for employees currently eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments. Under this "vesting method," accruals for those employees expected to become eligible in the future are based on assumptions concerning the probability that the employees will become eligible to receive termination payments (vest) at some point in the future.

During fiscal year 2019, expenditures for convertible sick leave benefits totaled \$409,845. At June 30, 2019, the long-term portion of the convertible sick leave liability is included as part of severance benefits payable in the statement of net position, totaling \$3,410,412.

Other Postemployment Benefits Payable

Under the terms of certain collective bargaining employment contracts, the District provides health care coverage until age 65 if certain age and minimum years of service requirements are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB 75.

P. Statement of Cash Flows

For purposes of the statement of cash flows, the District considers cash on hand and demand deposits accounts to be cash and cash equivalents. Cash and cash equivalents are included in cash and investments.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Deferred Inflows of Resources
In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items which occur related to revenue recognition. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. The third type of deferred outflow is pension related as discussed in Note 7. The fourth type of deferred outflow is other postemployment benefits related as discussed in Note 8.

R. Unearned Revenues
Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for prepaid meals in the Food Service Fund and prepaid student and community courses in the Community Service Fund. The District also reported unearned revenues in the General Fund related to prepaid driver's education classes.

S. Fund Balance
In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance relate to prepaid items and inventories. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Superintendent, Director of Finance and Operations, and Controller to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

The District has a minimum fund balance policy, which identifies a minimum unassigned General Fund balance of no less than 8% and no more than 10% of the General Fund annual expenditure budget.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. 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, proprietary fund, and fiduciary fund 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 imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

U. Summarized Comparative Information
The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2018, from which the summarized information was derived. Certain comparative information has been reclassified to conform with the current year presentation.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget
Expenditures exceeded budgeted amounts in the following funds:

	Budget	Expenditures	Excess
General Fund	\$ 61,823,288	\$ 61,858,074	\$ 34,786

These additional expenditures were paid for with available fund balance.

B. Interfund Transfers
The District had the following interfund transfers at June 30, 2019.

	Transfers In	Transfers Out
General Fund	\$ -	\$ (19,000)
Special Revenue Funds:		
Community Service Fund	19,000	-
Total	\$ 19,000	\$ (19,000)

The transfers from the General Fund to the Community Service Fund were approved by the board through the budget to support the Community Service Fund employee partially performing a General Fund function and the Kids First athletic program.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned in full. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments." In accordance with Minnesota Statutes, the District maintains deposits at financial institutions which are authorized by the District's Board.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

The District's deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

B. Investments

The District may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of 13 months or less.
- General obligations rated "A" or better, revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- Banker's acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks, corporations, or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

At June 30, 2019, the District had the following investments:

Investments Measured at Fair Value Negotiable Certificates of Deposit with Maturities at Purchase of Greater Than One Year	Fair Value
MN Trust Investment Shares	\$ 494,785
MN Trust Limited Term Duration Series	Amortized Cost \$ 1,668,200
MN Trust Term Series Money Market	2,860,792
Total Investments Measured at Amortized Cost	\$ 4,000,000
Total District Investments	\$ 9,023,777

The MN Trust Investment Shares Portfolio, MN Trust Term Series Money Market, and MN Trust Limited Term Duration Series are external investment pools and their investments are valued at amortized cost. The amortized cost method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of investments.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

- B. Investments (Continued)
- Concentration of Credit Risk*
Except for amounts invested with Trustees, the District limits the amount of its total deposits and investments portfolio that may be invested with any one depository to 75% of the total portfolio.
- No investments individually comprise more than 5% of the District's total investment.
- C. Balance Sheet Presentation
- The deposits and investments are presented in the financial statements as follows:
- | | |
|--|----------------------|
| Cash and Investments - Statement of Net Position | \$ 22,342,991 |
| Cash and Investments - Statement of Fiduciary Net Position | 3,097 |
| Total Cash and Investments | <u>\$ 22,346,088</u> |

- D. Fair Value Measurements
- The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.
- The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

- B. Investments (Continued)
- The District had investments in MN Trust Term Series with an interest rate of 2.26% and matures in July 2019. Redemption prior to the maturity date of the MN Trust Term Series may result in a penalty.
- The remaining investments are held by PMA Financial Network as temporary investments of the District's cash.
- Custodial Credit Risk*
For an investment, custodial credit risk 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. At June 30, 2019, all investments and collateral were listed in the name of the District.

Credit Risk and Interest Rate Risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's investment policies do not limit the maturities of investments, however, when purchasing investments the District considers such things as interest rates and cash flow needs.

The credit ratings and maturities for the District's investments are as follows:

Type	Total	Maturity Duration in Years		No Maturities	Rating
		Less Than 1	1 to 2		
MN Trust Investment Series	\$ 1,668,200	-	-	\$ 1,668,200	AAA/m
MN Trust Term Series	4,000,000	4,000,000	-	-	Not Rated
MN Trust Limited Term Duration Series	2,860,792	-	-	2,860,792	Not Rated
Certificates of Deposit	484,785	-	484,785	-	Not Rated
Total	<u>\$ 9,023,777</u>	<u>\$ 4,000,000</u>	<u>\$ 484,785</u>	<u>\$ 4,528,992</u>	

**OWATONNA PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

D. Fair Value Measurement (Continued)
Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

Assets measured at fair value on a recurring basis:

Investment	Level 1	Level 2	Level 3	Total
Negotiable Certificates of Deposit with Maturities at Purchase of Greater Than One Year	\$ -	\$ 494,785	\$ -	\$ 494,785
Investments Measured at Amortized Cost				8,528,992
Total District Investments				<u>\$ 9,023,777</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 CAPITAL ASSETS

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated	\$ 1,823,335	\$ -	\$ -	\$ 1,823,335
Land	4,695,504	7,410,220	(12,221,501)	84,923
Construction in Progress	6,719,239	7,410,220	(12,221,501)	1,907,958
Total Capital Assets, Not Being Depreciated				
Capital Assets, Being Depreciated				
Buildings and Improvements	3,450,919	445,260	-	3,896,179
Equipment	84,482,783	11,342,716	-	105,825,499
Land	13,363,107	2,408,946	(212,367)	15,559,686
Total Capital Assets, Being Depreciated	111,296,819	14,196,922	(212,367)	125,281,374
Accumulated Depreciation for:				
Land Improvements	(2,144,997)	(121,206)	-	(2,266,203)
Buildings and Improvements	(23,033,802)	(2,246,172)	-	(25,279,974)
Equipment	(6,972,729)	(982,943)	174,637	(7,781,035)
Total Accumulated Depreciation	(37,151,528)	(3,350,321)	174,637	(35,327,212)
Total Capital Assets, Being Depreciated, Net	79,145,291	10,846,601	(37,790)	89,854,162
Governmental Activities Capital Assets, Net	<u>\$ 85,864,530</u>	<u>\$ 18,256,621</u>	<u>\$ (12,259,231)</u>	<u>\$ 91,862,120</u>

Depreciation expense was charged to functions of the District as follows:

Governmental Activities	\$
Administration	23,366
District Support Services	130,701
Regular Instruction	2,950,270
Vocational Education Instruction	12,706
Special Education Instruction	3,779
Instructional Support Services	22,745
Pupil Support Services	42,310
Sites and Buildings	52,190
Food Service	73,121
Community Service	39,133
Total Depreciation Expense, Governmental Activities	<u>\$ 3,350,321</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 GENERAL LONG-TERM DEBT (CONTINUED)

C. Description of Long-Term Debt

General Obligation Bonds

On May 2, 2013, the District issued \$755,000 of General Obligation Capital Equipment Notes, Series 2013A. The proceeds of this issue were used to acquire capital equipment. Capital facilities revenues under Minnesota Statute Section 124.2455 are dedicated to the retirement of these bonds. In the event the capital facilities revenues are not sufficient, the District will levy property taxes for the deficiency.

On December 29, 2015, the District issued \$9,800,000 of General Obligation School Building Bonds, Series 2015A. The proceeds of this issue are being used to fund the betterment of school sites and facilities. The new issue was issued at a premium of \$130,146. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

On February 23, 2016, the District issued \$65,385,000 of General Obligation School Building Bonds, Series 2016A. The proceeds of this issue are being used to fund the betterment of school sites and facilities. The new issue was issued at a premium of \$3,529,689. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

Certificates of Participation Payable

On September 1, 2010, the District issued \$1,855,000 of Certificates of Participation, Series 2010A. The proceeds of this issue were used to finance capital improvements to various District buildings. Future operating capital tax levies are dedicated to the retirement of these certificates. This debt was paid off by the District in fiscal year 2019.

Capital Leases Payable

During 2010, the District entered into a lease agreement for a vending machine. The total lease for \$6,687 had principal and interest payments due monthly through October 2013. The District continues to lease the vending machine at the same terms.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 GENERAL LONG-TERM DEBT

A. Components of General Long-Term Debt

The District has issued general obligation school building bonds to finance the construction of capital facilities or refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

Issue	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
2013A G.O. Capital Equipment Notes	1.50%	\$ 755,000	2/1/2020	\$ 110,000	\$ 110,000
2015A G.O. School Building Bonds	2.00% - 3.25%	9,800,000	2/1/2036	200,000	9,800,000
2016A G.O. School Building Bonds	2.00% - 5.00%	65,385,000	2/1/2036	3,420,000	57,000,000
Total General Obligation Bonds				3,730,000	66,910,000
Bond Premiums					3,047,960
Capital Lease Payable				47,649	165,212
Severance Benefits Payable				500,000	3,419,412
Supplemental Pension Payable				52,239	423,075
Compensated Absences Payable				234,233	312,200
Total				\$ 4,564,121	\$ 74,268,849

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term bonds and the certificate of participation payable are as follows:

Year Ending June 30,	General Obligation Bonds Payable	
	Principal	Interest
2020	\$ 3,730,000	\$ 2,131,950
2021	3,060,000	2,023,700
2022	3,150,000	1,933,900
2023	3,245,000	1,841,400
2024	3,340,000	1,746,050
2025-2029	18,725,000	6,695,850
2030-2034	21,935,000	3,489,400
2035-2036	9,725,000	445,800
Total	\$ 66,910,000	\$ 20,308,050

OWATONNA PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 GENERAL LONG-TERM DEBT (CONTINUED)

C. Description of Long-Term Debt (Continued)

The District entered into a copier lease in November 2014 for \$23,919. The total lease has principal and interest payments due monthly at a rate of 6.731%.

The District entered into two leases for portable classrooms in August 2014. The leases of \$354,982 have principal and interest payments due monthly at a rate of 3.013%. These leases were paid off in fiscal year 2019.

In June 2015, the District entered into a lease agreement for copy machines. The total lease of \$181,288 has principal and interest payments due monthly at a rate of 12.0%. This lease was paid off early in fiscal year 2019, and the District entered into a new lease agreement for copy machines in April of 2019. The total new lease of \$127,085 has principal and interest payments due monthly at a rate of 9.49%.

The District entered into an additional copier lease in February 2016 for \$103,681. The total lease has principal and interest payments due monthly at a rate of 12.0%.

Total cost of assets held under capital leases is \$857,548. Related accumulated depreciation of assets under capital leases at June 30, 2019 is \$663,896.

Annual payments required under capital leases are as follows:

Year Ending June 30,	Capital Leases Payable	
	Principal	Interest
2020	\$ 47,849	\$ 13,809
2021	40,930	9,292
2022	25,591	6,180
2023	28,129	3,642
2024	22,913	916
Total	\$ 165,212	\$ 33,839

Compensated Absences Payable

Compensated absences payable consists of unused vacation as of June 30, 2019, in the past, vacation expense has been paid by the General Fund, the Food Service Fund, and the Community Service Fund.

Severance Benefits Payable and Supplemental Pension Payable

Severance benefits payable and supplemental pension payable consist of severance payments and accumulated sick leave. See Note 7 for more detail on the supplemental pension plan. In the past, severance benefits and supplemental pension payments have been liquidated by the General Fund, the Food Service Fund, and the Community Service Fund.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 GENERAL LONG-TERM DEBT (CONTINUED)

D. Changes in Long-Term Liabilities

	June 30, 2018	Additions	Retirements	June 30, 2019
Bonds Payable	\$ 70,570,000	\$ -	\$ 3,660,000	\$ 66,910,000
Bond Premiums	3,234,598	-	186,648	3,047,950
Certificates of Participation Payable	255,000	-	255,000	-
Capital Leases Payable	199,572	127,085	161,445	165,212
Severance Benefits Payable	3,526,372	293,885	409,845	3,410,412
Supplemental Pension Payable	346,258	153,120	76,303	423,075
Compensated Absences Payable	299,747	334,409	321,966	312,200
Total	\$ 78,431,541	\$ 908,499	\$ 5,071,191	\$ 74,268,849

NOTE 6 RESTRICTED FUND BALANCES

Fund Equity

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. The following is a summary of the restricted fund balances for the governmental funds:

- A. Restricted for Staff Development
Restricted for staff development represents general education aid resources to be expended for staff development programs.
- B. Restricted for Teacher Development and Evaluation
Restricted for teacher development and evaluation represents resources available for teacher development and evaluation uses.
- C. Restricted for Basic Skills Programs
In accordance with state statute, this restriction represents available resources dedicated exclusively for meeting the educational needs of pupils who enroll under-prepared for learners of their age.
- D. Restricted for Basic Skills Extended Time
In accordance with state statute, this restriction represents available resources dedicated exclusively for meeting the educational needs of pupils who enroll under-prepared for learners of their age in an extended time program.

OWATONNA PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

Fund Equity (Continued)

- E. Restricted for Operating Capital
The District levies taxes and receives state aid to be used for the purchase of equipment, books, and vehicles, and to purchase, rent, improve, and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.
- F. Restricted for Community Education Programs
The fund balance restriction represents accumulated resources available to provide general community education programming.
- G. Restricted for Early Childhood and Family Education Programs
This fund balance restriction represents accumulated resources available to provide services for early childhood and family education programming.
- H. Restricted for School Readiness
This fund balance restriction represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.
- I. Restricted for Adult Basic Education
This fund balance restriction represents accumulated resources available to provide services for adult basic education.
- J. Restricted for Long-Term Facilities Maintenance
Represents unspent State aid to finance facilities plans approved by its board and the commissioner.
- K. Restricted for Medical Assistance
Represents resources to be used for Medical Assistance expenditures.
- L. Restricted for Other Purposes
Represents amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 PENSION PLANS

A. Plan Description

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

1. **General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))**
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.
 2. **Teachers Retirement Fund (TRA)**
The Teacher's Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.
Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or University of Minnesota System).
- B. Benefits Provided
PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90% funded for two consecutive years, benefit recipients are given a 2.5% increase. If the plan has not exceeded 90% funded, or have fallen below 80%, benefit recipients are given a 1% increase. 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 1 month but less than 12 full months as of June 30, will receive a pro rata increase.

2. TRA Benefits

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 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier I Benefits

Tier I	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
Coordinated	All Years After	2.7% per Year
	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:

- (1) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (2) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (3) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members. 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 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)
Tier II Benefits (Continued)

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

C. Contributions

1. General Employees Fund Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2019, were \$639,408. The District's contributions were equal to the required contributions as set by state statute.

2. TRA Contributions

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

	Employee	Employer
Basic	11.00%	11.71%
Coordinate	7.50%	7.71%

The District's contributions to TRA for the plan's fiscal year ended June 30, 2019 were \$2,181,602. The District's contributions were equal to the required contributions for each year as set by state statute.

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs

At June 30, 2019, the District reported a liability of \$7,012,154 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 to the fund in 2018. 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 \$230,106, for a total net pension liability of \$7,242,260 associated with the District. 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 proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2018, the District's proportionate share was 0.1264% which was a decrease of 0.0037% from its proportionate share measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$368,232 for its proportionate share of the General Employees Fund's pension expense. In addition, the District recognized an additional \$53,660 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 185,600	\$ 204,514
Changes in Actuarial Assumptions	669,838	787,890
Net Difference Between Projected and Actual Earnings on Plan Investments	-	716,531
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	30,463	178,722
District Contributions Subsequent to the Measurement Date	639,408	-
Total	\$ 1,525,309	\$ 1,887,657

OWATONNA PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

Of the resources related to pensions resulting from District contributions to the General Employees Fund subsequent to the measurement date, \$639,408 reported as deferred outflows of resources 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 General Employees Fund pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
Amount	Amount
2020	204,363
2021	(431,212)
2022	(628,551)
2023	(146,356)
	<u>\$</u>

2. TRA Pension Costs

At June 30, 2019, the District reported a liability of \$30,087,531 for its proportionate share of TRA's 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 0.4790% at the end of the measurement period and 0.4618% at the beginning of the period.

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:

<u>Description</u>	<u>Amount</u>
District's Proportionate Share of the TRA Net Pension Liability	\$ 30,087,531
State's Proportionate Share of the Net Pension Liability Associated with the District	2,826,615
Total Net Pension Liability	<u>\$ 32,914,146</u>

OWATONNA PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

For the year ended June 30, 2019, the District recognized negative pension expense of \$10,142,726. It also recognized \$1,972,928 as a decrease to pension expense and negative grant revenue for the support provided by direct aid.

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

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 320,919	\$ 606,754
Changes in Actuarial Assumptions	38,848,571	51,302,972
Net Difference Between Projected and Actual Earnings on Plan Investments	-	2,333,286
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	2,620,334	275,092
District Contributions Subsequent to the Measurement Date	<u>2,181,602</u>	<u>-</u>
Total	<u>\$ 43,971,426</u>	<u>\$ 54,518,104</u>

Of the resources related to pensions resulting from District contributions to TRA subsequent to the measurement date, \$2,181,602 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
Amount	Amount
2020	3,431,985
2021	2,269,855
2022	361,792
2023	(11,006,662)
2024	(7,785,330)

NOTE 7 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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

Assumptions	GERF	TRA
Inflation	2.50% per Year 11.25% after 1 year of service decreasing to 3.25% per year after 26 years 7.50%	2.50% per Year 2.85% for 10 years and thereafter 3.25%, 7.50%
Salary Growth		
Investment Rate of Return		

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

Actuarial assumptions used in the PERA 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.

TRA pre-retirement mortality rates were based on 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. Post-retirement mortality rates were based on 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. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

TRA assumptions are based on the full experience study dated June 2015 and the study of the economic assumptions presented to the Board in November 2017.

The following changes in actuarial assumptions for PERA occurred in 2018:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

NOTE 7 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions for TRA occurred in 2018:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next five years, (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.
- The single discount rate was changed from 5.12% to 7.5%.

The State Board of Investment, which manages the investments of PERA and TRA, 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.

OWATONNA PUBLIC SCHOOLS
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NOTE 7 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	36.00 %	5.10%
International Stocks	17.00	5.30%
Bonds (Fixed Income)	20.00	0.75%
Alternative Assets (Private Markets)	25.00	5.90%
Cash	2.00	0.00%
Totals	100.00 %	

F. Discount Rate

The discount rate used to measure the PERA General Employees Plan liability in 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund were 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.

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

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
GERF Discount Rate	6.50%	7.50%	8.50%
District's Proportionate Share of the GERF Net Pension Liability	\$ 11,395,648	\$ 7,012,154	\$ 3,393,705
TRA Discount Rate	6.50%	7.50%	8.50%
District's Proportionate Share of the TRA Net Pension Liability	\$ 47,746,790	\$ 30,087,531	\$ 15,517,109

H. Pension Plan Fiduciary Net Position

Detailed information about General Employees Plan's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnperra.org.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-657-3669.

I. Supplemental Pension Plan

1. Plan Description

The District operates a single-employer defined benefit supplemental pension benefit for eligible principals and directors. Currently, principals and directors are eligible after five years of service. There are 29 active participants in the plan as of July 1, 2018. The pension payment is equal to a percentage of the final annual salary, paid in a lump sum at the time of termination. Benefit and eligibility provisions are established through negotiations between the District and the employee or the union and are negotiated each bargaining period. The Plan does not issue a publicly available financial report.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 PENSION PLANS (CONTINUED)

I. Supplemental Pension Plan (Continued)

2. Funding Policy

Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The General Fund, Food Service Fund, and Community Service Fund are used for funding all pension benefits. The employer makes all contributions.

3. Total Pension Liability

The District recognizes its total pension liability, rather than a net pension liability. In order for the District to recognize a net pension liability, assets must be accumulated in a trust that meets the following criteria:

- Contributions from the employer and nonemployer contributing entities, and the earnings thereon, must be irrevocable.
- Pension plan assets must be dedicated to providing pensions to Plan members in accordance with benefit terms.
- Pension plan assets must be legally protected from the creditors of employer, nonemployer contributing entities, the Plan administrator, and the Plan members.

No assets are accumulated in a trust that meets all of the above criteria. Accordingly, the District's total pension liability is not reduced by any assets accumulated in a trust that meets the criteria, and the District must report its total pension liability.

The District's total pension liability was determined by an actuarial valuation as of July 1, 2018 (the measurement date). At June 30, 2019, the District reported a total pension liability of \$423,075. Changes in the District's total pension liability were as follows:

Total Pension Liability - June 30, 2018	\$	346,258
Changes for the Year:		
Service Cost		47,490
Interest		12,101
Changes in Benefit Terms		-
Differences Between Expected and Actual Experience		97,272
Changes of Assumptions of Other Inputs		(3,743)
Benefit Payments		(76,303)
Other Changes		-
Net Changes		<u>76,817</u>
Total Pension Liability - June 30, 2019	\$	<u>423,075</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 PENSION PLANS (CONTINUED)

I. Supplemental Pension Plan (Continued)

4. Pension Costs

For the year ended June 30, 2019, the District recognized pension expense of \$66,252. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 89,166	\$ -
Changes of Assumptions or Other Inputs	-	14,758
Benefit Payments Subsequent to the Measurement Date	52,239	-
Pension Administrative Expenses Incurred Subsequent to the Measurement Date	-	-
Total	<u>\$ 141,405</u>	<u>\$ 14,758</u>

The District's benefit payments and amounts incurred by the District for pension administrative expenses subsequent to the measurement date of \$52,239 reported as deferred outflows of resources will be recognized as a reduction of the total pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the supplemental pension plan will be recognized in pension expense as follows:

	Pension Expense
Year Ending June 30,	
2020	6,661
2021	6,661
2022	6,661
2023	6,661
2024	6,661
Thereafter	41,103

NOTE 7 PENSION PLANS (CONTINUED)

I. Supplemental Pension Plan (Continued)

5. Actuarial Methods and Assumptions

The actuarial total pension liability was determined as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date:	July 1, 2018
Measurement Date:	July 1, 2018
Actuarial Cost Method:	Entry Age, Level Percentage of Pay
Discount Rate:	3.50%
Inflation:	2.50%
Salary Increases:	3.00%
Retirement Age:	55
Mortality:	RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale

6. Discount Rate

The discount rate used to measure the total pension liability was 3.50%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

7. Total Pension Liability Sensitivity

The following presents the District's total pension liability, calculated using the discount rate of 3.50%, as well as what the District's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

Total Pension Liability			
	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
	\$ 452,636	\$ 423,075	\$ 394,708

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer retiree benefit plan (the Plan) that provides health, dental, and life insurance to eligible employees and their spouses through the District's insurance plans. There are 629 active participants and 123 retired participants and spouses receiving benefits. Benefit and eligibility provisions are established through negotiations between the District and various unions representing the District's employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report. There are no assets accumulated in an OPEB trust that meets the criteria of GASB Statement No. 75 paragraph 4.

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

B. Funding Policy

Contribution requirements are also negotiated between the District and the union representatives. The District contributes up to 100% of the cost of current year premiums for eligible retired plan members and their spouses. For fiscal year 2019, the District contributed \$214,272 to the plan.

C. Actuarial Methods and Assumptions

The District's OPEB liability was measured as of July 1, 2018, and the total OPEB liability (asset) used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll-forward techniques.

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:

Inflation	2.50%
Salary Increases	3.00%
20-Year Municipal Bond Yield	3.50%
Health Care Trend Rates	6.50% Decreasing to 5.00% Over 6 Years

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on the 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 to June 30, 2018.

The discount rate used to measure the total OPEB liability was 3.50%. The discount rate is based on the estimated yield of 20-year AA-rated bonds.

Since the most recent GASB Statement No. 75 Other Postemployment Benefits valuation, the following changes have been made:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The retiree plan participation assumption for educational assistants, food service, paraprofessional, and non-affiliated participants was changed from 70% to 30%.
- The end age for dental insurance implicit rate subsidy was increased from age 65 to age 70.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

- One post-65 retiree was previously assumed to have Medicare as the primary insurance. This retiree does not have Medicare, so an implicit rate subsidy was valued for life.
- The discount rate was changed from 3.40% to 3.50%.

D. Changes in the OPEB Liability

The following table shows the components of the changes in the District's OPEB Liability:

Balances at July 1, 2018	\$ 5,510,620
Changes for the Year:	
Service Cost	384,834
Interest Cost	195,217
Changes in Benefit Terms	48,273
Differences Between Expected and Actual Experience	(1,329,483)
Assumption Changes	87,551
Benefit Payments	(923,762)
Net Changes	(4,586,858)
Balances at July 1, 2019	\$ 4,586,858

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

	1% Decrease	Discount Rate	1% Increase
	(2.5%)	(3.5%)	(4.5%)
Total OPEB Liability (Asset)	\$ 4,919,335	\$ 4,586,858	\$ 4,271,743

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Changes in the OPEB Liability (Continued)

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% point lower (5.50% decreasing to 4.00% over six years) or 1% point higher (7.50% decreasing to 6.00% over six years) than the current healthcare cost trend rates:

	1% Decrease	Current Trend	1% Increase
	(5.50%)	Rates (6.50%)	(7.50%)
Decreasing to 4.00% over 6 Years	\$ 4,112,654	Decreasing to 5.00% over 6 Years	\$ 4,586,858
Decreasing to 6.00% over 6 Years	\$ 5,145,978		
Total OPEB Liability (Asset)	\$ 4,112,654	\$ 4,586,858	\$ 5,145,978

E. OPEB Liability Costs

For the year ended June 30, 2019, the District recognized OPEB expense of \$515,421. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	\$ 79,582	\$ -
Net Difference Between Projected and Actual Investment Earnings	-	1,208,621
Contributions Between Measurement Date and Reporting Date	214,272	-
Total	\$ 293,864	\$ 1,208,621

At June 30, 2019, the District's contributions and amounts incurred by the District for pension administrative expenses subsequent to the measurement date of \$214,272 reported as deferred outflows of resources will be recognized as a reduction of the total pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the supplemental pension plan will be recognized in pension expense as follows:

	Pension Expense
	Amount
Year Ending June 30,	
2020	(112,903)
2021	(112,903)
2022	(112,903)
2023	(112,903)
2024	(112,903)
Thereafter	(584,514)

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 FLEXIBLE BENEFIT PLAN

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

The current plan year runs from September 1 to August 31. Before the beginning of the plan year, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions for the health care portion of the plan, whether or not such contributions have been made.

Payments of health insurance premiums are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General, Food Service, and Community Service Funds.

Payments for amounts withheld for medical reimbursement and dependent care are made to participating employees upon submitting a request for reimbursement of eligible expenses.

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

NOTE 10 PROPRIETARY FUND

The District elected to discontinue self-insuring its employee health insurance program as of June 30, 2003. The District continued to pay claims it incurred before June 30, 2003. As of June 30, 2019, the District is not aware of any remaining unpaid health claims. Starting in fiscal year 2019, the District started using this fund to account for a dental self-insurance program. The District is retaining the portion of fund balance remaining in the fund related to the previous health self-insurance fund as start-up funds should a decision be made in the future to self-insure.

The liability for unpaid claims included in the Internal Service Fund as claims payable, including \$10,000 for an estimated liability for claims incurred but not reported, for 2019 were:

Beginning of Fiscal Year Liability - July 1,	-
Current Year Claims, Changes in Estimates, and Other Charges	234,423
Current Year Claims Paid, Including an Estimate of Claims Incurred But Not Reported (IBNPR)	(212,807)
End of Fiscal Year Liability - June 30,	\$ 21,616

NOTE 11 RISK MANAGEMENT

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

The District has joined together with other school districts in Minnesota in the Southeast Service Cooperative Gross Self-Insured Health Insurance Plan, a public entity risk pool currently operating as common risk management and insurance program for member districts. The District pays an annual premium to this plan for its health insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of the plan believe assessment to participating districts for future losses sustained is extremely remote.

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

NOTE 12 COMMITMENTS AND CONTINGENCIES

Federal and State Programs

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

NOTE 13 JOINT POWERS AGREEMENT

A. Ice Arena

Effective March 1999, the City of Owatonna, Steele County, and the District entered into a joint powers agreement to provide for the operation and maintenance of a joint ice arena. The ice arena is run and maintained by the County, with the City contributing up to \$55,000 annually in the form of public utilities. Under the terms of the agreement, the District made financial contributions to the construction of the ice arena totaling \$250,000 between March 1999 and 2002. In addition, the District agreed to maintain its present level of use of the ice arena during the term any bonds are outstanding related to the project. Total payments for the use of the ice arena were \$57,842 for the year ended June 30, 2019. The bonds matured in various increments through 2011.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13 JOINT POWERS AGREEMENT (CONTINUED)

B. Cannon Valley Special Education Cooperative

Independent School District No. 761 is a member of the Cannon Valley Special Education Cooperative. The Cannon Valley Special Education Cooperative was established for the primary objective to provide specialized services for special education students, as defined by state law, and to provide other programs and services as approved by the Joint Powers Governing Board. The Cooperative was established by four separate member districts.

Each member district shares in the cost of the programming based on its allocable participation, which is paid to the education district in the form of membership fees, reimbursements, and other charges for services. In addition, each member district is assessed a charge related to the cost of the building which houses the cooperative. Independent School District No. 761's allocable assessment related to the building cost is approximately \$233,608 annually and is anticipated to extend through July 2021. The education district is able to recover the cost of its programs through the previously mentioned revenue sources.

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REQUIRED SUPPLEMENTARY INFORMATION

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS**

	Measurement Date	
	July 1, 2018	July 1, 2017
Service Cost	\$ 384,834	\$ 467,511
Interest	195,217	186,012
Changes in Benefit Terms	48,273	-
Differences Between Expected and Actual Experience	(1,329,483)	-
Changes of Assumptions of Other Inputs	87,551	-
Benefit Payments	(310,154)	(290,252)
Other Changes	-	-
Net Changes	(923,762)	363,271
Total Pension Liability - Beginning	5,510,620	5,147,349
Total Pension Liability - Ending	\$ 4,586,858	\$ 5,510,620
Covered Employee Payroll	\$ 33,502,332	\$ 30,412,867
Total OPEB Liability as a Percentage of Covered Employee Payroll	13.69%	18.12%

NOTE: The District implemented GASB Statement No. 75 in fiscal year 2018, and the above table will be expanded to 10 years of information as the information becomes available.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST FIVE MEASUREMENT DATES***

TRA	Measurement Date				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's Proportion of the Net Pension Liability	0.4780%	0.4618%	0.4504%	0.4322%	0.4187%
District's Proportionate Share of the Net Pension Liability	\$ 30,087,531	\$ 92,183,657	\$ 107,431,147	\$ 27,973,042	\$ 20,675,773
State's Proportionate Share of the Net Pension Liability Associated with District	2,826,615	8,910,382	10,783,101	3,431,386	1,454,618
Total	\$ 32,914,146	\$ 101,094,039	\$ 118,214,248	\$ 31,404,428	\$ 22,130,391
District's Covered Payroll	\$ 26,829,000	\$ 24,989,587	\$ 23,699,920	\$ 23,334,840	\$ 20,480,514
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	112.15%	368.89%	453.30%	119.88%	100.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.07%	51.57%	44.88%	76.80%	81.50%

* The District implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

GERF	Measurement Date				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's Proportion of the Net Pension Liability	0.281%	0.301%	0.289%	0.265%	0.258%
District's Proportionate Share of the Net Pension Liability	\$ 7,012,164	\$ 8,305,468	\$ 10,522,877	\$ 6,659,337	\$ 5,890,064
State's Proportionate Share of the Net Pension Liability Associated with District	230,106	104,421	137,440	-	-
Total	\$ 7,242,270	\$ 8,409,889	\$ 10,660,317	\$ 6,659,337	\$ 5,890,064
District's Covered Payroll	\$ 8,498,980	\$ 8,389,233	\$ 8,037,947	\$ 7,475,862	\$ 6,564,883
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	82.53%	99.00%	130.91%	89.08%	89.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.53%	75.90%	68.90%	78.20%	78.70%

* The District implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
LAST SIX FISCAL YEARS***

TRA Statority Required Contribution in Relation to the Statority Required Contribution (Excess)	Fiscal Year				
	2019	2018	2017	2016	2015
	\$ 2,161,602	\$ 2,012,175	\$ 1,874,219	\$ 1,777,684	\$ 1,750,113
	(2,181,602)	(2,012,175)	(1,874,219)	(1,777,684)	(1,750,113)
District's Covered Payroll	\$ 28,295,746	\$ 28,929,000	\$ 24,869,597	\$ 23,699,920	\$ 23,324,840
Contributions as a Percentage of Covered Payroll	7.71%	7.50%	7.50%	7.50%	7.50%

* The District implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

GERF Statority Required Contribution in Relation to the Statority Required Contribution (Excess)	Fiscal Year				
	2019	2018	2017	2016	2015
	\$ 639,408	\$ 637,266	\$ 628,194	\$ 602,648	\$ 551,347
	(639,408)	(637,266)	(628,194)	(602,648)	(551,347)
District's Covered Payroll	\$ 8,525,440	\$ 8,486,880	\$ 8,389,253	\$ 8,037,947	\$ 7,475,882
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.38%

* The District implemented GASB Statement No. 68 in fiscal 2015, and the above table will be expanded to 10 years as information is available.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL PENSION LIABILITY
AND RELATED RATIOS
SUPPLEMENTAL PENSION PLAN
LAST THREE MEASUREMENT DATES ***

	Measurement Date		
	July 1, 2018	July 1, 2017	July 1, 2016
Service Cost	\$ 47,490	\$ 43,433	\$ 44,526
Interest	12,101	12,025	12,784
Differences Between Expected and Actual Experience	97,272	-	-
Changes of Assumptions of Other Inputs	(3,743)	(13,592)	-
Benefit Payments	(76,303)	(132,724)	(32,754)
Net Changes	76,817	(90,858)	24,556
Total Pension Liability - Beginning	346,258	437,116	412,560
Total Pension Liability - Ending	\$ 423,075	\$ 346,258	\$ 437,116
Covered Employee Payroll	\$ 3,083,857	\$ 2,716,855	\$ 2,637,723
Total Pension Liability as a Percentage of Covered Employee Payroll	13.67%	12.74%	16.57%

*Ten Years of Data Will be Presented as it Becomes Available

SUPPLEMENTARY INFORMATION

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GENERAL FUND
BALANCE SHEET
JUNE 30, 2019**

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	2019	2018
ASSETS		
Cash and Investments	\$ 10,864,504	\$ 11,986,962
Receivables:		
Current Taxes	3,899,224	3,206,560
Delinquent Taxes	66,777	57,959
Accounts and Interest Receivable	240,681	179,886
Due from Other Minnesota School Districts	403,254	472,638
Due from Minnesota Department of Education	5,294,741	4,646,288
Due from Federal Through the Minnesota Department of Education	1,104,287	1,065,429
Due from Other Governmental Units	3,773	2,563
Inventory	10,176	8,967
Prepays	160,470	88,682
Total Assets	\$ 22,047,867	\$ 21,695,934

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCE**

Liabilities:		
Salaries and Compensated Absences Payable	\$ 2,932,181	\$ 2,423,010
Payroll Deductions and Employer Contributions Payable	2,921,421	2,722,161
Accounts and Contracts Payable	511,911	845,170
Due to Other Governmental Units	129,426	222,952
Unearned Revenue	10,490	12,458
Total Liabilities	6,505,429	6,225,751

Deferred Inflows of Resources:

Unavailable Revenue - Property Taxes Levied for Subsequent Year	6,798,565	6,242,424
Unavailable Revenue - Delinquent Taxes	49,271	57,959
Total Deferred Inflows of Resources	6,847,836	6,300,383

Fund Balance:

Nonspendable:		
Inventory	10,176	8,967
Prepays	160,470	88,682
Restricted for:		
Staff Development	160,645	53,742
Operating Capital	383,894	299,307
Basic Skills Extended Time	1,784	1,784
Teacher Development and Evaluation	27,568	37,520
Basic Skills Programs	175,093	390,307
Long-Term Facilities Maintenance	1,672,855	633,635
Medical Assistance	105,522	91,461
Unassigned	5,986,615	7,564,385
Total Fund Balance	8,694,622	9,169,600

Total Liabilities, Deferred Inflows of Resources, and Fund Balance

	\$ 22,047,867	\$ 21,695,934
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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2018)**

	2019		2018	
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 6,826,726	\$ 6,836,522	\$ 9,796	\$ 6,773,102
Earnings and Investments	150,000	200,439	50,439	89,490
Other	1,083,776	1,637,816	544,040	1,139,765
Slate Sources	49,590,098	50,135,866	545,768	48,363,332
Federal Sources	2,258,055	2,393,682	135,627	2,580,989
Total Revenues	59,918,655	61,204,325	1,285,670	58,946,678
EXPENDITURES				
Current:				
Administration:				
Salaries	1,385,401	1,448,438	63,037	1,360,906
Employee Benefits	467,870	472,847	4,977	461,106
Purchased Services	93,060	78,955	(14,105)	87,641
Supplies and Materials	66,484	64,719	(1,765)	49,207
Other Expenditures	32,863	37,169	4,306	32,551
Total Administration	2,045,678	2,102,128	56,450	1,981,411
District Support Services:				
Salaries	1,175,426	1,162,984	(12,442)	1,083,740
Employee Benefits	458,436	467,480	9,044	403,101
Purchased Services	409,514	429,648	20,134	295,818
Supplies and Materials	675,630	483,501	(192,129)	356,105
Other Expenditures	13,400	10,755	(2,645)	(28,985)
Total District Support Services	2,732,406	2,554,368	(178,038)	2,109,779
Elementary and Secondary Regular Instruction:				
Salaries	18,928,192	18,967,774	39,582	17,810,608
Employee Benefits	6,940,769	6,805,513	(135,256)	6,308,994
Purchased Services	1,423,910	1,487,041	63,131	1,445,492
Supplies and Materials	962,454	1,081,369	118,915	822,348
Other Expenditures	124,820	117,176	(7,644)	159,278
Total Elementary and Secondary Regular Instruction	28,380,145	28,458,873	78,728	26,546,720

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2018)**

	2019		2018	
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (CONTINUED)				
Current (Continued):				
Vocational Education Instruction:				
Salaries	\$ 746,633	\$ 778,457	\$ 31,824	\$ 662,676
Employee Benefits	280,621	265,498	(15,123)	251,529
Purchased Services	25,229	6,250	(18,979)	33,883
Supplies and Materials	48,627	51,198	2,571	47,780
Other Expenditures	4,688	4,970	272	4,975
Total Vocational Education Instruction	1,105,808	1,106,373	565	1,000,843
Special Education Instruction:				
Salaries	8,368,344	8,635,159	266,815	8,264,572
Employee Benefits	3,386,393	3,469,310	72,917	3,226,485
Purchased Services	351,488	666,171	314,683	623,985
Supplies and Materials	111,905	86,215	(25,690)	115,019
Other Expenditures	49,000	51,837	2,837	51,676
Total Special Education Instruction	12,277,130	12,908,692	631,562	12,281,737
Instructional Support Services:				
Salaries	1,941,693	1,778,518	(163,175)	1,799,009
Employee Benefits	678,299	645,906	(32,393)	594,677
Purchased Services	229,788	254,122	24,334	225,151
Supplies and Materials	247,313	205,838	(41,475)	245,994
Other Expenditures	20,799	20,020	(779)	19,140
Total Instructional Support Services	3,117,892	2,904,404	(213,488)	2,883,971
Pupil Support Services:				
Salaries	1,157,808	1,117,065	(40,743)	1,127,439
Employee Benefits	432,217	404,834	(27,383)	386,161
Purchased Services	3,074,871	3,453,618	378,747	3,345,180
Supplies and Materials	20,756	15,611	(5,145)	15,689
Other Expenditures	4,850	8,875	4,025	4,919
Total Pupil Support Services	4,690,502	5,000,003	309,501	4,879,388

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
FOOD SERVICE SPECIAL REVENUE FUND
BALANCE SHEET**

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)

	2019	2018
ASSETS		
Cash and Investments	\$ 720,415	\$ 679,197
Receivables:		
Accounts and Interest Receivable	14,066	21,062
Due from Minnesota Department of Education	4,294	1,164
Due from Federal Through the Minnesota Department of Education	38,674	21,273
Inventory	38,528	37,395
Prepays	8,439	2,287
Total Assets	\$ 824,416	\$ 762,378
LIABILITIES AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 13,155	\$ 12,396
Accounts and Contracts Payable	3,437	6,653
Unearned Revenue	56,450	54,262
Total Liabilities	73,042	75,311
Fund Balance:		
Nonspendable:		
Inventory	38,528	37,395
Prepays	8,439	2,287
Restricted for:		
Food Service	704,407	647,385
Total Fund Balance	751,374	687,067
Total Liabilities and Fund Balance	\$ 824,416	\$ 762,378

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2018)

	2019	2018
Actual	Over (Under)	Actual
Amounts	Final Budget	Amounts
EXPENDITURES (CONTINUED)		
Current (Continued):		
Sites and Buildings:		
Salaries	\$ 1,964,965	\$ 1,700,291
Employee Benefits	783,605	3,313
Purchased Services	3,005,527	(782,900)
Supplies and Materials	645,720	64,946
Other Expenditures	14,841	(8,704)
Total Sites and Buildings	5,699,862	5,224,579
Fiscal and Other Fixed Costs:		
Purchased Services	193,840	(57,402)
Capital Outlay:		
Administration	10,574	182,457
District Support Services	78,766	(8,812)
Regular Instruction	167,634	(60,004)
Vocational Education Instruction	13,720	210,278
Special Education Instruction	3,000	2,635
Instructional Support Services	17,267	3,487
Sites and Buildings	158,000	(3,000)
Total Capital Outlay	448,961	19,655
Debt Service:		
Principal	386,045	221,471
Interest and Fiscal Charges	39,144	(31,806)
Total Debt Service	425,189	189,665
Total Expenditures	61,823,288	58,376,809
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,904,633)	1,250,884
OTHER FINANCING SOURCES (USES)		
Sale of Equipment	57,152	569,869
Insurance Recovery	-	25,505
Capital Lease Issuance	13,334	48,347
Transfers Out	(19,000)	-
Total Other Financing Sources	38,152	73,852
NET CHANGE IN FUND BALANCE	\$ (1,866,481)	\$ 1,391,303
FUND BALANCE		
Beginning of Year	9,169,800	8,526,079
End of Year	\$ 8,694,622	\$ 9,169,800

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
COMMUNITY SERVICE SPECIAL REVENUE FUND
BALANCE SHEET**

JUNE 30, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	2019	2018
ASSETS		
Cash and Investments	\$ 1,531,914	\$ 1,424,212
Receivables:		
Current Taxes	165,995	155,350
Delinquent Taxes	3,204	2,898
Accounts and Interest Receivable	8,248	20,938
Due from Minnesota Department of Education	208,755	205,056
Due from Federal Through the Minnesota Department of Education	76,435	72,552
Prepays	27,000	19,114
Total Assets	\$ 2,021,551	\$ 1,900,120

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCE**

Liabilities:	\$	\$
Salaries and Compensated Absences Payable	28,377	26,703
Accounts and Contracts Payable	62,021	21,722
Due to Other Minnesota School Districts	243,466	278,654
Unearned Revenue	157,672	164,362
Total Liabilities	491,536	491,441

Deferred Inflows of Resources:

Property Taxes Levied for Subsequent Year	307,559	310,143
Unavailable Revenue - Delinquent Taxes	2,393	2,898
Total Deferred Inflows of Resources	309,952	313,041

Fund Balance:

Nonspendable:		
Prepays	27,000	19,114
Restricted for:		
Community Education	395,598	290,480
Early Childhood and Family Education	78,370	138,411
School Readiness	505,608	421,591
Adult Basic Education	158,780	157,525
Other Community Service Programs	54,707	68,517
Total Fund Balance	1,220,063	1,095,638

Total Liabilities, Deferred Inflows of Resources,
and Fund Balance

\$ 2,021,551

\$ 1,900,120

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
FOOD SERVICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2018)

	2019	2018
	Final Budget	Actual Amounts
REVENUES		
Local Sources:		
Earnings and Investments	\$ 150	\$ 13,988
Other - Primarily Meal Sales	1,220,625	1,178,544
State Sources	199,795	184,735
Federal Sources	1,625,024	1,600,518
Total Revenues	3,045,594	2,977,785
EXPENDITURES		
Current:		
Salaries	1,108,296	1,050,417
Employee Benefits	393,133	382,197
Purchased Services	72,500	54,027
Supplies and Materials	1,421,911	1,397,504
Other Expenditures	5,750	1,839
Capital Outlay	50,000	27,494
Total Expenditures	3,051,590	2,813,478

NET CHANGE IN FUND BALANCE \$ (5,996) 64,307 \$ 70,303 68,251

FUND BALANCE

Beginning of Year	687,067	618,816
End of Year	\$ 751,374	\$ 687,067

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND
BALANCE SHEET

JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	2019	2018
ASSETS		
Cash and Investments	\$ 5,245,361	\$ 19,537,897
Receivables:		
Accounts and Interest Receivable	-	114,150
Prepays	-	8,332
Total Assets	<u>\$ 5,245,361</u>	<u>\$ 19,660,379</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts and Contracts Payable	\$ 26,996	\$ 4,959,125
Fund Balance:		
Nonspendable:		
Prepays	-	8,332
Restricted for:		
Other Purposes	5,218,365	14,692,922
Total Fund Balance	<u>5,218,365</u>	<u>14,701,254</u>
Total Liabilities and Fund Balance	<u>\$ 5,245,361</u>	<u>\$ 19,660,379</u>

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
COMMUNITY SERVICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2018)

	2019	2018
	Actual	Actual
	Amounts	Amounts
REVENUES		
Local Sources:		
Property Taxes	\$ 309,474	\$ 307,326
Earnings and Investments	700	34,880
Other - Primarily Tuition and Fees	773,383	896,133
State Sources	2,107,248	2,038,823
Federal Sources	76,933	76,435
Total Revenues	<u>3,267,738</u>	<u>3,354,297</u>
Over (Under) Final Budget	\$ (2,148)	\$ 307,164
EXPENDITURES		
Current:		
Salaries	1,128,589	1,026,289
Employee Benefits	355,596	320,608
Purchased Services	1,661,889	1,680,043
Supplies and Materials	109,757	182,527
Other Expenditures	8,525	11,968
Capital Outlay	22,694	24,383
Debt Service:		
Principal	2,868	2,695
Interest and Fiscal Charges	1,469	359
Total Expenditures	<u>3,291,387</u>	<u>3,248,872</u>
Over (Under) Final Budget	(23,649)	105,425
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>129,074</u>	<u>197,002</u>
OTHER FINANCING SOURCES		
Transfers In	19,000	-
NET CHANGE IN FUND BALANCE	<u>\$ (4,649)</u>	<u>\$ 129,074</u>
FUND BALANCE		
Beginning of Year	1,095,638	898,636
End of Year	<u>\$ 1,220,063</u>	<u>\$ 1,095,638</u>

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
DEBT SERVICE FUND
BALANCE SHEET
JUNE 30, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION JUNE 30, 2018)

	2019	2018
ASSETS		
Cash and Investments	\$ 3,747,447	\$ 4,083,068
Receivables:		
Current Taxes	3,356,210	3,027,805
Delinquent Taxes	45,839	36,994
Due from Minnesota Department of Education	53,808	6,932
Total Assets	\$ 7,203,304	\$ 7,154,799
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	\$ 5,845,757	\$ 6,044,774
Unavailable Revenue - Delinquent Taxes	31,983	36,994
Total Deferred Inflows of Resources	5,877,740	6,081,768
Fund Balance:		
Restricted for Debt Service	1,325,564	1,073,031
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 7,203,304	\$ 7,154,799

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
CAPITAL PROJECTS - BUILDING CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2018)

	2019	2018
	Actual	Actual
	Amounts	Amounts
REVENUES		
Local Sources:		
Earnings and Investments	\$ 207,062	\$ 267,496
EXPENDITURES		
Current:		
Salaries	-	155,434
Employee Benefits	-	50,163
Purchased Services	431,551	1,541,536
Supplies and Materials	311,097	62,290
Capital Outlay	8,947,303	34,691,724
Total Expenditures	9,689,951	36,501,147
NET CHANGE IN FUND BALANCE	\$ (14,701,254)	(36,233,651)
FUND BALANCE		
Beginning of Year	14,701,254	50,934,905
End of Year	\$ 5,218,365	\$ 14,701,254

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2019**

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2018)**

	2019		2018	
	Budgeted Amounts	Actual Regular Debt Service	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	\$ 5,541,659	\$ 5,511,708	\$ (29,951)	\$ 6,000,653
Earnings and Investments	1,348	67,843	66,495	26,924
State Sources	538,078	538,078	-	69,316
Total Revenues	6,081,085	6,117,629	36,544	6,096,893
EXPENDITURES				
Debt Service:				
Principal	3,660,000	3,660,000	-	3,590,000
Bond Interest	2,204,900	2,204,600	-	2,275,850
Paying Agent Fees and Other	500	496	(4)	495
Total Expenditures	5,865,100	5,865,096	(4)	5,866,345
NET CHANGE IN FUND BALANCE	\$ 215,985	252,533	\$ 36,548	230,548
FUND BALANCE				
Beginning of Year		1,073,031		842,483
End of Year		\$ 1,325,564		\$ 1,073,031

	AUDIT	UFARS	DIFFERENCE
01 GENERAL FUND			
Total Revenues	\$ 61,927,869	\$ 61,927,869	-
Total Expenditures	61,858,074	61,858,074	(71)
Nonspendable:			
460 Nonspendable Fund Balance	170,646	170,646	-
Reserve:			
405 Deferred Maintenance	160,646	160,646	(1)
406 Health and Safety	-	-	-
407 Capital Project Levy	-	-	-
408 Special Programs	-	-	-
413 Projects Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Tuconie Building Maintenance	-	-	-
418 Tuconie Building	383,694	383,694	-
426 \$25 Taxonite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning and Development	-	-	-
435 Area Learning Center	-	-	-
436 State-Approved Alternative Programs	-	-	-
440 Teacher Development and Evaluations	27,668	27,668	-
445 Career and Technical Programs	175,093	175,093	-
448 Achievement and Integration	-	-	-
449 Safe Schools Crime Levy	-	-	-
451 OCSB Payments	-	-	-
459 Basic Skills Extended Time	1,784	1,784	-
467 LTFM	1,872,855	1,872,855	-
472 Medical Assistance	105,522	105,522	(1)
473 Unassigned Fund Balance	-	-	-
474 Committed Fund Balance	-	-	-
481 Committed Fund Balance	-	-	-
Assigned:			
422 Unassigned Fund Balance	5,969,615	5,969,618	(3)
02 FOOD SERVICE			
Total Revenues	2,877,785	2,877,783	2
Total Expenditures	2,813,478	2,813,475	3
Nonspendable:			
460 Nonspendable Fund Balance	46,967	46,966	1
Unassigned:			
463 Unassigned Fund Balance	704,407	704,408	(1)
04 COMMUNITY SERVICE			
Total Revenues	3,354,297	3,354,299	(2)
Total Expenditures	3,248,674	3,248,674	(2)
Nonspendable:			
460 Nonspendable Fund Balance	27,000	27,000	-
Reserve:			
426 \$25 Taxonite	395,598	395,598	-
431 Community Education	78,310	78,310	-
440 Teacher Development and Evaluations	505,008	505,008	-
444 School Readiness	158,780	158,780	-
447 Adult Basic Education	54,707	54,708	(1)
452 OPEB Liability Not Held in Trust	-	-	-
463 Unassigned Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS (CONTINUED)
COMPLIANCE TABLE
JUNE 30, 2019**

	AUDIT	UFARS	DIFFERENCE
06 BUILDING CONSTRUCTION			
Total Revenue	\$ 207,002	\$ 207,002	\$ -
Total Expenditures	9,689,951	9,689,951	-
460 Nonspendable Fund Balance	-	-	-
Restricted:			
407 Capital Projects Levy	-	-	-
409 Alternative Facility Program	-	-	-
410 Special Funds Funded by COP	-	-	-
467 LTFM	-	-	-
464 Restricted Fund Balance	5,218,385	5,218,385	(1)
Unassigned:	-	-	-
463 Unassigned Fund Balance	-	-	-
07 DEBT SERVICE			
Total Revenue	6,117,628	6,117,628	1
Total Expenditures	5,895,095	5,895,095	1
460 Nonspendable Fund Balance	-	-	-
Restricted:			
425 Bond Refunding	-	-	-
426 Bond Refunding Payments	-	-	-
464 Restricted Fund Balance	1,325,564	1,325,564	-
Unassigned:	-	-	-
463 Unassigned Fund Balance	-	-	-
08 TRUST			
Total Revenue	2,912	2,912	-
Total Expenditures	3,302	3,302	-
Net Position	2,917	2,917	-
20 INTERNAL SERVICE			
Total Revenue	267,152	267,152	-
Total Expenditures	234,423	234,423	-
Net Position	210,532	210,533	(1)
25 OPFB REVOCABLE TRUST			
Total Revenue	-	-	-
Total Expenditures	-	-	-
Net Position	-	-	-
46 OPFB IRREVOCABLE TRUST			
Total Revenue	-	-	-
Total Expenditures	-	-	-
Net Position	-	-	-
47 OPFB DEBT SERVICE			
Total Revenue	-	-	-
Total Expenditures	-	-	-
Net Position	-	-	-
460 Nonspendable Fund Balance	-	-	-
Restricted:			
425 Bond Refunding	-	-	-
426 Bond Refunding Payments	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

STATISTICAL SECTION

This is part of the District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents	Page
Financial Trends Information These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	109-134
Revenue Capacity Information These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	135-143
Debt Capacity Information These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	144-149
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	150-152
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	153-164

Sources: Unless otherwise noted, the information in these schedules is derived from the Independent Auditors' Report for the relevant year.

FINANCIAL TRENDS INFORMATION

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	2019	**** 2018	*** 2017	2016
GOVERNMENTAL ACTIVITIES:				
Net Investment in Capital Assets	\$ 25,775,466	\$ 25,321,667	\$ 22,440,420	\$ 21,078,576
Restricted	6,077,521	4,406,926	3,237,576	2,249,861
Unrestricted	(51,028,335)	(61,929,953)	(44,748,825)	(30,354,858)
Total Net Position	\$ (19,175,348)	\$ (32,201,360)	\$ (19,070,829)	\$ (7,036,421)

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Source: Independent Auditors' Report

* The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 63 for the year ended June 30, 2013. This standard renames the residual of all other amounts presented in the statement of financial position from "net assets" to "net position."

** The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statements 68 and 71 for the year ended June 30, 2015. Accordingly, this change in principle resulted in the restatement of beginning net position related to the recognition of the District's proportionate share of the Public Employees' Retirement Association and Teacher's Retirement Association net pension liabilities.

*** The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 73 for the year ended June 30, 2017. Accordingly, this change in principle resulted in the restatement of beginning net position related to the recognition of the total pension liability of the District's Supplemental Pension Benefit Plan.

**** The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 75 for the year ended June 30, 2018. Accordingly, this change in principle resulted in the restatement of beginning net position related to the recognition of the other postemployment benefits payable liability.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GOVERNMENT-WIDE EXPENSES, PROGRAM REVENUES, AND NET
(EXPENSE) REVENUE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	2019	2018	2017	2016
EXPENSES:				
Governmental Activities:				
Administration	\$ 1,603,607	\$ 2,609,603	\$ 2,963,994	\$ 2,214,892
District Support Services	2,711,024	2,737,804	2,797,265	2,490,625
Regular Instruction	22,816,196	37,380,547	36,455,830	25,985,184
Vocational Education Instruction	740,965	1,410,958	1,473,429	1,024,380
Special Education Instruction	9,512,823	15,644,812	15,709,996	11,877,751
Instructional Support Services	2,320,004	3,573,685	3,412,259	2,711,883
Pupil Support Services	4,658,190	5,279,376	5,195,714	3,980,170
Sites and Buildings	6,362,987	4,930,141	6,888,572	6,152,761
Fiscal and Other Fixed Cost Programs	136,438	182,457	131,805	164,374
Food Service	2,988,206	2,987,795	2,935,602	2,875,779
Community Service	3,013,798	3,544,540	3,401,735	3,002,921
Interest and Fiscal Charges on Long-Term Liabilities	2,005,134	2,101,446	2,213,904	906,867
Total Government-wide Expenses	58,650,382	82,383,164	83,580,105	63,387,587
PROGRAM REVENUES:				
Governmental Activities:				
Charges for Services:				
District Support Services	2,516	-	-	-
Regular Instruction	405,950	425,232	472,185	445,947
Special Education Instruction	286,173	259,586	814,087	334,202
Sites and Buildings	30,498	18,495	21,191	33,080
Food Service	1,159,703	1,183,602	1,193,859	1,233,859
Community Service	866,970	871,314	989,669	817,215
Operating Grants and Contributions	17,365,383	19,118,955	19,306,364	18,249,588
Capital Grants and Contributions	2,028,735	1,710,180	1,283,398	816,942
Total Government-Wide Program Revenues	22,147,928	23,687,364	24,090,449	21,930,843
Total Government-wide Net Expense	\$ (36,702,454)	\$ (58,795,800)	\$ (59,489,656)	\$ (41,456,744)

Source: Independent Auditors' Report

	2015	2014	2013	2012	2011	2010
\$ 20,932,061	\$ 19,161,911	\$ 17,576,923	\$ 15,763,708	\$ 13,921,139	\$ 11,702,040	
2,887,436	2,237,866	2,343,043	1,930,064	1,779,406	1,874,164	
(31,099,684)	(574,936)	(1,835,273)	(1,677,498)	(399,224)	56,380	
\$ (7,480,187)	\$ 20,824,841	\$ 18,084,693	\$ 16,016,274	\$ 15,301,321	\$ 13,732,584	

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GOVERNMENT-WIDE GENERAL REVENUES AND TOTAL CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	2015	2014	2013	2012	2011	2010
Net (Expense)/Revenue						
Total Government-wide Net Expense (1)	\$ (36,702,454)	\$ (58,795,800)	\$ (59,489,656)	\$ (41,456,744)		
General Revenues and Changes in Net Position						
Governmental Activities:						
Property Taxes Levied for:						
General Purposes	6,827,834	6,766,704	6,494,953	6,031,626		
Community Service	306,821	309,774	309,761	311,480		
Debt Service	5,506,697	6,000,116	6,120,304	2,248,429		
State Aid Not Restricted to Specific Purposes	35,825,372	34,366,105	33,961,847	32,843,509		
Earnings on Investments	529,214	406,016	651,836	171,188		
Gain on Sale of Fixed Assets	38,050	-	-	-		
Miscellaneous	694,478	330,548	532,475	294,278		
Total General Revenues	48,728,466	48,176,263	48,071,176	41,900,510		
Total Government-Wide	\$ 13,026,012	\$ (10,619,537)	\$ (11,418,480)	\$ 443,766		

(1) See previous page for these numbers.

* The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 63 for the year ended June 30, 2013. This standard renames the residual of all other amounts presented in the statement of financial position from "net assets" to "net position."

Source: Independent Auditors' Report

	2015	2014	2013	2012	2011	2010
\$	1,862,158	1,895,700	1,865,310	2,042,444	1,871,259	1,802,903
	2,651,016	2,112,832	2,066,752	2,381,115	2,400,208	2,424,401
	24,983,484	22,903,003	22,263,825	22,586,215	22,918,131	23,186,502
	963,470	879,531	857,644	985,654	947,088	962,345
	9,794,757	9,070,850	9,229,338	8,918,235	8,487,358	8,459,955
	2,232,335	2,071,416	2,242,796	2,646,055	2,602,566	2,710,329
	3,868,506	3,721,881	3,619,996	3,590,963	3,597,773	3,390,886
	5,315,351	4,906,176	5,180,489	4,546,753	4,610,789	4,829,529
	161,149	125,231	137,108	117,021	97,980	97,686
	2,867,876	2,594,227	2,691,837	2,622,427	2,517,812	2,534,855
	2,728,023	2,912,620	2,466,413	2,403,407	1,853,866	1,862,951
	54,965	224,363	303,988	484,230	503,226	566,940
	57,583,090	53,407,830	52,905,496	53,324,519	52,408,056	52,859,282
	538,156	536,263	545,092	642,220	497,422	567,537
	269,575	210,772	198,302	360,893	211,809	730,155
	48,014	41,199	44,563	38,154	28,686	25,456
	1,263,543	1,178,313	1,213,603	1,281,616	1,346,758	1,338,938
	772,640	738,720	625,895	609,207	613,790	610,292
	16,208,948	15,283,318	14,313,633	13,683,114	13,411,316	15,508,360
	1,344,754	814,588	651,823	602,199	748,976	564,322
	20,445,630	18,803,173	17,592,911	17,217,403	16,858,757	19,345,060
\$ (37,137,460)	\$ (34,604,657)	\$ (35,312,585)	\$ (36,107,116)	\$ (35,549,299)	\$ (33,514,222)	

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GOVERNMENTAL FUNDS REVENUES
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	2019	2018	2017	2016
Federal Sources:				
Federal Grants	\$ 2,470,117	\$ 2,653,541	\$ 2,037,055	\$ 1,823,109
Food Service	1,600,518	1,564,463	1,567,270	1,532,244
Total Federal Sources	4,070,635	4,218,004	3,604,325	3,355,353
State Sources:				
General Education Aid	50,135,966	48,363,332	47,090,815	46,377,303 (8)
Food Service	184,735	174,164	171,047	175,629
Community Service	2,038,823	2,117,566	1,921,960	1,787,768
Debt Service Aid	538,078 (10)	69,316	70,069	38,174
Total State Sources	52,897,502	50,724,378	49,253,861	48,378,874
Local Sources:				
Property Taxes	12,655,556	13,080,919	12,899,196 (9)	8,598,217
Food Service Sales	1,178,544	1,193,958	1,188,152	1,233,859
Other Revenues	3,058,861	2,472,825	3,437,236	2,269,903
Total Local Sources	16,892,961	16,747,702	17,524,584	12,101,979
Total Revenues	\$ 73,861,098	\$ 71,690,084	\$ 70,392,800	\$ 63,836,206

* Includes general, food service, community service, capital projects, and debt service funds.

- (1) Federal Grant increased in fiscal year 2010 due to ARRA funds but State General Education Aid decreased by this same amount.
- (2) Property Taxes increased in fiscal year 2011 due to property tax shift at 48.6%. This resulted in advance recognition of tax revenue in the District's General Fund and Community Service Fund and a corresponding state and holdback totaling \$2,078,197 and \$150,770, respectively.
- (3) Property Taxes decreased in fiscal year 2012. The tax shift in the General Fund resulted in an increase in state aid of \$69,184 and a corresponding decrease to property taxes. The tax shift in the Community Service Fund resulted in an increase to property taxes of \$3,541 and a corresponding decrease to state aids.
- (4) General Education increased due to an additional \$50 per pupil in the basic formula allowance, additional compensatory revenue, and an increased enrollment from FY 12.
- (5) Federal Grants decreased due to Education Jobs funding that was received in FY 12.
- (6) General Education increased in fiscal year 2014 due to an additional 1.5% increase in the basic formula allowance, additional compensatory revenue, and the payback of the tax shift.
- (7) Property Taxes decreased in fiscal year 2014 due to property tax shift payback which resulted in an increase in general education aid.
- (8) General Education increased due to an additional \$117 per pupil in the basic formula allowance.
- (9) Property Taxes increased in fiscal year 2017 due to taxes levied for scheduled payments on the 2015A and 2016A G.O. School Building Bonds.
- (10) In fiscal year 2019, the school building bond agricultural credit was enacted by legislation causing a significant increase in debt service aid.

Source: Independent Auditors' Report

	2015	2014	2013	2012	2011	2010
\$ (37,137,460)	\$ (34,604,657)	\$ (35,312,585)	\$ (36,107,116)	\$ (35,548,299)	\$ (33,514,222)	
6,107,724	3,179,245	5,243,922	5,098,253	7,077,607	5,231,020	
315,344	159,876	313,998	292,039	432,268	287,300	
2,260,549	2,236,767	2,652,516	2,386,440	2,449,394	3,135,148	
31,890,460	31,572,695	29,089,562	28,951,399	26,927,364	25,001,620	
13,374	3,874	10,359	3,091	7,010	29,226	
-	32,866	19,500	-	17,610	-	
530,243	159,462	51,147	90,847	206,783	25,976	
41,117,694	37,344,805	37,351,004	36,822,069	37,115,036	34,710,290	
\$ 3,980,234	\$ 2,740,148	\$ 2,068,419	\$ 714,953	\$ 1,568,737	\$ 1,196,068	

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
OTHER FINANCING SOURCES AND USES AND NET CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	2015	2014	2013	2012	2011	2010
Total Revenues (1)	\$ 73,861,098	\$ 71,690,084	\$ 70,392,800	\$ 63,836,206		
Total Expenditures (2)	83,575,471	106,868,065	94,720,301	65,262,134		
Excess of Revenues Over (Under) Expenditures	(9,714,373)	(35,167,881)	(24,327,501)	(1,425,928)		
Other Financing Sources (Uses)						
Capital Lease Issuances					127,065	103,681
Judgments for School Districts					57,152	999
Sale of Equipment					13,334 (6)	57,660
Insurance Recovery						48,347 (5)
Sale of Certificates of Participation						195,132 (5)
Certificates of Participation Premium						
Sale of Bonds						
Bond Premium						75,185,000 (4)
Payment to Refunded Bond Escrow Agent						3,659,835
Total Other Financing Sources (Uses)	197,571	73,852	237,459	79,007,175		
Net Change in Fund Balances	\$ (9,516,802)	\$ (35,094,129)	\$ (24,090,042)	\$ 77,681,247		

* Includes general, food service, community service, capital projects - building construction, and debt service funds.

- (1) From Governmental Funds Revenues spreadsheet.
- (2) From Governmental Funds Expenditures and Debt Service Ratio spreadsheet.
- (3) Insurance recovery due to a fire in the High School Auditorium.
- (4) Bond proceeds from a bond referendum passed in November 2015.
- (5) Insurance recovery due to water damage to the gymnasium floor at the high school.
- (6) Insurance recovery due to storm damage to the District's agricultural building and a driver's education vehicle involved in a collision.

Source: Independent Auditor's Report

	2015	2014	2013	2012	2011	2010
\$	1,994,336	1,858,308	1,853,688	2,111,976	1,794,161	1,738,247
	2,007,416	1,534,178	1,730,390	1,976,172	2,216,781	1,843,598
	23,404,977	21,594,864	21,547,782	21,499,307	21,632,973	21,686,361
	986,583	851,994	833,950	940,505	897,302	933,799
	9,909,196	8,945,039	9,180,796	8,734,486	8,500,187	8,311,029
	2,231,225	2,041,098	2,292,712	2,650,922	2,549,555	2,671,979
	3,633,825	3,638,496	3,670,854	3,580,587	3,507,532	3,438,413
	5,371,578	5,225,798	4,902,410	4,852,149	4,603,163	4,454,311
	161,149	125,231	137,108	117,021	97,980	97,686
	2,815,798	2,518,030	2,587,328	2,502,500	2,446,111	2,465,945
	2,728,387	2,871,959	2,415,777	2,405,876	1,795,287	1,814,794
	2,976,204	1,878,653	1,764,382	1,358,898	3,983,269	1,606,460
	2,460,000	2,575,000	2,545,000	2,425,000	2,285,000	2,905,000
	90,496	117,119	505,489	515,048	532,685	620,671
	\$ 60,971,170	\$ 55,775,767	\$ 55,967,666	\$ 55,670,447	\$ 56,822,986	\$ 54,588,293
	4.40%	4.99%	5.63%	5.41%	5.29%	6.65%

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GENERAL SCHOOL SYSTEM REVENUES BY SOURCE
GOVERNMENT WIDE
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Revenues	Total
2010	3,272,378 6%	15,508,360 29%	564,322 1%	34,710,290 64%	54,055,350 100%
2011	2,698,465 5%	13,411,316 25%	748,976 1%	37,118,036 69%	53,976,793 100%
2012	2,932,090 5%	13,683,114 25%	602,199 1%	36,822,069 69%	54,039,472 100%
2013	2,627,455 5%	14,313,633 26%	651,823 1%	37,381,004 68%	54,973,915 100%
2014	2,705,267 5%	15,283,318 27%	814,588 1%	37,344,805 67%	56,147,978 100%
2015	2,891,928 5%	16,208,948 26%	1,344,754 2%	41,117,694 67%	61,563,324 100%
2016	2,864,303 4%	18,249,598 29%	816,942 1%	41,900,510 66%	63,831,353 100%
2017	3,490,687 5%	19,306,364 27%	1,293,398 2%	48,071,176 66%	72,161,625 100%
2018	2,758,229 4%	19,118,955 27%	1,710,180 2%	48,176,263 67%	71,763,627 100%
2019	2,753,810 4%	17,365,383 24%	2,028,735 3%	49,728,466 68%	71,876,394 100%

2015	2014	2013	2012	2011	2010
\$ 61,104,035	\$ 55,949,362	\$ 54,956,661	\$ 54,000,397	\$ 53,866,115	\$ 53,871,065
60,971,170	55,775,767	55,967,666	55,670,447	55,822,896	54,588,293
132,865	173,586	(1,011,015)	(1,670,050)	(2,956,871)	(717,238)
559,889	-	286,136	-	201,918	6,687
4,800	4,800	-	28,333	138,357	149,550
60,750	32,886	19,500	-	20,256	16,600
499,745 (3)	160,339 (3)	-	-	1,855,000	-
-	-	-	-	14,771	-
-	-	9,445,000	-	-	-
-	-	(110,816)	-	-	-
-	-	(8,690,000)	-	-	-
1,120,384	198,025	1,151,452	28,333	2,230,302	172,837
\$ 1,253,249	\$ 371,610	\$ 140,437	\$ (1,641,171)	\$ (726,669)	\$ (544,401)

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GENERAL SCHOOL SYSTEM REVENUES BY SOURCE
FUND LEVEL
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Local Property Tax Levies	Other Local Sources	State Sources	Federal Sources	Total Revenues
2010 (1)	8,636,276	3,535,081	34,862,729	6,836,969	53,871,055
	16%	6%	65%	13%	100%
2011 (2)	10,004,765	2,971,688	36,840,868	4,048,794	53,866,115
	19%	5%	68%	8%	100%
2012 (3)	7,766,105	3,175,561	38,986,992	4,071,739	54,000,397
	14%	6%	72%	8%	100%
2013	8,212,858	3,199,462	40,513,165	3,031,166	54,956,651
	15%	6%	74%	5%	100%
2014 (4)	5,575,389	3,186,203	44,244,658	2,943,102	55,949,352
	10%	6%	79%	5%	100%
2015 (5)	8,724,362	3,640,776	45,532,010	3,206,887	61,104,035
	14%	6%	75%	5%	100%
2016 (6)	8,588,217	3,503,762	48,378,874	3,355,353	63,836,206
	13%	6%	76%	5%	100%
2017 (7)	12,899,196	4,635,388	49,253,891	3,604,325	70,392,800
	18%	7%	70%	5%	100%
2018	13,080,919	3,666,783	50,724,378	4,218,004	71,690,084
	18%	5%	71%	6%	100%
2019	12,655,556	4,237,405	52,897,502	4,070,635	73,861,098
	17%	5%	72%	6%	100%

* Includes general, food service, community service, capital projects - building construction, and debt service funds.
(1) Federal Grant increased in fiscal year 2010 due to ARRA funds but State General Education Aid decreased by this same amount.
(2) Property Taxes increased in fiscal year 2011 due to property tax shift at 48.6%. This resulted in advance recognition of tax revenue in the District's General Fund and Community Service Fund and a corresponding state aid holdback totaling \$2,078,197 and \$150,770, respectively.
(3) Property Taxes decreased in fiscal year 2012. The tax shift in the General Fund resulted in an increase in state aid of \$69,184 and a corresponding decrease to property taxes. The tax shift in the Community Service Fund resulted in an increase to property taxes of \$3,541 and a corresponding decrease to state aids.
(4) Property Taxes decreased in fiscal year 2014. During Fiscal Year 2014 there was a tax shift payback which resulted in a reduction of property taxes and an offsetting increase to State Aids of \$2,305,142.
(5) Property Taxes increased in fiscal year 2015. During Fiscal Year 2014 there was a tax shift payback which resulted in a reduction of property taxes and an offsetting increase to State Aids.
(6) State Aid increased by \$117 per pupil in fiscal year 2016.
(7) Property Taxes increased in fiscal year 2017 due to taxes levied for scheduled payments on the 2015A and 2016A G.O. School Building Bonds.

Source: Independent Auditors' Report

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GENERAL SCHOOL SYSTEM EXPENSES BY FUNCTION
GOVERNMENT WIDE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Administration	District Support Services	Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services
2010	\$ 1,802,903	\$ 2,424,401	\$ 23,186,502	\$ 962,345	\$ 8,459,955	\$ 2,710,329
	3%	5%	44%	2%	16%	5%
2011	1,871,259	2,400,208	22,918,131	947,088	8,487,358	2,602,566
	3%	5%	44%	2%	16%	5%
2012	2,042,444	2,381,115	22,666,215	985,654	8,918,235	2,646,055
	4%	4%	41%	2%	17%	5%
2013	1,855,310	2,066,752	22,253,825	857,644	9,229,338	2,242,796
	4%	4%	42%	2%	17%	4%
2014	1,895,700	2,112,832	22,903,003	879,531	9,070,850	2,071,416
	4%	4%	43%	2%	17%	4%
2015	1,962,158	2,651,016	24,963,484	963,470	9,794,757	2,232,335
	3%	5%	43%	2%	17%	4%
2016	2,214,892	2,490,625	25,985,184	1,024,380	11,877,751	2,711,883
	3%	4%	41%	2%	19%	4%
2017	2,963,984	2,797,265	36,455,630	1,473,429	15,709,996	3,412,259
	4%	3%	44%	2%	19%	4%
2018	2,609,603	2,737,804	37,380,547	1,410,958	15,644,812	3,573,685
	3%	3%	45%	2%	19%	4%
2019	1,603,607	2,711,024	22,816,196	740,965	9,512,823	2,320,004
	3%	5%	39%	1%	16%	4%

Source: Independent Auditors' Report

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GENERAL SCHOOL SYSTEM EXPENSES BY FUNCTION
FUND LEVEL
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Pupil Support Services	Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Interest and Fiscal Charges on Long-term Liabilities	Total
2010	\$ 3,390,886 6%	\$ 4,829,529 9%	\$ 97,686 0%	\$ 2,534,855 5%	\$ 1,862,951 4%	\$ 596,940 1%	\$ 52,859,282 100%
2011	3,597,773 7%	4,610,769 9%	97,980 0%	2,517,812 5%	1,853,866 3%	503,226 1%	52,408,056 100%
2012	3,590,963 7%	4,546,753 9%	117,021 0%	2,622,427 5%	2,403,407 5%	484,230 1%	53,324,519 100%
2013	3,619,996 7%	5,180,489 10%	137,108 0%	2,691,837 5%	2,466,413 4%	303,988 1%	52,905,486 100%
2014	3,721,881 7%	4,906,176 9%	125,231 0%	2,584,227 5%	2,912,620 5%	224,363 0%	53,407,830 100%
2015	3,868,506 7%	5,315,351 9%	161,149 0%	2,867,876 5%	2,728,023 5%	54,965 0%	57,583,080 100%
2016	3,980,170 6%	6,152,761 10%	164,374 0%	2,875,779 5%	3,002,921 5%	906,867 1%	63,387,587 100%
2017	5,195,714 6%	6,888,572 8%	131,805 0%	2,935,602 3%	3,401,735 4%	2,213,904 3%	83,580,105 100%
2018	5,279,376 7%	4,930,141 6%	182,457 0%	2,987,795 4%	3,544,540 4%	2,101,446 3%	82,383,164 100%
2019	4,658,190 8%	6,362,997 11%	136,438 0%	2,869,206 5%	3,013,798 5%	2,005,134 3%	58,650,382 100%

* Includes general, food service, community service, capital projects - building construction, and debt service funds.

Source: Independent Auditors' Report

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
STATEMENT OF REVENUES AND EXPENDITURES
GENERAL FUND
LAST TEN FISCAL YEARS
(UNAUDITED)**

	2019	2018	2017	2016
REVENUES				
Local Property Tax Levies	\$ 6,836,522	\$ 6,773,102	\$ 6,498,033	\$ 6,048,854
Other Local Sources	1,838,255	1,229,255	1,781,327	1,290,274
State Sources	50,135,866	48,363,332	47,090,815	46,377,303
Federal Sources	2,393,682	2,580,989	1,935,377	1,728,973
TOTAL REVENUES	61,204,325	58,946,678	57,305,552	55,443,404
EXPENDITURES				
CURRENT				
Administration	2,102,128	1,991,411	2,307,867	2,161,376
District Support Services	2,554,368	2,109,779	2,184,030	1,953,769
Regular Instruction	28,458,873	26,546,720	25,337,708	24,484,071
Vocational Education Instruction	1,106,373	1,000,843	1,028,694	980,356
Special Education Instruction	12,908,692	12,281,737	11,891,557	11,668,989
Instructional Support Services	2,804,404	2,883,971	2,777,301	2,682,586
Pupil Support Services	5,000,003	4,879,368	4,710,045	3,915,037
Sites and Buildings	5,691,862	5,224,579	5,421,044	4,946,245
Fiscal and Other Fixed Cost Programs	136,438	182,457	131,805	164,374
Capital Outlay	579,982	852,880	749,579	1,188,002
Debt Service (1)	414,951	423,044	481,891	476,695
TOTAL EXPENDITURES	61,856,074	58,376,809	56,961,521	54,579,510
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(653,749)	569,869	344,031	863,894
OTHER FINANCIAL SOURCES (USES)				
Capital Lease Issuance	127,085	-	-	103,681
Insurance Recovery	13,334	48,347	195,132	-
Judgments for School Districts	-	-	-	989
Transfers Out	(19,000)	-	-	(10,791)
Sale of Equipment	57,152	25,505	42,327	57,660
TOTAL OTHER FINANCING SOURCES (USES)	176,571	73,852	237,459	151,549
Fund Balance - Beginning of Year	9,169,800	8,526,079	7,944,589	6,929,146
FUND BALANCE - END OF YEAR	\$ 8,894,622	\$ 9,169,800	\$ 8,526,079	\$ 7,944,589

(1) Debt Service payments are for Certificates of Participation Series 2010A and capital leases. Fiscal Year 2012 was the first year principal and interest payments were due. The Certificates of Participation Series 2010A was paid off in fiscal year 2019.

(2) In FY 14 there was a property tax shift payback which led to a decrease in property taxes and an increase in state aid.

Source: Independent Auditor's Report

	Pupil Support Services	Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Capital Outlay and Building Construction	Debt Service	Total Expenditures
\$ 3,438,413	6%	\$ 4,454,311	8%	\$ 2,465,945	3%	\$ 1,606,460	3%	\$ 54,588,293
3,507,532	6%	4,603,163	8%	2,446,111	3%	3,983,269	7%	56,822,986
3,580,587	6%	4,852,149	9%	2,502,500	4%	1,358,898	2%	55,670,447
3,670,854	7%	4,902,410	9%	2,587,328	4%	1,764,382	3%	55,967,666
3,638,496	7%	5,225,798	9%	2,516,030	4%	1,878,653	3%	55,775,767
3,833,825	6%	5,371,578	9%	2,815,788	4%	2,976,204	5%	60,971,170
3,915,037	6%	4,946,245	8%	2,819,989	4%	3,768,015	6%	65,262,134
4,710,045	5%	5,421,044	6%	2,772,475	3%	26,814,514	28%	94,720,301
4,879,388	4%	5,224,579	5%	2,863,630	3%	37,366,787	35%	106,656,065
5,000,003	6%	5,891,862	7%	2,885,964	4%	10,321,810	12%	83,575,471

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GENERAL FUND COMPARED TO THE PRIOR YEAR
FISCAL YEARS ENDED, JUNE 30
(UNAUDITED)**

	2015	2014	2013	2012	2011	2010	
REVENUES							
Local Property Tax Levies	\$ 6,126,535	\$ 3,154,143 (2)	\$ 5,250,419	\$ 5,073,899	\$ 7,090,035	\$ 5,199,524	\$ 6,773,102
Other Local Sources	1,556,172	1,158,558	1,080,473	1,257,752	992,297	1,575,926	1,229,255
State Sources	43,665,805	42,325,660	38,806,389	37,146,909	35,747,140	33,580,948	48,353,332
Federal Sources	1,696,897	1,643,853	1,748,422	2,813,076	2,888,963	5,696,310	1,772,534
TOTAL REVENUES	53,045,409	48,282,214	46,885,703	46,297,636	46,718,435	46,052,708	58,946,678
							2,257,647
EXPENDITURES							
Administration	1,994,336	1,858,308	1,853,688	2,111,976	1,794,161	1,738,247	1,981,411
District Support Services	2,007,416	1,534,178	1,730,390	1,976,172	2,216,781	1,843,598	2,109,779
Regular Instruction	23,404,977	21,594,864	21,547,782	21,499,307	21,632,973	21,686,961	26,546,720
Vocational Education Instruction	986,583	851,894	833,950	940,505	897,302	933,789	1,000,843
Special Educational Instruction	9,809,186	8,945,039	9,180,796	8,734,466	8,500,187	8,311,029	12,281,737
Instructional Support Services	2,231,225	2,041,098	2,292,712	2,850,922	2,549,555	2,671,979	2,804,404
Pupil Support Services	3,833,825	3,698,496	3,670,854	3,860,587	3,507,532	3,438,413	5,000,003
Sites and Buildings	5,371,578	5,225,798	4,902,410	4,852,149	4,603,163	4,454,311	5,224,579
Fiscal and Other Fixed Cost Programs	161,149	125,231	137,108	117,021	97,980	97,686	182,457
Capital Outlay	2,895,834	1,067,970	1,424,053	1,218,831	2,120,939	1,563,501	579,982
Debt Service	245,801	225,000	248,196	233,660	-	-	414,951
TOTAL EXPENDITURES	53,041,920	47,107,976	47,821,939	47,915,616	47,820,573	46,738,924	58,376,809
							61,853,074
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,489	1,174,238	(936,236)	(1,617,980)	(1,202,138)	(686,216)	(653,749)
OTHER FINANCING SOURCES							
Capital Lease Issuance	559,889	-	266,136	-	201,918	-	127,085
Insurance Recovery	489,745	160,339	-	-	-	-	13,334
Transfers Out	-	4,800	-	28,333	138,357	149,550	48,347
Sale of Equipment	(1,603)	(127,494)	(14,000)	(27,686)	(18,654)	(15,218)	(19,000)
TOTAL OTHER FINANCING SOURCES	947,031	(63,355)	252,136	(1,000)	220,621	134,332	57,152
FUND BALANCES JULY 1:							
Nonspendable	60,730	32,686	19,500	-	20,256	16,600	97,649
Restricted	1,116,781	70,531	271,636	645	341,877	180,931	1,507,756
Unassigned	5,806,876	4,562,107	5,226,707	6,844,042	7,704,303	8,239,588	1,077,566
TOTAL	\$ 6,929,146	\$ 5,806,876	\$ 4,562,107	\$ 5,226,707	\$ 6,844,042	\$ 7,704,303	\$ 9,169,800
							9,169,800
							8,526,079
							170,646
							2,527,361
							5,996,615
							\$ 8,694,622
							\$ 9,169,800

Source: Independent Auditors' Report

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED))**

	2019	2018	2017	2016
General Fund				
Nonspendable	\$ 170,646	\$ 97,649	\$ 167,720	\$ 176,123
Restricted/Reserved	2,527,361	1,507,756	1,077,566	952,611
Unassigned	5,896,615	7,564,395	7,280,793	6,815,855
Reserved	-	-	-	-
Unreserved	-	-	-	-
Total General Fund	\$ 8,594,627	\$ 9,169,800	\$ 8,526,079	\$ 7,944,589
All Other Governmental Funds				
Nonspendable	\$ 73,967	\$ 67,128	\$ 68,030	\$ 69,367
Restricted/Reserved	8,441,399	17,489,862	53,226,810	78,052,621
Reserved	-	-	-	-
Unreserved:				
Special Revenue Funds	-	-	-	-
Capital Projects Fund	-	-	-	-
Debt Service Fund	-	-	-	-
Total All Other Governmental Funds	\$ 8,515,366	\$ 17,556,990	\$ 53,294,840	\$ 78,121,988

* The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54 were adopted as of June 30, 2011. This standard replaces the previous reserved and unreserved fund balance categories with the following five fund balance classifications: nonspendable, restricted/reserved, committed, assigned and unassigned fund balance.

Source: Independent Auditors' Report

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
UNASSIGNED GENERAL FUND BALANCE COMPARED TO ANNUAL EXPENDITURES
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Unassigned Fund Balance	Following Year Expenditures	Balance As Percent of Expenditures
2010	\$ 6,773,060	\$ 49,139,161	13.78%
2011	(2) 6,235,656	47,058,637	13.25%
2012	4,826,823	48,658,357	9.91%
2013	3,748,466	47,867,815	7.83%
2014	4,736,284	53,043,523	8.92%
2015	5,679,818	54,590,301	10.40%
2016	6,815,855	56,961,521	11.96%
2017	7,280,793	58,376,809	12.47%
2018	7,564,395	61,858,074	12.22%
2019	5,996,615	64,059,598 (1)	9.36%

(1) Total expenditures from the 2019-20 Preliminary Budget.

(2) The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54 were adopted as of June 30, 2011. This standard replaces the previous unreserved/undesignated fund balance categories with unassigned fund balance.

Source: Independent Auditor's Report

2015	2014	2013	2012	2011	2010
\$ 160,773	\$ 238,720	\$ 133,846	\$ 125,661	\$ 178,919	\$ -
1,088,555	831,872	679,795	274,223	429,467	-
5,679,818	4,736,284	3,748,466	4,826,823	6,235,656	-
-	-	-	-	-	810,945
-	-	-	-	-	6,893,358
<u>\$ 6,928,146</u>	<u>\$ 5,805,876</u>	<u>\$ 4,562,107</u>	<u>\$ 5,226,707</u>	<u>\$ 6,844,042</u>	<u>\$ 7,704,303</u>
\$ 66,599	\$ 81,396	\$ 54,462	\$ 56,100	\$ 58,044	\$ -
1,487,585	1,343,809	2,243,902	1,437,227	1,459,665	-
-	-	-	-	-	194,658
-	-	-	-	-	376,210
-	-	-	-	-	813,149
<u>\$ 1,556,184</u>	<u>\$ 1,425,205</u>	<u>\$ 2,296,364</u>	<u>\$ 1,493,327</u>	<u>\$ 1,517,709</u>	<u>\$ 1,384,017</u>

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
CASH AND INVESTMENT BALANCES BY FUND
LAST TEN FISCAL YEARS
(UNAUDITED)**

	2019	2018	2017	2016
General Fund without Tax and Aid Anticipation Certificate	\$ 10,864,504	\$ 11,966,982	\$ 10,526,571	\$ 8,852,532
General Fund - Tax and Anticipation Certificate	-	-	-	-
Subtotal General Fund	10,864,504	11,966,982	10,526,571	8,852,532
Food Service	720,415	679,197	593,379	413,642
Community Service	1,531,914	1,424,212	1,184,745	935,341
Debt Service	3,747,447	4,083,068	3,993,571	3,736,476
Building Construction	5,245,361	19,537,897	56,867,145	76,616,574
Internal Service Fund	233,350	177,803	205,716	204,533
Trust Funds	3,097	3,650	3,306	4,396
TOTAL	\$ 22,346,088	\$ 37,872,789	\$ 73,464,433	\$ 90,763,894

Source: Independent Auditors' Report

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2015	2014	2013	2012	2011	2010
\$ 7,298,115	\$ 8,153,714	\$ 2,843,730	\$ (3,975,523)	\$ -	\$ 2,935,311
-	-	-	8,076,394	-	-
7,298,115	8,153,714	2,843,730	4,100,871	-	2,935,311
149,567	386,136	388,940	487,985	-	325,431
985,567	788,210	722,011	226,724	-	198,562
1,585,674	1,574,645	1,611,632	1,744,137	1,744,930	1,849,657
-	-	610,155	-	84,855	-
203,703	203,414	252,047	251,861	81,035	251,539
4,608	5,370	4,946	5,592	2,136	3,007
\$ 10,227,234	\$ 11,111,489	\$ 6,433,461	\$ 6,817,170	\$ 1,912,966	\$ 5,663,527

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
SCHEDULE OF TAX CAPACITY, TAX RATES, AND TAX LEVIED FOR JUNE 30, 2019
(UNAUDITED)**

TAX CAPACITY	Levy Collectible in Calendar Year 2019
Real Agriculture	\$ 6,282,933
Real Nonagricultural	24,241,028
Personal Property	575,734
Tax Increment	(738,434)
Total Tax Capacity Rate Determination Valuation	\$ 30,361,261

TAX CAPACITY RATE (1)	
General Fund	23.944%
Community Service Fund	1.013%
Debt Service Fund	19.254%
Total Tax Capacity Rate	44.211%

REFERENDUM MARKET VALUE
\$ 2,264,512,400

REFERENDUM MARKET VALUE TAX RATE (2)
0.21989%

COUNTY AUDITOR ADJUSTED CERTIFIED LEVY	
General Fund - Referendum	\$ 4,979,211
General Fund - Other	2,290,107
Community Service Fund	307,492
Debt Service Fund - Voter Approved	5,734,267
Debt Service Fund - Other	111,245
Total	\$ 13,422,322

COUNTY AUDITOR COMPUTED LEVY (3)	
General Fund - Referendum	\$ 4,979,436
General Fund - Other	2,290,150
Community Service Fund	307,560
Debt Service Fund - Voter Approved	5,734,331
Debt Service Fund - Other	111,426
Total	\$ 13,422,903

- (1) Applicable tax capacity rate is determined by dividing the computed levy by the total tax capacity rate determination valuation.
- (2) Applicable referendum market value tax rate is determined by dividing the computed levy by the referendum market value.
- (3) The computed levy is net of abatements, fiscal disparities, and other adjustments.

Source: School Tax Report - 2018 Payable 2019

REVENUE CAPACITY INFORMATION

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Total Tax Levy (1)	Current Tax Collections	% of Current Tax Collected	Delinquent Tax Collections	Total Tax Collections	% of Total Tax Collected
2010	8,808,838	8,735,780	99.17%	89,135	8,824,915	100.18%
2011	8,243,950	8,193,619	99.38%	80,692	8,274,311	100.37%
2012	8,046,320	7,989,621	99.29%	80,723	8,070,344	100.30%
2013	7,875,069	7,822,548	99.33%	86,992	7,909,540	100.44%
2014	8,609,018	8,567,279	99.51%	95,615	8,662,894	100.63%
2015	8,492,653	8,464,266	99.66%	74,585	8,538,851	100.54%
2016	13,007,985	12,980,880	99.79%	52,249	13,033,129	100.19%
2017	13,044,241	12,988,295	99.64%	45,946	13,044,241	100.00%
2018	13,098,736	13,064,963	99.74%	64,078	13,129,041	100.23%
2019	13,457,303	13,429,096	99.79%	55,443	13,484,539	100.20%

(1) County auditor spread levy plus additional assessments less abatements and other reductions.

Note: The State of Minnesota has funded a portion of the above levies through tax credits as follows:

Fiscal Year 2010	373,969
Fiscal Year 2011	331,035
Fiscal Year 2012	376,433
Fiscal Year 2013	60,965 (2)
Fiscal Year 2014	58,955
Fiscal Year 2015	69,612
Fiscal Year 2016	76,119
Fiscal Year 2017	98,639
Fiscal Year 2018	105,007
Fiscal Year 2019	569,164 (3)

(2) In fiscal year 2013 the homestead market value credit was eliminated by legislation causing a significant decrease in the portion of the above levies funded through tax credits.

(3) In fiscal year 2019 the school building bond agricultural credit was enacted by legislation causing a significant increase in the portion of the above levies funded through tax credits. The credit equals 40% of qualifying property net tax capacity multiplied by the school debt tax rate.

Source: Steele County Auditor School Tax Report - 2018 Payable 2019, Steele and Waseca County Auditors Taxes Receivable Reports, and District Records

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year Ended June 30,	Residential Property	Non-Homestead Residential Property	Commercial/Industrial Property	Agricultural Property	Utility and Railroad Property
2009	\$ 14,842,349	\$ 2,082,863	\$ 6,290,172	\$ 3,823,350	\$ 213,935
2010	13,335,868	2,248,391	5,901,557	4,255,863	208,249
2011	11,024,730	2,179,811	5,357,801	4,277,735	208,903
2012	10,370,631	2,219,362	5,809,551	5,053,617	233,512
2013	10,428,229	2,372,789	5,859,690	6,263,479	248,402
2014	10,529,656	2,432,004	6,333,299	7,183,577	256,357
2015	10,769,322	2,497,950	6,942,463	6,661,764	278,968
2016	11,443,726	2,541,320	7,114,667	6,622,414	327,605
2017	11,915,569	2,580,572	7,588,757	6,248,123	426,830
2018	12,770,581	2,763,924	8,054,121	6,282,530	456,742

Note: The City Assessor, pursuant to State law, is responsible for the assessment of all taxable property located within a city. State law provides, with certain exceptions, that all taxable property is to be valued at its market value. All real property subject to taxation must be listed and may be revalued each year with reference to its value as of January 2. The assessor views and reappraises all parcels at maximum intervals of four years. Personal property subject to taxation must also be listed and assessed annually as of January 2. Property is appraised at Estimated Market Value, defined as the usual selling price of the property which would be obtained at private sale and not at a forced auction sale. The 2018 sales ratio was 93.5%. The taxable value of property, upon which taxes are levied, extended and collected, is a percentage of the Estimated Market Value. Taxable value is referred to as Net Tax Capacity. Net Tax Capacity equals Estimated Market Value multiplied by a given percentage called a class rate for the particular classification of property.

Source: Minnesota Department of Education Levy Limitation and Certification Reports and Steele County Auditor

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NET TAX CAPACITY AND ADJUSTED NET TAX CAPACITY
LAST TEN FISCAL YEARS
(UNAUDITED)**

Commercial/ Residential/ Seasonal Property	Total Net Tax Capacity	Estimated Market Value	% Total Net Tax Capacity of Estimated Market Value	Total Direct Rate	Year of Valuation	Net Tax Capacity (1)	Sales Ratio	Adjusted Net Tax Capacity (2)
\$ 11,682	\$ 27,274,351	\$ 2,533,303,000	1.06%	16.986	2009	\$ 27,274,351	94.2%	\$ 28,954,484
33,354	25,983,282	2,244,092,283	1.16%	17.478	2010	25,983,282	95.5%	27,208,570
28,010	23,076,990	2,159,392,700	1.07%	20.181	2011	23,076,990	92.7%	24,883,987
26,532	23,713,205	2,242,110,800	1.06%	19.573	2012	23,713,205	96.4%	24,589,279
28,183	25,200,772	2,418,746,000	1.04%	18.374	2013	25,200,772	96.0%	26,262,877
30,304	26,765,197	2,609,490,040	1.03%	17.066	2014	26,765,197	95.6%	28,008,846
31,425	27,081,892	2,607,372,625	1.04%	17.066	2015	27,081,892	95.6%	28,323,992
34,441	28,084,173	2,672,889,555	1.05%	7.862	2016	28,084,173	95.3%	29,468,675
33,735	28,793,586	2,732,567,087	1.05%	7.219	2017	28,793,586	92.4%	31,158,245
33,363	30,361,261	2,850,650,837	1.07%	7.131	2018	30,361,261	93.5%	32,480,308

(1) The net tax capacity of a parcel of property is calculated by applying the appropriate classification rate as defined in State law to the estimated market valuation of the parcel.

(2) The adjusted net tax capacity is calculated by dividing the net tax capacity by the sales ratio.

Source: Minnesota Department of Education Levy Limitation and Certification Reports

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
SCHOOL TAX LEVIES, INITIAL TAX RATES BY FUND
LAST TEN FISCAL YEARS
 (UNAUDITED)

Levies	Year Collectible	General Fund	Community Service	Debt Service	Total All Funds
	2010	5,224,892	309,304	2,658,972	8,193,168
	2011	5,125,826	310,240	2,596,454	8,032,520
	2012	5,058,733	317,539	2,686,797	8,063,069
	2013	5,313,028	318,705	2,265,142	7,896,875
	2014	5,933,249	319,294	2,375,157	8,627,700
	2015	5,910,684	316,365	2,171,510	8,398,559
	2016	6,448,980	313,608	6,189,655	12,952,253
	2017	6,638,604	310,115	6,061,542	13,010,261
	2018	6,701,472	309,918	6,044,737	13,056,127
	2019	7,269,318	307,492	5,845,512	13,422,322
Initial Tax Rate (1)	2010	19.16%	1.45%	12.57%	32.88%
	2011	19.73%	1.49%	9.99%	30.91%
	2012	21.92%	1.49%	9.99%	33.10%
	2013	22.41%	1.49%	9.99%	33.59%
	2014	23.54%	1.27%	9.42%	34.23%
	2015	22.08%	1.16%	8.11%	31.37%
	2016	23.81%	1.16%	22.86%	47.83%
	2017	23.64%	1.10%	21.58%	46.33%
	2018	23.27%	1.08%	20.99%	45.34%
	2019	23.94%	1.01%	19.25%	44.21%

(1) Applicable initial tax rate is determined by dividing the computed levy by total taxable net tax capacity.

Note1: The State of Minnesota has funded a portion of the General Fund levies as follows:

Year Collectible 2010	373,969
Year Collectible 2011	331,035
Year Collectible 2012	376,433
Year Collectible 2013	60,965 (2)
Year Collectible 2014	58,955
Year Collectible 2015	69,612
Year Collectible 2016	76,119
Year Collectible 2017	98,939
Year Collectible 2018	105,007
Year Collectible 2019	569,164 (3)

(2) In fiscal year 2013 the homestead market value credit was eliminated by legislation causing a significant decrease in the portion of the above levies funded through tax credits.

(3) In fiscal year 2019 the school building bond agricultural credit was enacted by legislation causing a significant increase in the portion of the above levies funded through tax credits. The credit equals 40% of qualifying property net tax capacity multiplied by the school debt tax rate.

Note 2: In Fiscal Year 2016, the tax rate for the debt service fund increased due to the passage of a bond referendum and the issuance of two school building bonds.

Source: School Tax Report - 2018 Payable 2019 and District Records

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
 (UNAUDITED)

Fiscal Year	District Direct Rates			Overlapping Rates	
	Referendum Purposes	General Purposes	Total	Steele County	City of Owatonna
2010	0.177	16.809	16.986	53.736	46.687
2011	0.182	17.296	17.478	56.751	50.197
2012	0.182	19.999	20.181	64.343	58.051
2013	0.178	19.395	19.573	63.780	59.756
2014	0.220	18.154	18.374	60.440	59.018
2015	0.210	16.856	17.066	59.187	58.102
2016	0.222	8.699	8.921	61.769	60.653
2017	0.214	7.648	7.862	60.974	59.890
2018	0.202	7.017	7.219	61.739	63.554
2019	0.220	6.911	7.131	61.731	63.283

Note: The information provided includes Steele County only. Information was not obtained from Waseca County.

Source: Steele County Auditor

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
NET TAX CAPACITY BY CATEGORY
LAST TEN FISCAL YEARS
(UNAUDITED)**

Real Estate Type	Net Tax* Capacity Value Taxes Payable 2018	% of Total Property
Residential	\$ 12,770,581	41.28 %
Agricultural	6,282,530	20.31
Commercial/Industrial	8,054,121	26.03
Utility and Railroad	456,742	1.48
Non-Homestead Residential	2,763,924	8.93
Commercial and Residential Seasonal/Recreational	33,363	0.11
Total Real Estate	30,361,261	98.14
Personal Property	575,730	1.86
Total Real and Personal Property	\$ 30,936,991	100.00 %

* The taxes payable in 2018 are recorded as revenue for the 2018-19 fiscal year. The net tax capacity per county differ slightly from the amount used in the certified levy calculation.

Source: Steele County Auditor and Waseca County Auditor

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

	2019 *			2010		
	2019 Net Tax Capacity	Rank (1)	% of Total Net Tax Capacity	2010 Net Tax Capacity	Rank	% of Total Net Tax Capacity
Viracon, Inc.	\$ 551,872	1	1.82%	\$ 192,850	2	0.71%
Cybox International, Inc.	257,428	2	0.85%	112,902	10	0.41%
Federated Mutual Ins Co.	211,038	3	0.70%	147,670	5	0.54%
Crystal Valley Cooperative	182,401	4	0.60%			
SPT Prairie 3900 CB Drive LLC	177,432	5	0.58%			
Daikann Applied Americas Inc	161,348	6	0.53%			
Owatonna Clinic - Mayo	156,366	7	0.52%	156,300	4	0.57%
MFF Mortgage Borrower 24 LLC	155,968	8	0.51%			
JAS Realty, L.L.C.	134,038	9	0.44%	121,680	6	0.45%
Lakeside Foods, Inc.	117,668	10	0.39%			
Cabelas Retail Inc.				195,404	1	0.72%
Mills Properties Inc				166,440	3	0.61%
Wal-Mart				119,896	7	0.44%
Owatonna Hospitality, L.L.C.				119,464	8	0.44%
Lowe's Home Centers, Inc				115,588	9	0.42%

* As of December 31, 2018

(1) The ranking for 2018 is based on the total taxes paid by the taxpayer. Therefore, the related net tax capacity and percentage may not agree to the ranking.

Source: Steele County Auditor and 2010 CAFR Report

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Bonded Debt	Lease Purchase Obligations	Aid & Tax Anticipation Certificates	Certificates of Participation	Total Primary Government	% of Personal Income	Per Capita (1)
2010	\$ 15,500,000	\$ 172,332	\$ -	\$ -	\$ 15,672,332	1.12%	535
2011	13,235,000	285,211	-	1,855,000	15,375,211	1.06%	525
2012	11,010,000	167,339	8,076,394	1,655,000	20,908,733	1.34%	714
2013	9,445,000	338,697	-	1,430,000	11,213,697	0.73%	383
2014	7,095,000	236,642	-	1,205,000	8,536,642	0.55%	291
2015	4,865,000	519,116	-	975,000	6,359,116	0.41%	217
2016	77,795,000	479,248	-	740,000	79,014,248	4.94%	2,697
2017	74,160,000	344,334	-	500,000	75,004,334	4.67%	2,560
2018	70,570,000	199,572	-	255,000	71,024,572	4.05%	2,424
2019	66,910,000	165,212	-	-	67,075,212	N/A	2,289

N/A - Personal income for 2018 and 2019 is not available, so the calculation cannot be completed.

(1) The ratio was calculated by using the Independent School District No. 761 population.

Note 1: Information of the District's current outstanding debt can be found in the Notes to Basic Financial Statements.

Note 2: The increase in 2012 was due to aid and tax anticipation certificates being issued.

Note 3: The decrease in 2013 was due to aid and tax anticipation certificates being paid off.

Note 4: The increase in 2016 is due to bond referendum passed in fiscal year 2016.

Source: Independent Auditor's Report, Bureau of Economic Analysis

DEBT CAPACITY INFORMATION

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
RATIOS OF OUTSTANDING DEBT
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	General Bonded Debt Outstanding			Net Tax Capacity	Percent of Net Debt to Net Tax Capacity	Per Capita
	General Obligation Bonds	Debt Service Fund Balance (Deficit)	Net Bonded Debt			
2010	\$ 15,500,000	\$ 813,147	\$ 14,686,853	\$ 27,274,351	53.85%	501
2011	13,235,000	725,061	12,509,939	25,983,282	48.15%	427
2012	11,010,000	629,550	10,380,450	23,076,990	44.98%	354
2013	9,445,000	608,737	8,836,263	23,713,205	37.26%	302
2014	7,095,000	543,057	6,551,943	25,200,772	26.00%	224
2015	4,865,000	548,852	4,316,148	26,765,197	16.13%	147
2016	77,795,000	528,251	77,266,749	27,081,892	285.31%	2,637
2017	74,160,000	842,483	73,317,517	28,084,173	261.06%	2,502
2018	70,570,000	1,073,031	69,496,969	28,793,586	241.36%	2,372
2019	66,910,000	1,325,564	65,584,436	30,361,261	216.01%	2,238

N/A - Personal income for 2018 and 2019 is not available, so the calculation cannot be completed.
Source: Independent Auditor's Report, Minnesota Department of Education Levy Limitation and Certification Reports, and Bureau of Economic Analysis

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Principal	Interest and Fees	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to Gen. Govt. Expenditures
2010	\$ 2,905,000	\$ 620,670	\$ 3,525,670	\$ 54,596,797	6.46%
2011	2,265,000	532,685	2,797,685	56,822,986	4.92%
2012	2,225,000	481,388	2,706,388	55,670,447	4.86%
2013	2,320,000	482,293	2,802,293	55,967,666	5.01%
2014	2,350,000	117,119	2,467,119	55,775,767	4.42%
2015	2,230,000	74,695	2,304,695	60,971,170	3.78%
2016	2,255,000	51,870	2,306,870	65,262,134	3.53%
2017	3,635,000	2,229,487	5,864,487	94,720,301	6.19%
2018	3,590,000	2,276,345	5,866,345	106,858,065	5.49%
2019	3,660,000	2,204,600	5,864,600	83,575,471	7.02%

* Includes general, food service, community service, capital projects, and debt service funds.
Source: Independent Auditors' Report

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 (UNAUDITED)

Governmental Unit (1)	General Obligation Debt	Estimated Applicable Percentage (2)	Estimated Share of Direct and Overlapping Debt
Steele County	\$ 9,795,000	98.10%	\$ 9,608,546
Waseca County	2,485,000	0.04%	994
City of Owatonna	20,492,928	40.03%	8,203,485
Subtotal, Overlapping Debt			17,813,025
District Direct Debt			70,570,000
Total Direct and Overlapping Debt			\$ 88,383,025

(1) There were three taxing jurisdictions which overlap the District and had general obligation debt outstanding as of December 31, 2018.

(2) The Estimated Applicable Percentage is determined by dividing the Taxable Net Tax Capacity of the Governmental Unit within the District by Total Taxable Net Tax Capacity of the entire Governmental Unit.

Source: Independent Auditor's Report, Steele and Waseca County Auditors, City of Owatonna Finance Department.

OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
 (UNAUDITED)

	2019	2018	2017	2016
Assessed Value	\$ 2,850,690,837	\$ 2,732,567,087	\$ 2,672,989,555	\$ 2,607,372,625
Debt Limit Percentage	15%	15%	15%	15%
Debt Limit	427,603,626	409,885,063	400,948,433	391,105,894
Total Net Debt Applicable to Limit	66,910,000	70,570,000	74,160,000	77,795,000
Legal Debt Margin	\$ 360,693,626	\$ 339,315,063	\$ 326,788,433	\$ 313,310,894
Total Net Debt Applicable to the Limit as a % of Debt Limit	15.65%	17.22%	18.50%	19.89%

Note 1: Minnesota Statutes, Section 475.53, Subdivision 4, presently limits the outstanding indebtedness of school districts, net of debt redemption funds, to 15% of the actual market value.

Source: Independent Auditor's Report and Minnesota Department of Education Levy Limitation and Certification Reports

2015	2014	2013	2012	2011	2010
\$ 2,609,490,040	\$ 2,418,746,000	\$ 2,242,110,800	\$ 2,159,392,700	\$ 2,244,092,283	\$ 2,533,303,000
15%	15%	15%	15%	15%	15%
391,423,506	362,811,900	336,316,620	323,908,905	336,613,842	379,995,450
4,865,000	7,095,000	9,445,000	11,010,000	13,235,000	15,500,000
\$ 366,558,506	\$ 355,716,900	\$ 326,871,620	\$ 312,898,905	\$ 323,378,842	\$ 364,495,450
1.24%	1.96%	2.81%	3.40%	3.93%	4.08%

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**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Steele County				ISD No. 761
	Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Unemployment Rate (2)	
2010	36,529	\$ 1,395,623,000	\$ 38,206	7.80%	29,301
2011	36,534	1,445,080,000	39,554	5.10%	29,301
2012	36,322	1,559,882,000	42,946	4.70%	29,301
2013	36,465	1,527,446,000	41,888	3.70%	29,301
2014	36,573	1,548,216,000	42,332	2.70%	29,301
2015	36,755	1,569,887,000	42,712	2.40%	29,301
2016	36,805	1,599,923,000	43,470	2.90%	29,301
2017	36,887	1,606,397,000	43,549	2.10%	29,301
2018	36,803	1,751,958,000	47,604	2.20%	29,301
2019	N/A	N/A	N/A	2.60%	29,301

N/A - Information is not available.

Note: The District includes parts of Steele County and Waseca County. Since the District is mostly in Steele County, we have decided to include information for Steele County only.

Source: (1) Bureau of Economic Analysis
(2) Minnesota Department of Employment and Economic Development
(3) Minnesota State Demographer

DEMOGRAPHIC AND ECONOMIC INFORMATION

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

Employer	2019		2010		% of Total Employment 20,170
	Number of Employees *	Rank	Number of Employees	Rank	
Viracon, Inc.	1,550	1	1,105	2	5.48 %
Federated Mutual Ins. Co.	1,400	2	1,470	1	7.29
Owatonna Public Schools	750	3	688	4	3.41
Truth Hardware Corp	660	4	735	3	3.64
Bosch	540	5	2.63		
Wenger Corporation	420	6	2.04	6	2.23
Daikin	415	7	2.02		
Josten's, Inc.	405	8	1.97	7	2.06
Mayo Clinic Health System	350	9	1.70		
Steele County	343	10	1.67		
Owatonna Hospital			323	8	1.60
SPX Corporation			540	5	2.68
Cybox Corporation			295	9	1.46
Owatonna Clinic			250	10	1.24
Total	6,833		25.69 %	6,272	31.10 %

* - Employee data is as of September 2019

Source: Owatonna Chamber of Commerce, 2010 CAFR Report, and Minnesota Department of Employment and Economic Development

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
PROPERTY VALUE AND CONSTRUCTION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Calendar Year	Total Permits	Total Value
2010	2,193	\$ 29,978,492
2011 (1)	1,945	55,237,955
2012 (2)	1,687	29,383,382
2013 (3)	1,705	39,699,930
2014	1,688	42,033,156
2015 (4)	1,716	31,170,127
2016 (5)	1,347	41,290,671
2017 (6)	2,414	47,955,321
2018 * (7)	1,977	50,671,148
2019 * (8)	1,410	24,018,482

(1) The decrease in the number of permits is due to new dwellings. The increase in total value is due to new commercial projects. One of the permits was for a new nursing facility.

(2) The decrease in the number of permits is due to new dwellings. The decrease in total value is due to several large new commercial permits issued in 2011.

(3) The increase in the number of permits is due to new dwellings and new commercial projects. The increase in total value is due to several large new commercial permits issued in 2013.

(4) The decrease in total value is due to several large commercial permits that were issued in 2014.

(5) The increase in total value is due to several large commercial permits that were issued in 2016.

(6) The increase in both total permits and total value is substantially due to new apartment buildings and residential dwellings and alterations.

(7) Total number of permits has decreased from the prior year, but overall value has increased due to two apartment buildings in 2018.

(8) - The decrease in total value is due to two apartment buildings in 2018.

* - Most recent data available from September 30, 2019

Source: City of Owatonna, Minnesota

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
FINANCIAL INFORMATION
(UNAUDITED)**

Financial Consultants

PMA Securities, Inc. has acted as Financial Consultants to the District. Requests for information concerning the District should be addressed to PMA Securities, Inc., 5301 Kyler Ave NE, Albertville, Minnesota 55301.

Rating

The District participates in the Minnesota Credit Enhancement Program for School Districts (Minnesota Statutes, Section 126C.55), which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation.

The District's bond rating, from Moody's Investors Service, as of June 30, 2019 was "Aa3". An investor should communicate with the rating agency for an explanation of the significance of the rating.

Source: District Records

OPERATING INFORMATION

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
GENERAL INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Year Established: 1865
Accreditation: North Central Association of Colleges and Schools

	2019	2018	2017	2016
Geographical Area - Square Miles	245	245	245	245
District Population	29,301	29,301	29,301	29,301
Student Enrollment - by Average Daily Membership (ADM)	4,938	4,884	4,902	4,862
Facilities				
Senior High School (Grades 9-12)	1	1	1	1
Middle School (Grades 6-8) *	1	1	0	0
Junior High School (Grades 7-8) *	0	0	1	1
Intermediate School (Grade 6) **	0	0	1	1
Elementary Schools (Grades K-5)	4	4	4	4
Owatonna Education Center **	1	1	0	0
Community Education Building	1	1	1	1
Central Administration Building	1	1	1	1
District Receiving, Storage, and Area Learning Center Building **	1	1	1	1
Storage Building	1	1	1	1

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* The Junior High School was converted into a Middle School beginning with the 2017-18 school year.

** One of the district buildings was converted to an Area Learning Center and Early Childhood Special Education Building beginning with the 2017-18 school year.

Source: Minnesota Department of Education, Minnesota State Demographer, and District Records

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
AVERAGE DAILY MEMBERSHIP BY GRADE LEVEL
LAST TEN FISCAL YEARS
(UNAUDITED)**

	2019	2018	2017	2016
Early Childhood	113.47	(1)	73.80	68.17
Kindergarten	362.86	314.67	354.21	329.27
Grades 1-6	2187.99	2,226.18	2,227.42	2,276.94
Grades 7-12	2273.37	2,268.18	2,246.26	2,187.19
Total	4,937.69	4,884.32	4,901.69	4,861.57

Note: Student enrollment numbers for 2018 and prior are from the final numbers issued in January after the fiscal year ended.

(1) - The District received funding from the state of Minnesota to operate a Voluntary Pre-Kindergarten program beginning in 2018-19.

Source: Minnesota Department of Education

	2015	2014	2013	2012	2011	2010
245	245	245	245	245	245	245
28,301	28,301	29,301	29,301	29,301	29,301	29,301
4,862	4,748	4,788	4,755	4,786	4,797	4,797
1	1	1	1	1	1	1
0	0	0	0	0	0	0
1	1	1	1	1	1	1
1	1	1	1	1	1	1
4	4	4	4	4	4	4
0	0	0	0	0	0	0
1	1	1	1	1	1	1
1	1	1	1	1	1	1
1	1	1	1	1	1	1
1	1	1	1	1	1	1

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
FULL-TIME AND PART-TIME DISTRICT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)**

2015	2014	2013	2012	2011	2010
52.25	55.93	58.44	54.55	61.48	47.40
379.75	324.87	330.63	323.37	291.42	348.62
2,215.75	2,125.15	2,135.42	2,131.23	2,126.98	2,107.03
2,213.98	2,242.28	2,263.64	2,245.84	2,305.87	2,293.57
4,861.73	4,748.23	4,788.13	4,754.99	4,785.75	4,796.62

Function	2019	2018	2017	2016
Administrators	12	12	12	12
Adult Basic Education	2	3	3	2
Central Office Personnel	27	29	26	22
Clerical and Media Educational Assistants	6	6	7	7
Custodial/Cleaning/Maintenance	44	43	43	42
Directors	18	17	15	13
Early Childhood Family Education Learning Readiness	9	9	11	5
Food Service	39	36	34	39
Health Services	11	11	11	10
Noon Supervisors	2	5	6	22
Offset	1	1	1	2
School Aged Child Care	17	17	15	11
Secretarial/Office Personnel	34	33	32	22
Special Education Paraprofessionals	76	84	96	98
Student Supervision Educational Assistants	3	3	4	7
Teacher Educational Assistants	78	81	72	67
Teachers	380	371	361	342
Tutors	0	0	0	0
Total	759	751	749	723

Source: District Records

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Enrollment	Operating Expenditures (1)	Cost per Pupil	% Change	# of Teachers	Pupil - Teacher Ratio	% of Students Receiving Free or Reduced Lunch (2)
2010	4,797	49,529,178	10,326	2.71%	376	12.8	35.35%
2011	4,786	50,549,647	10,563	2.29%	326	14.7	34.30%
2012	4,755	51,421,163	10,814	2.37%	337	14.1	36.60%
2013	4,788	51,203,857	10,694	-1.10%	333	14.4	37.50%
2014	4,748	51,253,720	10,794	0.93%	333	14.3	41.30%
2015	4,862	55,690,271	11,455	6.12%	341	14.3	43.40%
2016	4,862	58,706,945	12,076	5.42%	342	14.2	36.30%
2017	4,902	61,555,800	12,568	3.99%	361	13.6	41.90%
2018	4,884	63,198,282	12,939	3.03%	371	13.2	42.70%
2019	4,938	66,970,560	13,563	4.83%	380	13.0	41.80%

(1) Operating expenditures are calculated by taking the total districtwide expenditures less capital outlay and debt service expenditures.

(2) The percentage is based on the number of students enrolled in the free or reduced lunch program and number of students enrolled as of October 1 of each fiscal year.

Source: District Records and Minnesota Department of Education

2015	2014	2013	2012	2011	2010
12	11	10	9	9	9
2	2	2	1	1	1
23	23	22	22	22	16
7	7	7	7	7	8
42	40	38	38	40	42
10	10	13	13	13	13
10	10	13	15	14	15
39	37	34	33	33	36
10	10	10	12	10	9
24	22	22	10	10	17
2	1	1	1	1	1
11	11	10	7	10	12
22	22	22	28	25	30
90	81	80	73	71	75
7	7	9	13	16	16
63	52	38	47	34	43
341	333	333	337	326	376
0	0	0	9	8	9
715	679	664	675	650	728

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
TEACHER BASE SALARIES
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Minimum Salary	Maximum Salary
2010	\$ 33,386	\$ 68,948
2011	33,386	68,948
2012	33,636	69,465
2013	33,973	70,160
2014	34,313	70,861
2015	35,399	72,679
2016	36,390	74,715
2017	37,409	76,807
2018	38,157	78,343
2019	41,132	79,743

Note: Amounts do not include fringe benefits, such as health insurance, pension, etc.

Source: Owatonna Education Association Contract

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

	2019	2018	2017	2016
Elementary (Grades K-5)				
Lincoln (1969)	71,450	71,450	59,884	59,884
Square Feet	586	584	515	515
Enrollment	40	40	40	40
Acres				
McKinley (previously Willow Creek) (1990)	86,484	86,484	55,433	55,433
Square Feet	619	630	410	410
Enrollment	60	60	60	60
Acres				
Washington (previously McKinley) (1955)	66,749	66,749	54,437	54,437
Square Feet	509	509	586	586
Enrollment	13	13	13	13
Acres				
Wilson (1968)	65,800	65,800	67,327	67,327
Square Feet	477	559	590	590
Enrollment	10	10	10	10
Acres				
Middle School (Grades 6-8) *				
Middle School (previously Junior High) (1968)	203,580	203,580	166,564	166,564
Square Feet	1,101	1,218	667	667
Enrollment	18	18	18	18
Acres				
High School (Grades 9-12)				
High School (1921)	351,313	351,313	353,710	353,710
Square Feet	1,521	1,608	1,463	1,463
Enrollment	19	19	19	19
Acres				
Owatonna Education Center **				
OEC (previously Washington) (1949)	53,832	53,832	54,779	54,779
Square Feet	325	238	464	464
Enrollment	3	3	3	3
Acres				
Rose Street Center (1956)	12,930	12,930	12,930	12,930
Square Feet	0	0	82	82
Enrollment	0.88	0.88	0.88	0.88
Acres				
Community Center				
Roosevelt (1954)	15,694	15,694	15,694	15,694
Square Feet	129	167	167	167
Enrollment	8	8	8	8
Acres				

* The Junior High School was converted into a Middle School beginning with the 2017-18 school year.

** One of the district buildings was converted to an Area Learning Center and Early Childhood Special Education Building beginning with the 2017-18 school year.

Source: District Records and Minnesota Department of Education.

**OWATONNA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 761
SCHEDULE OF INSURANCE COVERAGE
FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

Coverage	Amount	Description
Property	\$ 117,047,312	Blanket Real and Personal Property
		Musical Instruments and Uniforms
		Auditorium Curtains
		Smart Boards
General Liability		General Aggregate
		Products/Completed Operations Aggregate
		Each Occurrence
		Personal/Advertising Injury Limit
		Damage to Premises Rented to You Limit
		Medical Expense Limit
Professional Liability		Aggregate
		Each Occurrence
Automobile Liability		Combined Single Limit
		Uninsured/Underinsured Motorists
		Deductible: \$250-\$500 Collision
		\$100-\$250 Comprehensive
Worker's Compensation Employer's Liability		Each Accident
		By Disease, Policy Limits
		By Disease, Each Employee
Umbrella Excess Liability		Each Occurrence and Aggregate
Boiler and Machinery		Various limits based on type of equipment
		Pollutant Clean-Up and Removal
		Computer Equipment - media or data

Source: Tincher Peterson Sincock

	2015	2014	2013	2012	2011	2010
	59,884	59,884	59,884	59,884	59,884	59,884
	515	529	528	528	532	546
	40	40	40	40	40	40
	55,433	55,433	55,433	55,433	55,433	55,433
	410	384	375	384	384	366
	60	60	60	60	60	60
	54,437	54,437	54,437	54,437	54,437	54,437
	566	483	493	503	501	502
	13	13	13	13	13	13
	67,327	67,327	67,327	67,327	67,327	67,327
	590	546	527	529	511	511
	10	10	10	10	10	10
	166,564	166,564	166,564	166,564	166,564	166,564
	667	698	679	692	709	709
	18	18	18	18	18	18
	353,710	353,710	353,710	353,710	353,710	353,710
	1,463	1,465	1,465	1,480	1,494	1,529
	19	19	19	19	19	19
	54,779	54,779	54,779	54,779	54,779	54,779
	464	540	540	536	420	548
	3	3	3	3	3	3
	12,930	12,930	12,930	12,930	12,930	12,930
	82	80	95	103	103	58
	0.88	0.88	0.88	0.88	0.88	0.88
	15,694	15,694	15,694	15,694	15,694	15,694
	167	152	167	167	150	49
	8	8	8	8	8	8

FORM OF LEGAL OPINION

(See following pages)

FORM OF LEGAL OPINION



Independent School District No. 761
Owatonna, Minnesota

[Original Purchaser]

Re: \$109,720,000 General Obligation School Building Bonds, Series 2020A
Independent School District No. 761 (Owatonna Public Schools), Minnesota
Steele and Waseca Counties, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Independent School District No. 761 (Owatonna Public Schools), Minnesota (the District), of the obligations described above, dated, as originally issued, as of March 19, 2020 (the Bonds), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the District in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds are valid and binding general obligations of the District, enforceable in accordance with their terms.
2. The principal of and interest on the Bonds are payable from ad valorem taxes heretofore duly levied on all taxable property in the District, but if necessary for payment thereof, additional ad valorem taxes are required by law to be levied on all such property, which taxes are not subject to any limitation as to rate or amount.
3. The resolution authorizing the issuance of the Bonds obligates the District to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of such law against the State of Minnesota in the absence of legally appropriated and available funds to pay the obligations of the State thereunder.

Independent School District No. 761
[Purchaser]
Page 2

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

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

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

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

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

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

Dated this 19th day of March, 2020.

Very truly yours,

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities 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 Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, 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"). DTC has a Standard & Poor's rating of AA+. 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.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Agent, on 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, Agent, 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 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.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. 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, Security certificates will be printed and delivered to DTC.
12. 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.

**FORM OF CONTINUING DISCLOSURE COVENANTS
(EXCERPTS FROM SALE RESOLUTION)**

(See following pages)

FORM OF CONTINUING DISCLOSURE

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

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

- (1) on or before twelve (12) months after the end of each fiscal year of the District, commencing with the fiscal year ending June 30, 2020, the following financial information and operating data in respect of the District (the Disclosure Information):
 - (A) the audited financial statements of the District for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the District, noting the discrepancies therefrom and the effect thereof, and

certified as to accuracy and completeness in all material respects by the fiscal officer of the District; and

- (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: Current Property Valuations; Direct Debt; Tax Levies and Collections; Student Body; and Employment/ Unemployment Data, which information may be unaudited.

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

- (2) In a timely manner, not in excess of 10 business days, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a “Material Fact,” as hereinafter defined):
 - (A) principal and interest payment delinquencies;
 - (B) non-payment related defaults, if material;
 - (C) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (D) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (E) substitution of credit or liquidity providers, or their failure to perform;
 - (F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

- (G) modifications to rights of Bond holders, if material;
- (H) Bond calls, if material and tender offers;
- (I) defeasances;
- (J) release, substitution, or sale of property securing repayment of the Bonds if material;
- (K) rating changes;
- (L) bankruptcy, insolvency, receivership, or similar event of the obligated person;
- (M) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (N) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (O) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; “financial obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule; and
- (P) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

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

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

confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

(c) Manner of Disclosure.

- (1) The District agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the District in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the District under this section shall terminate and be without further effect as of any date on which the District delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the District to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.
- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the District from time to time, without notice to (except as provided in paragraph (c)(2) hereof) or the consent of the Owners of any Bonds, by a resolution of this Board filed in the office of the recording officer of

the District accompanied by an opinion of Bond Counsel, who may rely on certificates of the District and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the District or the type of operations conducted by the District, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

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

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

TERMS OF PROPOSAL

**\$109,720,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2020A
INDEPENDENT SCHOOL DISTRICT NO. 761 (OWATONNA PUBLIC SCHOOLS), MINNESOTA**

Proposals for the purchase of \$109,720,000* General Obligation School Building Bonds, Series 2020A (the "Bonds") of Independent School District No. 761 (Owatonna Public Schools), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on February 24, 2020, at which time they will be opened, read and tabulated. The proposals will be presented to the Board of Education for consideration for award by resolution at a meeting to be held at 5:30 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, and a special election held November 5, 2019 by the District for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated March 19, 2020, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2021	\$965,000	2030	\$2,085,000	2039	\$8,225,000
2022	1,225,000	2031	2,190,000	2040	8,495,000
2023	1,280,000	2032	2,275,000	2041	8,775,000
2024	1,550,000	2033	2,365,000	2042	9,075,000
2025	1,630,000	2034	2,440,000	2043	9,390,000
2026	1,705,000	2035	2,510,000	2044	9,720,000
2027	1,790,000	2036	2,585,000	2045	10,060,000
2028	1,885,000	2037	7,540,000		
2029	1,985,000	2038	7,975,000		

ADJUSTMENT OPTION

* The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2021, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2021 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The District has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The District will pay the charges for Paying Agent services. The District reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2029 shall be subject to optional redemption prior to maturity on February 1, 2028 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the District. If only part of the Bonds having a common maturity date are called for redemption, then the District or Paying Agent, if any, 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 interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about March 19, 2020, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the District.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$108,842,240 plus accrued interest on the principal sum of \$109,720,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:30 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the District nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$2,194,400 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The District and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals 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.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The District's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The District reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the District requested and received a rating on the Bonds from a rating agency, the District will pay that rating fee. Any rating agency fees not requested by the District are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The District will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the District will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

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

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

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

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

If the District advises the Purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the Purchaser will be required to deliver to the District at or prior to closing a certification, in a form reasonably acceptable to bond counsel, as to the reasonably expected initial offering price as of the award date.

If the District advises the Purchaser that the requirements for a competitive sale have not been satisfied and that the hold-the-offering price rule applies, the Purchaser shall (1) upon the request of the District confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the District a certification as to such matters, in a form reasonably acceptable to bond counsel, together with a copy of the pricing wire.

Any action taken or documentation to be received by the District pursuant hereto may be taken or received on behalf of the District by Ehlers & Associates, Inc.

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

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Board of Education

Independent School District No. 761
(Owatonna Public Schools), Minnesota

PROPOSAL FORM

The Board of Education
Independent School District No. 761 (Owatonna Public Schools), Minnesota

February 24, 2020

RE: \$109,720,000* General Obligation School Building Bonds, Series 2020A (the "Bonds")
DATED: March 19, 2020

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$108,842,240) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follow s:

_____	% due	2021	_____	% due	2030	_____	% due	2039
_____	% due	2022	_____	% due	2031	_____	% due	2040
_____	% due	2023	_____	% due	2032	_____	% due	2041
_____	% due	2024	_____	% due	2033	_____	% due	2042
_____	% due	2025	_____	% due	2034	_____	% due	2043
_____	% due	2026	_____	% due	2035	_____	% due	2044
_____	% due	2027	_____	% due	2036	_____	% due	2045
_____	% due	2028	_____	% due	2037			
_____	% due	2029	_____	% due	2038			

* The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2021 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1% .

A good faith deposit ("Deposit") in the amount of \$2,194,400 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about March 19, 2020.

This proposal is subject to the District's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the District with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of P roposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ___ NO: ___.

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
 Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from March 19, 2020 of the above proposal is \$ _____ and the true interest cost (TIC) is _____ %.

The foregoing offer is hereby accepted by and on behalf of the Board of Education of Independent School District No. 761 (Owatonna Public Schools), Minnesota, on February 24, 2020.

By: _____ By: _____
 Title: _____ Title: _____