PRELIMINARY OFFICIAL STATEMENT DATED APRIL 12, 2018

In the opinion of Bond Counsel, under present federal and State of Minnesota laws, regulations and rulings, the interest to be paid on the Bonds of this offering is not includible in gross income of the recipient for United States or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. Interest on the Bonds is includible in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax. See "Tax Exemption" herein for a discussion of federal tax legislation.

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.

New Issue **Rating Application Made: Moody's Investors Service**

INDEPENDENT SCHOOL DISTRICT NO. 833
(SOUTH WASHINGTON COUNTY SCHOOLS), MINNESOTA
(Washington County)

(Minnesota School District Credit Enhancement Program)

$23,265,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2018A

PROPOSAL OPENING: April 26, 2018, 10:00 A.M., C.T. **CONSIDERATION**: April 26, 2018, 6:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $23,265,000* General Obligation Facilities Maintenance Bonds, Series 2018A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 123B.595 (long-term facilities maintenance revenue) by Independent School District No. 833 (South Washington County Schools), Minnesota (the "District") to provide funds for facility maintenance projects included in the ten-year facility plan of the District and approved by the Commissioner of Education. 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 Knutson, Flynn & Deans, P.A., Mendota Heights, Minnesota.

DATE OF BONDS: May 17, 2018

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2028	$2,625,000	2030	$2,595,000	2032	$5,095,000
2029	2,855,000	2031	4,985,000	2033	5,110,000

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, 2019 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds are subject to call for prior redemption on February 1, 2027 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: $23,032,350

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $465,300 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Knutson, Flynn & Deans, P.A.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

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 & 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 & Associates, Inc., payable entirely by the District, is contingent upon the sale of the issue.

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 & 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 <u>not</u> 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 Bonds are exempt or 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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BOARD OF EDUCATION

		Term Expires
Tracy Brunnette	Chairperson	January 2022
Ron Kath	Vice Chairperson	January 2020
Sharon Van Leer	Clerk	January 2022
Katie Schwartz	Treasurer	January 2022
Michelle Witte	Director	January 2020
Heather Hirsch	Director	January 2020
Pat Driscoll	Director	January 2022

ADMINISTRATION

Keith Jacobus, Superintendent of Schools

Dan Pyan, Director of Finance

PROFESSIONAL SERVICES

Knutson, Flynn & Deans, P.A., Bond Counsel, Mendota Heights, Minnesota

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 833 (South Washington County Schools), Minnesota (the "District") and the issuance of its $23,265,000* General Obligation Facilities Maintenance Bonds, Series 2018A (the "Bonds" or (the "Obligations"). 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 awarding the sale of the Bonds (the "Award Resolution") to be adopted by the Board of Education on April 26, 2018.

Inquiries may be directed to Ehlers & 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 May 17, 2018. 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, 2019, 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"). 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 shall be subject to optional redemption prior to maturity on February 1, 2027 and on 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 pursuant to Minnesota Statutes, Chapter 475 and Section 123B.595 (long-term facilities maintenance revenue) by the District to provide funds for facility maintenance projects included in the ten-year facility plan of the District and approved by the Commissioner of Education.

ESTIMATED SOURCES AND USES*

Sources			
	Par Amount of Bonds	$23,265,000	
	Estimated Reoffering Premium	362,090	
	Total Sources		**$23,627,090**
Uses			
	Total Estimated Underwriter's Discount (1.000%)	$232,650	
	Costs of Issuance	83,120	
	Deposit to Project Construction Fund	23,311,320	
	Total Uses		**$23,627,090**

*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 "A1" 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 March 15, 2018 (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 September 27, 2017, for General Obligation State Bonds, Series 2017A, 2017B, 2017C, 2017D, and 2017E, 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 $12.5 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 $1.9 billion, with the maximum amount of principal and interest payable in any one month being $760 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 the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (hereinafter the "Rule"), the District shall covenant to take certain actions pursuant to a Resolution adopted by the Board of Education by entering into a Continuing Disclosure Undertaking (the "Disclosure Undertaking") for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the District to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for this issue are set forth in Appendix D to be executed and delivered by the District at the time of delivery of the Bonds. Such Disclosure Undertaking will be in substantially the form attached hereto.

In the previous five years, the District believes it has not failed to comply in all material respects with its prior undertakings under the Rule. In the interest of full disclosure the District notes the following: 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. The District has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

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

The District will file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system or any system that may be prescribed in the future. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. Ehlers is currently engaged as disclosure dissemination agent for the District.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Knutson, Flynn & Deans, P.A., Mendota Heights, Minnesota, Bond Counsel to the District, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the District; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION AND RELATED CONSIDERATIONS

In the opinion of Knutson, Flynn & Deans, P.A., as Bond Counsel, on the basis of laws in effect on the date of issuance of the Bonds, interest on the Bonds is not includible in gross income for federal income tax purposes or in taxable net income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is includible in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax. Certain provisions of the Internal Revenue Code of 1986, as amended (the Code), however, impose continuing requirements that must be met after the issuance of the Bonds in order for interest thereon to be and remain not includible in federal gross income and in Minnesota taxable net income. Noncompliance with such requirements by the Issuer may cause the interest on the Bonds to be includible in federal gross income and in Minnesota taxable net income, retroactive to the date of issuance of the Bonds, irrespective in some cases of the date on which such noncompliance occurs or is ascertained. 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 becomes includible in federal gross income or Minnesota taxable net income.

Interest on the Bonds is not an item of tax preference includible in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts, but is includible in adjusted current earnings in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax and the environmental tax imposed by Section 59A of the Code. Interest on the Bonds may be includible in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includible in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent of the interest on the Bonds that is received or accrued during the taxable year. Section 86 of the Code requires recipients of certain Social Security and railroad retirement benefits to take into account interest on the Bonds in determining the taxability of such benefits. Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent of its gross receipts is passive investment income. Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest on the Bonds. Prospective purchasers or Bondholders should consult their tax advisors with respect to collateral tax consequences, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income. Except as stated in its opinion, no opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on or arising with respect to ownership of the Bonds.

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.

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.

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, 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, 2017, have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A. ("MMKR"), 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 Award 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 federal 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.

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	2015/16	2016/17	2017/18
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 $2,140,000 - 0.50% [2] Over $2,140,000 - 1.00% [2]	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]
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 $106,000 - .75% Over $106,000 - .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 $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%
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%

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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

2016/17 Economic Market Value[1] $10,537,041,324[2]

	2017/18 Assessor's Estimated Market Value	2017/18 Net Tax Capacity
Real Estate	$10,623,254,200	$ 110,794,310
Personal Property	108,598,900	2,146,662
Total Valuation	$10,731,853,100	$ 112,940,972
Less: Captured Tax Increment Tax Capacity[3]		(819,974)
Fiscal Disparities Contribution[4]		(7,009,757)
Taxable Net Tax Capacity		$ 105,111,241
Plus: Fiscal Disparities Distribution[4]		13,530,896
Adjusted Taxable Net Tax Capacity		$ 118,642,137

1 Most recent value available from the Minnesota Department of Revenue.

2 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for Independent School District No. 833 (South Washington County Schools) is about 93.88% 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 $10,537,041,324.

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

4 Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base since 1972 to an area pool which is then distributed among the municipalities on the basis of population, special needs, etc. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

2017/18 NET TAX CAPACITY BY CLASSIFICATION

	2017/18 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$ 77,082,394	68.25%
Agricultural	1,683,634	1.49%
Commercial/industrial	16,596,245	14.69%
Public utility	591,887	0.52%
Railroad operating property	559,340	0.50%
Non-homestead residential	8,499,744	7.53%
Commercial & residential seasonal/rec.	141,028	0.12%
Apartments	5,626,941	4.98%
Seasonal Non-Commercial	13,097	0.01%
Personal property	2,146,662	1.90%
Total	$112,940,972	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Adjusted Taxable Net Tax Capacity[2]	Percent +/- in Estimated Market Value
2013/14	$8,277,820,800	$7,659,726,000	$85,589,994	$90,159,998	+ 4.59%
2014/15	9,438,963,300	8,865,641,400	97,914,794	102,663,904	+ 14.03%
2015/16	9,709,401,400	9,138,426,500	101,045,016	105,608,216	+ 2.87%
2016/17	9,994,349,000	9,426,024,300	104,634,472	109,885,568	+ 2.93%
2017/18	10,731,853,100	10,182,595,800	112,940,972	118,642,137	+ 7.38%

1 Net Tax Capacity is before fiscal disparities adjustments and includes tax increment values.

2 Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments and does not include tax increment values.

LARGER TAXPAYERS

Taxpayer	Type of Property	2017/18 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Xcel Energy	Utility	$2,433,846	2.16%
Grand Forest Owner, LLC	Rental- Non-Homestead	815,180	0.72%
Woodbury Village Shopping Center	Commercial	795,193	0.70%
3M Company	Commercial	729,412	0.65%
Marquette Valley Creek, LLC	Rental-Non-Homestead	637,693	0.56%
Classic at Preserve Apartments, LLC	Rental-Non Homestead	500,845	0.44%
Allina Health System	Commercial	477,348	0.42%
St. Paul Park Refining Company, LLC	Commercial	467,724	0.41%
Target Corporation	Commercial	375,930	0.33%
Healtheast Properties, LLC	Commercial	343,450	0.30%
Total		$7,576,621	6.71%

District's Total 2017/18 Net Tax Capacity $112,940,972

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

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total g.o. debt being paid from taxes and state aids[2] (includes the Bonds)*	$320,920,000

Lease Purchase Obligations (see schedule following)[3]

Total lease purchase obligations paid by annual appropriations[4]	$ 25,127,710

*Preliminary, subject to change.

STATE AID FOR DEBT SERVICE

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. Although the District expects to receive some Long Term Facilities Maintenance Aid in its debt service fund, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aid.

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

2 Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

3 Computers and copiers have not been included, however, information related to these leases can be reviewed in the audit.

4 Non-general obligation debt has not been included in the debt ratios.

INDEPENDENT SCHOOL DISTRICT NO. 833 (SOUTH WASHINGTON COUNTY), MN
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Taxes
(As of 05/17/18)
FISCAL YEAR BASIS

	Refunding 1) Series 2010A		Taxable Alt Facilities 2) Series 2010B (QZABs)		Taxable Alt Facilities Series 2010C (QSCBs)		Alt Facilities Series 2012A		Alt Facilities Series 2014A		Capital Facilities Series 2014B	
Dated Amount	4/21/10 $41,445,000		6/10/10 $4,365,000		6/10/10 $19,565,000		4/19/12 $6,150,000		5/20/14 $14,840,000		5/20/14 $5,670,000	
Maturity	2/01		6/01		6/01		2/01		2/01		2/01	
Fiscal Year Ending	Principal	Interest	Principal	Interest 3)	Principal	Interest 3)	Principal	Interest	Principal	Interest	Principal	Interest
2018	0	0	0	108,665	0	489,125	0	0	0	0	0	0
2019	2,780,000	1,321,250	0	217,330	0	978,250	0	145,438	0	509,125	535,000	75,400
2020	2,890,000	1,182,250	0	217,330	0	978,250	0	145,438	0	509,125	545,000	64,700
2021	3,015,000	1,037,750	0	217,330	0	978,250	0	145,438	0	509,125	555,000	53,800
2022	10,870,000	887,000	0	217,330	0	978,250	0	145,438	0	509,125	570,000	42,700
2023	11,305,000	452,200	0	217,330	0	978,250	0	145,438	0	509,125	590,000	29,875
2024			0	217,330	7,565,000	978,250	0	145,438	0	509,125	605,000	15,125
2025			0	217,330	7,500,000	600,000	0	145,438	0	509,125		
2026			4,220,000	217,330	4,500,000	225,000	0	145,438	655,000	509,125		
2027							4,475,000	145,438	4,695,000	489,475		
2028									9,290,000	325,150		
2029												
2030												
2031												
2032												
2033												
2034												
2035												
	30,860,000	4,880,450	4,220,000	1,847,305	19,565,000	7,183,625	4,475,000	1,308,938	14,640,000	4,887,625	3,400,000	281,600

1) This issue refunded the 2013 through 2023 maturities of the District's $51,020,000 General Obligation School Building Bonds, Series 2001B, dated December 1, 2001.

2) $145,000 of the 2026 maturity was called on September 8, 2013.

3) Gross amount prior to federal subsidy payment.

Continued on next page -

INDEPENDENT SCHOOL DISTRICT NO. 833 (SOUTH WASHINGTON COUNTY), MINNESOTA

Schedule of Bonded Indebtedness - *Continued*
General Obligation Debt Being Paid From Taxes
(As of 5/17/18)
FISCAL YEAR BASIS

	Refunding 4) Series 2015A		Building Series 2016A		Refunding 5) Series 2016B		Facilities Maint. Series 2016C		Refunding 6) Series 2016E		Facilities Maintenance Series 2018A							
Dated Amount	5/5/15 $32,695,000		3/1/16 $87,145,000		5/12/16 $73,460,000		5/12/16 $14,470,000		11/9/16 $33,035,000		5/17/18 $23,265,000*							
Maturity	2/01		2/01		2/01		2/01		2/01		2/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2018	0	0	0	0	0	0	0	0	0	0	0	0	0	597,790	597,790	320,920,000	0.00%	**2018**
2019	5,495,000	870,000	0	3,337,525	5,285,000	3,041,850	0	510,350	2,640,000	1,334,900	0	611,849	16,735,000	12,953,266	29,688,266	304,185,000	5.21%	**2019**
2020	5,795,000	595,250	400,000	3,337,525	5,785,000	2,777,600	0	510,350	2,720,000	1,255,700	0	867,188	18,135,000	12,440,705	30,575,705	286,050,000	10.87%	**2020**
2021	6,110,000	305,500	400,000	3,317,525	6,435,000	2,488,350	0	510,350	2,805,000	1,174,100	0	867,188	19,320,000	11,604,705	30,924,705	266,730,000	16.89%	**2021**
2022			400,000	3,297,525	6,475,000	2,166,600	0	510,350	2,755,000	1,089,950	0	867,188	21,070,000	10,711,455	31,781,455	245,660,000	23.45%	**2022**
2023			600,000	3,277,525	7,310,000	1,842,850	0	510,350	2,835,000	979,750	0	867,188	22,640,000	9,809,880	32,449,880	223,020,000	30.51%	**2023**
2024			2,655,000	3,247,525	8,775,000	1,477,350	0	510,350	6,160,000	894,700	0	867,188	25,760,000	8,862,380	34,622,380	197,260,000	38.53%	**2024**
2025			1,915,000	3,114,775	9,360,000	1,038,600	0	510,350	6,385,000	586,700	0	867,188	25,160,000	7,589,505	32,749,505	172,100,000	46.37%	**2025**
2026			1,695,000	3,019,025	9,345,000	570,600	0	510,350	3,270,000	267,450	0	867,188	23,685,000	6,331,505	30,016,505	148,415,000	53.75%	**2026**
2027			1,615,000	2,934,275	9,675,000	290,250	0	510,350	3,465,000	103,950	0	867,188	23,925,000	5,340,925	29,265,925	124,490,000	61.21%	**2027**
2028			3,025,000	2,869,675			2,000,000	510,350			2,625,000	867,188	16,940,000	4,572,363	21,512,363	107,550,000	66.49%	**2028**
2029			9,160,000	2,748,675			5,625,000	430,350			2,855,000	762,188	17,640,000	3,941,213	21,581,213	89,910,000	71.98%	**2029**
2030			9,640,000	2,382,275			5,845,000	205,350			2,595,000	647,988	18,080,000	3,235,613	21,315,613	71,830,000	77.62%	**2030**
2031			9,855,000	1,996,675			1,000,000	30,000			4,985,000	557,163	15,840,000	2,583,838	18,423,838	55,990,000	82.55%	**2031**
2032			11,175,000	1,602,475							5,095,000	382,688	16,270,000	1,985,163	18,255,163	39,720,000	87.62%	**2032**
2033			11,440,000	1,211,350							5,110,000	191,625	16,550,000	1,402,975	17,952,975	23,170,000	92.78%	**2033**
2034			11,660,000	810,950									11,660,000	810,950	12,470,950	11,510,000	96.41%	**2034**
2035			11,510,000	402,850									11,510,000	402,850	11,912,850	0	100.00%	**2035**
	17,400,000	1,770,750	87,145,000	42,908,150	68,445,000	15,694,050	14,470,000	5,769,200	33,035,000	7,687,200	23,265,000	10,958,186	320,920,000	105,177,079	426,097,079			

*Preliminary, subject to change.

4) This issue refunded the 2016 through 2021 maturities of the District's $52,500,000 General Obligation School Building Refunding Bonds, Series 2005B, dated October 20, 2005.

5) This issue refunded the 2018 through 2027 maturities of the District's $110,000,000 General Obligation School Building Bonds, Series 2006A, dated November 28, 2006.

6) This issue refunded the 2019 through 2027 maturities of the District's $39,000,000 General Obligation School Building Bonds, Series 2008A, dated June 18, 2008; and the District's $11,250,000 General Obligation Alternative Facilities Bonds, Series 2008B, dated August 13, 2008.

INDEPENDENT SCHOOL DISTRICT NO. 833 (SOUTH WASHINGTON COUNTY), MINNESOTA
Schedule of Bonded Indebtedness
Non-General Obligation Leases Payable from Annual Appropriations
(As of 5/17/18)
FISCAL YEAR BASIS

	Lease		Lease		Lease		Cert. of Participation Series 2016D		Cert. of Participation Series 2017A							
Dated Amount	5/15/12 $4,100,000		4/23/15 $2,268,000		5/12/16 $3,325,000		6/16/16 $13,200,000		6/22/17 $6,995,000							
Maturity	1/15, 4/15, 7/15 & 10/15		10/1 & 4/1		10/1 & 4/1		4/1		2/1							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2019	262,476	76,881	243,475	45,298	401,663	50,230	685,000	509,750	385,000	198,444	1,977,614	880,602	2,858,216	23,150,096	7.87%	**2019**
2020	270,412	68,945	250,809	37,963	409,980	41,913	715,000	475,500	395,000	186,894	2,041,202	811,214	2,852,416	21,108,894	15.99%	**2020**
2021	278,589	60,768	258,365	30,408	418,469	33,424	755,000	439,750	405,000	175,044	2,115,422	739,394	2,854,816	18,993,472	24.41%	**2021**
2022	287,012	52,345	266,147	22,625	427,134	24,759	790,000	402,000	420,000	162,894	2,190,294	664,622	2,854,916	16,803,178	33.13%	**2022**
2023	295,691	43,666	274,165	14,608	435,978	15,914	830,000	362,500	430,000	150,294	2,265,834	586,982	2,852,816	14,537,344	42.15%	**2023**
2024	304,631	34,725	282,423	6,349	445,006	6,887	870,000	321,000	445,000	137,394	2,347,061	506,355	2,853,416	12,190,284	51.49%	**2024**
2025	313,843	25,514					905,000	286,200	455,000	124,044	1,673,843	435,758	2,109,601	10,516,441	58.15%	**2025**
2026	323,332	16,025					940,000	250,000	470,000	110,394	1,733,332	376,418	2,109,751	8,783,109	65.05%	**2026**
2027	333,109	6,248					980,000	212,400	485,000	96,294	1,798,109	314,942	2,113,051	6,985,000	72.20%	**2027**
2028							1,020,000	173,200	500,000	81,744	1,520,000	254,944	1,774,944	5,465,000	78.25%	**2028**
2029							1,060,000	132,400	515,000	66,744	1,575,000	199,144	1,774,144	3,890,000	84.52%	**2029**
2030							1,105,000	90,000	530,000	51,294	1,635,000	141,294	1,776,294	2,255,000	91.03%	**2030**
2031							1,145,000	45,800	545,000	35,394	1,690,000	81,194	1,771,194	565,000	97.75%	**2031**
2032									565,000	18,363	565,000	18,363	583,363	0	100.00%	**2032**
	2,669,095	385,118	1,575,384	157,251	2,538,231	173,126	11,800,000	3,700,500	6,545,000	1,595,231	25,127,710	6,011,226	31,138,936			

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:

2017/18 Assessor's Estimated Market Value	$10,731,853,100
Multiply by 15%	0.15
Statutory Debt Limit	$ 1,609,777,965
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(320,920,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	(25,127,710)
Unused Debt Limit*	$ 1,263,730,255

*Preliminary, subject to change.

OVERLAPPING DEBT[1]

Taxing District	2017/18 Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Washington County	$ 300,202,173	39.5207%	$116,345,000	$ 45,980,358
City of Afton	6,615,202	5.4611%	7,945,000	433,884
City of Cottage Grove	37,338,789	98.4124%	30,020,000	29,543,402
City of Newport	4,043,678	100.0000%	5,055,000	5,055,000
City of St. Paul Park	4,921,525	100.0000%	3,385,000	3,385,000
City of Woodbury	97,440,350	73.8245%	44,855,000	33,113,979
Metropolitan Council	3,548,816,342	3.3431%	148,045,000	4,949,292
Ramsey-Washington Metro Watershed	35,005,472	56.5662%	4,564,421	2,581,920
South Washington Watershed	131,335,674	75.0944%	3,245,000	2,436,813
District's Share of Total Overlapping Debt				$127,479,650

DEBT PAYMENT HISTORY

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

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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 ($10,537,041,324)	Debt/ Current Population Estimate (96,725)
Direct G.O. Debt Being Paid From Taxes and State Aids	$320,920,000	3.05%	$3,317.86
District's Share of Total Overlapping Debt	$127,479,650	1.21%	$1,317.96
Total*	$448,399,650	4.26%	$4,635.82

*Preliminary, subject to change.

FUTURE FINANCING

The District plans to issue approximately $28,000,000 General Obligation School Building Refunding Bonds in the fall of 2018.

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.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[1]	Total Collected Following Year	Collected to Date[2]	% Collected
2013/14	$55,879,532	$55,608,906	$55,850,280	99.95%
2014/15	58,709,685	58,511,269	58,674,568	99.94%
2015/16	72,972,001	72,678,217	72,899,098	99.90%
2016/17	72,594,550	72,275,789	72,275,789	99.56%
2017/18	82,142,334	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.

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

[2] Collections are through March 15, 2018.

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

TAX CAPACITY RATES[1]

	2013/14	2014/15	2015/16	2016/17	2017/18
I.S.D. No. 833 (South Washington Co.)	39.169%	35.675%	36.812%	34.309%	33.303%
Washington County w/ Library	32.811%	30.186%	30.564%	30.448%	29.983%
City of Afton	30.923%	27.737%	29.373%	32.300%	32.255%
City of Cottage Grove	43.812%	41.591%	43.140%	43.012%	40.583%
City of Newport	72.054%	69.973%	61.660%	60.304%	58.736%
City of St. Paul Park	48.754%	45.677%	45.560%	43.919%	42.591%
City of Woodbury	38.076%	34.657%	35.287%	35.122%	33.670%
Town of Denmark[2]	13.135%	12.490%	11.236%	11.264%	11.063%
Metropolitan Council	1.050%	0.943%	0.932%	0.858%	0.816%
Metropolitan Mosquito	0.553%	0.490%	0.487%	0.463%	0.440%
Metropolitan Transit District	1.514%	1.357%	1.373%	1.307%	1.226%
Ramsey-Washington Metro Watershed	4.253%	4.494%	4.460%	4.067%	3.878%
Regional Rail Authority	0.233%	0.212%	0.247%	0.243%	0.224%
South Washington Watershed	0.761%	0.693%	0.753%	0.839%	0.819%
Valley Branch Watershed	1.899%	1.701%	1.761%	1.887%	2.323%
Washington County CDA	1.290%	14.813%	1.529%	1.475%	1.469%
Woodbury HRA	0.343%	0.295%	0.289%	0.276%	0.255%
Referendum Market Value Rates:					
I.S.D. No. 833 (South Washington Co.)	0.22287%	0.20996%	0.33988%	0.31281%	0.37066%
Washington County	0.00449%	0.00406%	0.00390%	0.00378%	0.00353%
City of Woodbury	0.25939%	0.01308%	0.01216%	0.01187%	0.01112%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Washington County.

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

2 Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 2,605, including 1,152 non-licensed employees and 1,453 licensed employees (1,402 of whom are teachers). The District provides education for 18,126 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, Chapter 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
Principals	June 30, 2017
Clerical (Office Professionals)	June 30, 2017
Maintenance	June 30, 2018
Paraprofessionals	June 30, 2018
Food Service	June 30, 2018
Transportation	June 30, 2017
Mechanics	June 30, 2018
Kids Club Supervisors	June 30, 2017
District Office Support Service (DOSS)	June 30, 2018
Teachers	June 30, 2017

Status of Contracts

Contracts, which expired on June 30, 2017, are currently in negotiations.

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits (some mandated by State Statute and others that cover a portion of the cost of health insurance during retirement) for the majority of its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 45 (GASB 45). The District's most recent actuarial study of its OPEB obligations shows an actuarial accrued liability of $14,019,575 as of July 1, 2015. Although this liability is not considered to be funded under GASB 45, the District has set up an Internal Service Fund to finance future severance, pension and OPEB costs. The net position in that fund as of June 30, 2017 was $3,549,169.

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
2013/14	1,397	8,041	8,237	17,675
2014/15	1,243	8,181	8,171	17,595
2015/16	1,240	8,125	8,209	17,574
2016/17	1,284	8,374	8,224	17,882
2017/18	1,348	8,515	8,263	18,126

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2018/19	1,244	8,608	8,341	18,193
2019/20	1,269	8,657	8,391	18,317
2020/21	1,277	8,690	8,508	18,475

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Armstrong Elementary	1969	1987, 2001
Cottage Grove Elementary	2002	--
Crestview Elementary	1963	1970, 1990, 1999, 2001
Gordon Bailey Elementary	1991	1992, 2000, 2015
Grey Cloud Elementary	1991	1992, 2001, 2009, 2015
Hillside Elementary	1963	1970, 1990, 2001
Liberty Ridge Elementary	2003	2013
Middleton Elementary	1991	1992, 1999, 2015
Newport Elementary	1955	1970, 1990
Pine Hill Elementary	1960	1967, 1970, 2001
Pullman Elementary	1960	1970, 2002
Red Rock Elementary	2002	--
Royal Oaks Elementary	1966	1970, 1990, 2001
Valley Crossing Elementary School	1996	--
Woodbury Elementary	1960	1963, 1970, 1989, 1990, 2002
Cottage Grove Middle School	1995	2004, 2009
Lake Middle School	1995	2000
Oltman Middle School	1951	1960, 1965, 1973, 1974, 1995, 2002
Woodbury Middle School	1969	1989, 2002
East Ridge High	2009	--
Park Senior High	1974	1994, 2002, 2003
Woodbury Senior High	1974	2002, 2003

FUNDS ON HAND (as of February 28, 2018)

Fund	Total Cash and Investments
General	$11,284,144
Food Service	1,259,513
Community Service	292,114
Debt Service	2,561,391
Building/Construction	45,104,399
Trust & Agency	19,347
Internal Service	11,419,198
Total Funds on Hand	$71,940,106

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 District’s 2017 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30 2014 Audited	2015 Audited	2016 Audited	2017 Audited	2017-18 Adopted Budget[1]
Revenues					
Local property taxes	$ 17,391,494	$ 28,987,233	$ 28,704,114	$ 43,223,656	$ 47,873,131
Other local and county revenues	3,824,854	3,804,408	3,703,056	6,718,386	0
Revenues from state sources	151,793,431	154,225,397	158,400,311	164,509,854	171,592,019
Revenues from federal sources	4,542,498	4,060,644	4,080,943	4,784,475	4,740,017
Sales and other conv. of assets	0	0	0	0	19,440
Total Revenues	$177,552,277	$191,077,682	$194,888,424	$219,236,371	$ 224,224,607
Expenditures					
Administration	$ 7,279,625	$ 7,527,157	$ 7,892,778	$ 8,197,267	$ 8,518,087
District support services	3,723,231	5,405,748	6,523,030	6,307,421	7,572,024
Elementary & sec. regular instruction	92,903,232	97,894,964	98,789,970	107,854,344	109,275,110
Vocational education instruction	2,177,553	2,219,972	2,317,450	2,206,298	2,003,120
Special education instruction	29,648,664	32,318,511	34,778,587	39,392,782	40,743,732
Instructional support services	9,429,549	9,624,579	9,845,835	10,306,731	10,680,387
Pupil support services	18,964,817	19,998,559	19,897,703	21,088,490	20,698,600
Sites and buildings	21,214,467	19,235,624	30,054,434	23,601,889	24,261,395
Fiscal and other fixed cost programs	475,441	575,898	318,258	493,785	0
Debt Service	2,739,806	1,767,736	1,791,557	3,293,704	0
Total Expenditures	$188,556,385	$196,568,748	$212,209,602	$222,742,711	$ 223,752,455
Excess of revenues over (under) expenditures	$(11,004,108)	$ (5,491,066)	$(17,321,178)	$ (3,506,340)	$ 472,152
Other Financing Sources (Uses)					
Operating transfers in	$ 4,000,000	$ 4,000,000	$ 0	$ 0	
Operating transfers out	0	0	0	0	
Proceeds from sale of assets	0	55,000	188,375	436,260	
Debt issued	2,606,382	2,268,000	4,763,734	3,184,710	
Total Other Financing Sources (Uses)	$ 6,606,382	$ 6,323,000	$ 4,952,109	$ 3,620,970	
Net Change in Fund Balances	$ (4,397,726)	$ 831,934	$(12,369,069)	$ 114,630	
General Fund Balance July 1	13,883,278	9,485,552	10,317,486	7,303,067	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
Special Item[2]	0	0	9,354,650	0	
General Fund Balance June 30	$ 9,485,552	$ 10,317,486	$ 7,303,067	$ 7,417,697	
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$ 1,135,917	$ 2,949,314	$ 3,139,510	$ 3,257,797	
Restricted	1,155,136	3,250,381	5,232,246	5,647,049	
Committed	3,531,073	1,611,060	2,848,063	2,349,140	
Assigned	1,068,692	2,506,731	0	0	
Unassigned	2,594,734	0	(3,916,752)	(3,836,289)	
Total	$ 9,485,552	$ 10,317,486	$ 7,303,067	$ 7,417,697	

Note: District voters approved an operating referendum question on November 7, 2017, which provided an increase in operating referendum authority of $375 per pupil and will result in an annual increase in general fund revenue of approximately $7.7 million, beginning with fiscal year 2018-19.

1 The 2017-18 budget was adopted on June 22, 2017.

2 During the calendar year ended June 30, 2016, the District reported a “special item” (an addition to the fund balance of $9,354,650) in the general fund related to the sale of the Valley Crossing Elementary School, previously jointly established and operated by the District, two other independent school districts, and Intermediate School District No. 916. In agreement with the other member districts, the District purchased the Valley Crossing Elementary School. The special item reported in the financial statements for the 2016 fiscal year represents the District’s share of the value of the School at the time of the sale. The District recorded an expenditure of the same amount in the General Fund in the same year. The net cost to purchase the Valley Crossing Elementary School was financed by issuance of Certificates of Participation in the same fiscal year. The proceeds of the certificates are shown as an “Other Finance Source” in the Building Construction Fund for that year, and the net cost to purchase the School is shown as an expenditure in the Building Construction Fund.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 93,273 and a current population estimate of 96,725, and comprising an area of 85 square miles, is located approximately 10 miles southeast of the City of St. Paul.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	**Type of Business/Product**	**Estimated No. of Employees**
I.S.D. No. 833 (South Washington County Schools)	Elementary and secondary education	2,605
Healtheast Woodwinds Hospital	Hospital and medical care facilities	1,429
3M - Cottage Grove	Chemolite plant	800
Bailey Nurseries, Inc.	Wholesale landscaping distributor	800
Renewal By Anderson	Replacement windows and doors	450
Woodbury Senior Living	Nursing home and senior living facility	450
Ecowater Systems LLC	Residential water treatment systems	440
Target	Retail store	430
Walmart Supercenter	Retail store	335
Andeavor Refining	Oil refiners	302

Source: *ReferenceUSA, written and telephone survey (March 2018), 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.

U.S. CENSUS DATA

Population Trend: Independent School District No. 833 (South Washington County Schools), Minnesota

2000 U.S. Census population		79,592
2010 U.S. Census population		93,273
2016 Population Estimate		96,725
Percent of Change 2000 - 2010	+	17.19%

Income and Age Statistics

	South Washington County School District	**Washington County**	**State of Minnesota**	**United States**
2016 per capita income	$40,133	$39,873	$33,225	$29,829
2016 median household income	$92,541	$86,689	$63,217	$55,322
2016 median family income	$106,293	$101,629	$79,595	$67,871
2016 median gross rent	$1,314	$1,192	$873	$928
2016 median value owner occupied units	$238,600	$253,300	$191,500	$184,700
2016 median age	36.3 yrs.	39.0 yrs.	37.8 yrs.	37.7 yrs.

	State of Minnesota	**United States**
District % of 2016 per capita income	120.79%	134.54%
District % of 2016 median family income	133.54%	156.61%

Source: *2000 and 2010 Census of Population and Housing, and 2016 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (www.factfinder2.census.gov).*

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	**Average Unemployment**	
Year	**Washington County**	**Washington County**	**State of Minnesota**
2014	130,581	3.6%	5.0%
2015	131,781	3.2%	4.2%
2016	133,125	3.4%	3.7%
2017	136,301	3.1%	3.8%
2018, February	138,619	3.2%	3.9%

Source: *Minnesota Department of Employment and Economic Development.*

APPENDIX A

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 the Auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, 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 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.

igniting a passion

South Washington County Schools

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2017

South Washington County Schools
Independent School District No. 833

Cottage Grove, Minnesota

igniting a passion

MMKR
CERTIFIED PUBLIC
ACCOUNTANTS

PRINCIPALS
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 833
Cottage Grove, 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. 833 (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As described in Note 1 of the notes to the basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68*, during the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

(continued)

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.

Prior Year Comparative Information

We have previously audited the District's 2016 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 20, 2016. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report December 7, 2017 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 7, 2017

This section of Independent School District No. 833's (the District) Comprehensive Annual Financial Report (CAFR) presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2017. Please read it in conjunction with the other components of the District's CAFR.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2017 by $84,425,621 (net position deficit). The District's total net position decreased by $50,883,738 during the fiscal year ended June 30, 2017, excluding the change in accounting principle reported in the current year as discussed below.

- The District recorded a change in accounting principle in the current year with the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68*. The change reflects standards established for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures as they relate to pension plans not within the scope of GASB Statement No. 68. The implementation of this standard reduced beginning net position in the government-wide and internal service fund statements by $3,250,849.

- Government-wide revenues totaled $280,560,697 and were $50,883,738 less than expenses of $331,444,435.

- The General Fund's total fund balance (under the governmental fund presentation) increased $114,630 from the prior year, compared to a decrease of $180,079 planned in the final budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the CAFR consists of the following parts:

- Independent Auditor's Report;
- Management's discussion and analysis;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Supplemental information consisting of combining and individual fund statements and schedules.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes *all* of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, except for the fiduciary funds. 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 financial statements report the District's *net position* and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

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

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

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

FUND FINANCIAL STATEMENTS

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

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

The District maintains the following kinds of funds:

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

Proprietary Funds – The District maintains one type of proprietary fund. The internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for various post-employment benefit activities. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1
Summary Statement of Net Position
as of June 30, 2017 and 2016

	2017	2016
Assets		
Current and other assets	$ 332,923,793	$ 323,185,560
Capital assets, net of depreciation	375,583,643	355,347,622
Total assets	$ 708,507,436	$ 678,533,182
Deferred outflows of resources		
Pension plan deferments	$ 289,448,731	$ 27,247,260
Liabilities		
Current and other liabilities	$ 31,573,728	$ 32,752,738
Long-term liabilities, including due within one year	971,659,125	614,564,986
Total liabilities	$ 1,003,232,853	$ 647,317,724
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 69,413,768	$ 69,814,848
Pension plan deferments	9,735,167	18,938,904
Total deferred inflows of resources	$ 79,148,935	$ 88,753,752
Net position		
Net investment in capital assets	$ 97,078,662	$ 85,486,603
Restricted	8,559,909	7,985,002
Unrestricted	(190,064,192)	(123,762,639)
Total net position	$ (84,425,621)	$ (30,291,034)

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. Another major factor in determining net position as compared to fund balances are the liabilities for long-term severance, pension, and other post-employment benefits (OPEB), which impacts the unrestricted portion of net position.

The District's increase in net investment in capital assets is due mostly to the District repaying debt at a faster rate than the assets being depreciated. The District's increase in net position restricted for capital asset acquisition, food service, and other state funding purposes contributed to the growth in the restricted portion of net position. The decrease in unrestricted net position was partially due to the implementation of the GASB statement for pension liabilities discussed earlier in this report. A change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans also contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position.

Table 2 presents a summarized version of the District's Statement of Activities:

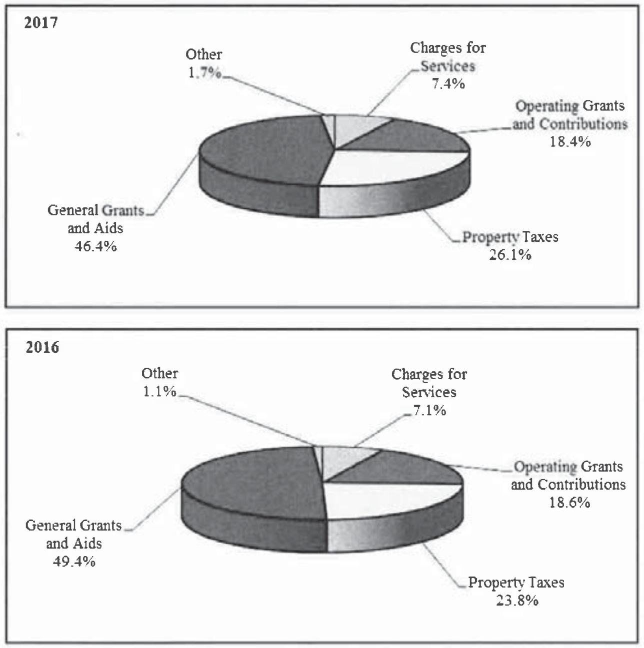
Table 2
Summary Statement of Activities
for the Years Ended June 30, 2017 and 2016

	2017	2016
Revenues		
Program revenues		
Charges for services	$ 20,693,905	$ 17,550,652
Operating grants and contributions	51,670,670	46,131,521
General revenues		
Property taxes	73,183,043	58,917,343
General grants and aids	130,278,195	122,563,945
Other	4,734,884	2,847,490
Total revenues	280,560,697	248,010,951
Expenses		
Administration	10,381,871	8,060,524
District support services	6,596,898	6,414,735
Elementary and secondary regular instruction	148,539,553	100,748,199
Vocational education instruction	2,685,595	2,313,645
Special education instruction	50,522,278	34,696,192
Instructional support services	13,144,802	9,842,037
Pupil support services	24,295,235	19,090,739
Sites and buildings	23,711,287	20,099,373
Fiscal and other fixed cost programs	493,785	318,258
Food service	9,508,533	8,651,331
Community service	16,767,322	13,312,337
Unallocated depreciation	8,894,001	8,997,829
Interest and fiscal charges	15,903,275	10,964,797
Total expenses	331,444,435	243,509,996
Excess (deficiency) of revenue over expenses	(50,883,738)	4,500,955
Special item – joint school proceeds	–	9,354,650
Change in net position	(50,883,738)	13,855,605
Net position – beginning, as previously reported	(30,291,034)	(44,146,639)
Change in accounting principle	(3,250,849)	–
Net position – beginning, as restated	(33,541,883)	(44,146,639)
Net position – ending	$ (84,425,621)	$ (30,291,034)

This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. Revenues increased with funding improvements in general and special education funding formulas along with an increase in the approved tax levy. The significant increase in expenses reflects natural inflationary increases along with the change in the PERA and the TRA multi-employer defined benefit pension plans mentioned earlier.

Figure A shows further analysis of these revenue sources:

Figure A – Sources of Revenues for Fiscal Years 2017 and 2016

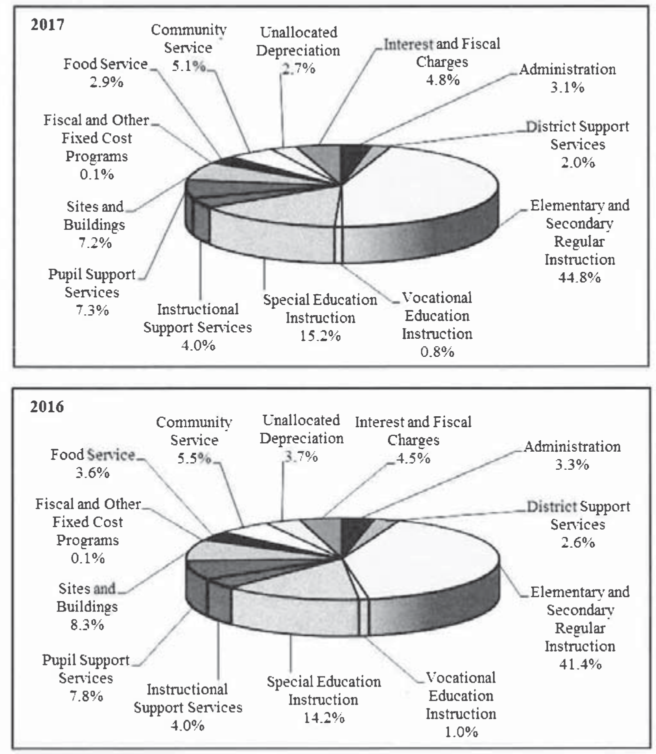


The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

Property taxes are generally the next largest source of funding. The level of revenue property tax sources provide is not only dependent on district taxpayers by way of operating and building referenda, but also by decisions made by the Legislature in the mix of state aid and local effort in a variety of funding formulas.

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2017 and 2016



The District's expenses are predominately related to educating students. Programs (or functions) such as elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Table 3
Governmental Fund Balances
as of June 30, 2017 and 2016

	2017	2016	Increase (Decrease)
Major funds			
General	$ 7,417,697	$ 7,303,067	$ 114,630
Capital Projects –			
Building Construction	92,801,646	114,279,608	(21,477,962)
Debt Service	126,746,536	89,987,868	36,758,668
Nonmajor funds			
Food Service Special Revenue	834,629	609,048	225,581
Community Service Special Revenue	17,428	764,920	(747,492)
Total governmental funds	$ 227,817,936	$ 212,944,511	$ 14,873,425

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance, which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

At June 30, 2017, the District's governmental funds reported combined fund balances of $227,817,936, an increase of $14,873,425 in comparison with the prior year. The District has an unassigned fund balance deficit of ($5,891,988) as of June 30, 2017. The remainder of the fund balance is either nonspendable, restricted, or committed to indicate that it is: 1) not in spendable form ($3,600,021), 2) restricted for particular purposes ($227,760,763), or 3) committed for particular purposes ($2,349,140).

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Increase (Decrease)	Percent Change
Revenues	$ 211,579,522	$ 217,631,305	$ 6,051,783	2.9%
Expenditures	$ 215,873,703	$ 218,963,761	$ 3,090,058	1.4%
Other financing sources	$ –	$ 1,152,377	$ 1,152,377	100.0%

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amended the budget for known significant changes in circumstances such as: updated enrollment estimates, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, insurance premium changes, special education tuition changes, or for new debt issued.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2017 Actual	Amount	Percent	Amount	Percent
Revenue	$ 219,236,371	$ 1,605,066	0.7%	$ 24,347,947	12.5%
Expenditures	222,742,711	3,778,950	1.7%	10,533,109	5.0%
Excess (deficiency) of revenue over expenditures	(3,506,340)	(2,173,884)		13,814,838	
Total other financing sources	3,620,970	2,468,593		(1,331,139)	
Special item – joint school proceeds	–	–		(9,354,650)	
Net change in fund balances	$ 114,630	$ 294,709		$ 3,129,049	

The fund balance of the General Fund increased $114,630, compared to a decrease of $180,079 approved in the final budget.

The largest revenue variances to the budget occurred in other local sources and federal sources, which were $1,328,614 and $357,599 more than projected in the budget, respectively. The increase from the prior year was mainly due to additional property taxes, with an increase in the approved levy and state sources with improvements in the special education and general education funding formulas. The District served more students in the current year, also contributing to the revenue increase. The District received more in Medical Assistance billings, donations, and sales of materials contributing to the increase over prior year. The District also budgets conservatively for these items, causing a favorable variance in other local sources.

General Fund expenditures were 1.7 percent over budget, which was spread across several programs and object categories. Expenditures increased from the prior year with an increase in salaries and benefits as anticipated with scheduled contract improvements and for serving more students. Purchased services expenditures were also over prior year levels and over budget for sites and buildings in the current year.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Capital Projects – Building Construction Fund

The District's spend down of current year and prior year bond issuances contributed to the overall decrease in fund balance of $21,477,962. These debt resources are being used to finance construction and improvements at several district facilities. The District has $92,801,646 of resources remaining in this fund as of June 30, 2017 to finance various district projects.

Debt Service Fund

The Debt Service Fund revenues and other financing sources exceeded expenditures and other financing uses by $36,758,668 in the current year. The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. The remaining fund balance of $126,746,536 at June 30, 2017 is available for meeting future debt service obligations.

The District has issued refunding bonds in recent years to reduce future debt levies to District taxpayers.

Other Governmental Funds

The Food Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by $225,581, compared to a planned fund balance increase of $314,525.

The Community Service Special Revenue Fund ended the year with expenditures exceeding revenues, decreasing equity by $747,492, compared to a planned fund balance increase of $51,795. This variance was largely due to salaries and purchased services exceeding budget.

Internal Service Funds

During upcoming years, the District will continue to have an obligation to pay post-employment benefits according to negotiated contracts. Accordingly, the District established internal service funds to account for its severance, pension, and health plan benefits. The internal service funds are used to account for and monitor these benefits provided to eligible employees of the District on a cost-reimbursement basis. Additional details related to the District's actuarially accrued liability for pension and OPEB and funding progress are included in the notes to basic financial statements and as required supplementary information.

The net position balance for all internal service funds as of June 30, 2017 was $3,549,169, which represents a decrease of $2,141,020 from current year operating results, and a decrease of $3,250,849 with the change in accounting principle for pension accounting in the current year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2017 and 2016.

Table 6
Capital Assets

	2017	2016	Change
Land	$ 14,846,429	$ 9,747,070	$ 5,099,359
Construction in progress	44,632,541	44,554,489	78,052
Land improvements	13,585,366	13,585,366	–
Buildings	417,274,779	392,812,533	24,462,246
Machinery and equipment	15,125,075	14,702,874	422,201
Licensed vehicles	11,356,134	11,181,327	174,807
Less accumulated depreciation	(141,236,681)	(131,236,037)	(10,000,644)
Total	$ 375,583,643	$ 355,347,622	$ 20,236,021
Depreciation expense	$ 10,000,644	$ 10,056,192	$ (55,548)

By the end of 2017, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2017, consistent with the activity of the Capital Projects – Building Construction Fund discussed on the previous page.

The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year.

Additional details about capital assets can be found in the notes to basic financial statements.

Long-Term Liabilities

Table 7 illustrates the components of the District's long-term liabilities with changes from the prior year:

Table 7
Outstanding Long-Term Liabilities

	2017	2016	Change
General obligation bonds	$ 432,570,000	$ 415,810,000	$ 16,760,000
Certificates of participation	19,450,000	13,200,000	6,250,000
Unamortized premium/discount	33,222,354	31,115,494	2,106,860
Capital leases	11,076,649	9,757,949	1,318,700
Net pension liability	469,350,712	139,578,020	329,772,692
Compensated absences	1,275,631	1,199,853	75,778
Severance benefits	1,547,851	1,558,011	(10,160)
Net OPEB obligation	3,165,928	2,345,659	820,269
Total	$ 971,659,125	$ 614,564,986	$ 357,094,139

The issuance of refunding bonds with premiums, offset by scheduled principal payments account for their changes above. The increase in certificates of participation payable is due to the current year issuance to finance an addition to the Woodbury Middle School. The District entered into two capital leases in the current year for iPads and MacBooks that exceeded the current year principal payments scheduled. The difference in the net pension liability reflects the changes in the District's proportionate share of the state-wide PERA and TRA pension plans, along with the implementation of a new pension standard in the current year.

The state limits the amount of general obligation debt the District can issue to 15 percent of the market value of all taxable property within the District's corporate limits (see Table 8).

Table 8
Limitations on Debt

District's market value	$ 9,652,063,700
Limit rate	15.00%
Legal debt limit	$ 1,447,809,555

Additional details of the District's long-term debt activity can be found in the notes to basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for a majority of its revenue authority.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added $121, or 2 percent, per pupil to the basic general education funding formula for fiscal year 2018 and an additional $124, or 2 percent, per pupil to the formula for fiscal year 2019.

In November 2017, District voters approved referendum questions 1, 2, and 3 on the ballot for the District. The approval of Question 1 means the District will continue to receive a $15.3 million operating levy annually over the next 10 years. Question 1 has been a part of the budget for two decades. The approval of Question 2 means the District will receive an additional $7.5 million operating levy annually over the next 10 years. The approval shows the community recognizes the need as planned for by the School Board in 2015. The approval of Question 3 provides the district with $2 million a year for 10 years in capital project funding that will be dedicated to technology expenses.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This CAFR is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this CAFR or need additional financial information, contact the Finance Department, Independent School District No. 833, District Service Center, 7362 East Point Douglas Road South, Cottage Grove, Minnesota 55016-3025.

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Net Position
as of June 30, 2017
(With Partial Comparative Information as of June 30, 2016)

	Governmental Activities	
	2017	2016
Assets		
Cash and temporary investments	$ 123,835,878	$ 157,034,730
Receivables		
Current taxes	39,587,867	38,862,955
Delinquent taxes	550,022	389,061
Accounts and interest	294,703	313,977
Due from other governmental units	20,226,057	17,121,333
Inventory	280,873	266,738
Prepaid items	3,319,148	3,154,943
Restricted assets – temporarily restricted		
Cash and investments for capital asset acquisition	22,963,424	20,567,627
Cash and investments for debt service	121,529,707	85,474,196
Interest receivable for debt service	336,114	–
Capital assets		
Not depreciated	59,478,970	54,301,559
Depreciated, net of accumulated depreciation	316,104,673	301,046,063
Total capital assets, net of accumulated depreciation	375,583,643	355,347,622
Total assets	708,507,436	678,533,182
Deferred outflows of resources		
Pension plan deferments	289,448,731	27,247,260
Total assets and deferred outflows of resources	$ 997,956,167	$ 705,780,442
Liabilities		
Salaries payable	$ 12,194,224	$ 14,167,160
Accounts and contracts payable	10,147,499	9,363,462
Accrued interest payable	7,593,398	5,543,485
Due to other governmental units	577,489	532,504
Unearned revenue	1,061,118	3,146,127
Long-term liabilities		
Due within one year	139,483,088	19,527,765
Due in more than one year	832,176,037	595,037,221
Total long-term liabilities	971,659,125	614,564,986
Total liabilities	1,003,232,853	647,317,724
Deferred inflows of resources		
Property taxes levied for subsequent year	69,413,768	69,814,848
Pension plan deferments	9,735,167	18,938,904
Total deferred inflows of resources	79,148,935	88,753,752
Net position		
Net investment in capital assets	97,078,662	85,486,603
Restricted for		
Capital asset acquisition	4,344,979	4,189,686
Food service	834,629	609,048
Community service	2,078,231	2,143,708
Other purposes (state and other funding restrictions)	1,302,070	1,042,560
Unrestricted	(190,064,192)	(123,762,639)
Total net position	(84,425,621)	(30,291,034)
Total liabilities, deferred inflows of resources, and net position	$ 997,956,167	$ 705,780,442

See notes to basic financial statements

Statement of Activities
Year Ended June 30, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

Functions/Programs	Expenses	2017 Program Revenues: Charges for Services	2017 Program Revenues: Operating Grants and Contributions	2017 Net (Expense) Revenue and Changes in Net Position: Governmental Activities	2016 Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 10,381,871	$ –	$ 99,969	$ (10,281,902)	$ (8,008,361)
District support services	6,596,898	316	–	(6,596,582)	(6,414,028)
Elementary and secondary regular instruction	148,539,553	3,688,602	14,081,551	(130,769,400)	(85,416,733)
Vocational education instruction	2,685,595	–	689,621	(1,995,974)	(1,490,290)
Special education instruction	50,522,278	1,800	26,128,616	(24,391,862)	(13,476,474)
Instructional support services	13,144,802	19,910	2,433,472	(10,691,420)	(7,527,123)
Pupil support services	24,295,235	130,270	2,750,137	(21,414,828)	(16,179,610)
Sites and buildings	23,711,287	–	–	(23,711,287)	(20,099,359)
Fiscal and other fixed cost programs	493,785	–	–	(493,785)	(318,258)
Food service	9,508,533	6,265,612	3,283,654	40,733	439,013
Community service	16,767,322	10,587,395	2,203,650	(3,976,277)	(1,373,974)
Unallocated depreciation	8,894,001	–	–	(8,894,001)	(8,997,829)
Interest and fiscal charges	15,903,275	–	–	(15,903,275)	(10,964,797)
Total governmental activities	$ 331,444,435	$ 20,693,905	$ 51,670,670	(259,079,860)	(179,827,823)
General revenues					
Taxes					
Property taxes levied for general purposes				43,123,208	28,665,427
Property taxes levied for community service				1,376,364	1,327,464
Property taxes levied for capital projects				–	2,089,950
Property taxes levied for debt service				28,683,471	26,834,502
General grants and aids				130,278,195	122,563,945
Other general revenues				3,365,486	2,267,072
Investment earnings				1,369,398	580,418
Special item – joint school proceeds				–	9,354,650
Total general revenues and special item				208,196,122	193,683,428
Change in net position				(50,883,738)	13,855,605
Net position – beginning, as previously reported				(30,291,034)	(44,146,639)
Change in accounting principle				(3,250,849)	–
Net position – beginning, as restated				(33,541,883)	(44,146,639)
Net position – ending				$ (84,425,621)	$ (30,291,034)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

Balance Sheet
Governmental Funds
as of June 30, 2017
(With Partial Comparative Information as of June 30, 2016)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	$ 18,614,337	$ 73,972,484	$ 17,474,254
Cash and investments held by trustee	983,065	21,980,359	121,529,707
Receivables			
Current taxes	23,475,506	–	15,325,641
Delinquent taxes	312,526	–	226,280
Accounts and interest	87,624	199,153	337,308
Due from other governmental units	19,835,416	–	66,135
Inventory	168,416	–	–
Prepaid items	3,089,381	–	–
Total assets	$ 66,566,271	$ 96,151,996	$ 154,959,325
Liabilities			
Salaries payable	$ 11,617,659	$ –	$ –
Accounts and contracts payable	6,236,430	3,350,350	–
Due to other governmental units	574,837	–	–
Unearned revenue	678,723	–	–
Total liabilities	19,107,649	3,350,350	–
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	173,747	–	108,873
Property taxes levied for subsequent year	39,867,178	–	28,103,916
Total deferred inflows of resources	40,040,925	–	28,212,789
Fund balances (deficit)			
Nonspendable	3,257,797	–	–
Restricted	5,647,049	92,801,646	126,746,536
Committed	2,349,140	–	–
Unassigned	(3,836,289)	–	–
Total fund balances	7,417,697	92,801,646	126,746,536
Total liabilities, deferred inflows of resources, and fund balances	$ 66,566,271	$ 96,151,996	$ 154,959,325

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds 2017	Total Governmental Funds 2016
$ 2,355,606	$ 112,416,681	$ 144,115,198
–	144,493,131	106,041,823
786,720	39,587,867	38,862,955
11,216	550,022	389,061
1,894	625,979	307,496
324,506	20,226,057	17,121,333
112,457	280,873	266,738
229,767	3,319,148	3,154,943
$ 3,822,166	$ 321,499,758	$ 310,259,547
$ 576,565	$ 12,194,224	$ 14,167,160
560,719	10,147,499	9,363,462
2,652	577,489	532,504
382,395	1,061,118	3,146,127
1,522,331	23,980,330	27,209,253
5,104	287,724	290,935
1,442,674	69,413,768	69,814,848
1,447,778	69,701,492	70,105,783
342,224	3,600,021	3,421,681
2,565,532	227,760,763	212,232,120
–	2,349,140	2,848,063
(2,055,699)	(5,891,988)	(5,557,353)
852,057	227,817,936	212,944,511
$ 3,822,166	$ 321,499,758	$ 310,259,547

INDEPENDENT SCHOOL DISTRICT NO. 833

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2017
(With Partial Comparative Information as of June 30, 2016)

	2017	2016
Total fund balances – governmental funds	$ 227,817,936	$ 212,944,511
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	516,820,324	486,583,659
Accumulated depreciation	(141,236,681)	(131,236,037)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds	(432,570,000)	(415,810,000)
Certificates of participation	(19,450,000)	(13,200,000)
Unamortized premium/discount	(33,222,354)	(31,115,494)
Capital leases	(11,076,649)	(9,757,949)
Net pension liability	(465,699,346)	(139,496,715)
Compensated absences	(1,275,631)	(1,199,853)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	3,549,169	8,941,038
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(7,593,398)	(5,543,485)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – pension plan deferments	288,958,452	27,247,260
Deferred inflows – pension plan deferments	(9,735,167)	(18,938,904)
Deferred inflows – unavailable revenue – delinquent taxes	287,724	290,935
Total net position – governmental activities	$ (84,425,621)	$ (30,291,034)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	$ 43,100,551	$ –	$ 28,707,636
Investment earnings	123,105	510,660	661,904
Other	6,718,386	–	51,738
State sources	164,509,854	–	661,347
Federal sources	4,784,475	–	1,113,085
Total revenue	219,236,371	510,660	31,195,710
Expenditures			
Current			
Administration	8,197,267	–	–
District support services	6,307,421	–	–
Elementary and secondary regular instruction	107,854,344	–	–
Vocational education instruction	2,206,298	–	–
Special education instruction	39,392,782	–	–
Instructional support services	10,306,731	–	–
Pupil support services	21,088,490	–	–
Sites and buildings	23,601,889	–	–
Fiscal and other fixed cost programs	493,785	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	29,116,856	–
Debt service			
Principal	2,611,010	–	16,275,000
Interest and fiscal charges	682,694	–	16,558,361
Total expenditures	222,742,711	29,116,856	32,833,361
Excess (deficiency) of revenue over expenditures	(3,506,340)	(28,606,196)	(1,637,651)
Other financing sources (uses)			
Bonds issued	–	–	–
Refunding bonds issued	–	–	33,035,000
Certificates of participation issued	–	6,995,000	–
Premium on debt issued	–	133,234	5,361,319
Capital leases issued	3,184,710	–	–
Payment to refunded bond escrow agent	–	–	–
Proceeds from sale of assets	436,260	–	–
Total other financing sources (uses)	3,620,970	7,128,234	38,396,319
Net change in fund balances before special item	114,630	(21,477,962)	36,758,668
Special item – joint school proceeds	–	–	–
Net change in fund balances	114,630	(21,477,962)	36,758,668
Fund balances			
Beginning of year	7,303,067	114,279,608	89,987,868
End of year	$ 7,417,697	$ 92,801,646	$ 126,746,536

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds 2017	Total Governmental Funds 2016
$ 1,378,067	$ 73,186,254	$ 58,998,316
9,068	1,304,737	566,696
16,853,007	23,623,131	19,629,349
2,613,552	167,784,753	160,752,665
2,873,752	8,771,312	7,942,801
23,727,446	274,670,187	247,889,827
–	8,197,267	7,892,778
–	6,307,421	6,523,030
–	107,854,344	98,789,970
–	2,206,298	2,317,450
–	39,392,782	34,778,587
–	10,306,731	9,845,835
–	21,088,490	19,897,703
–	23,601,889	30,054,434
–	493,785	318,258
8,942,896	8,942,896	8,442,308
14,775,151	14,775,151	13,046,284
531,310	29,648,166	26,906,115
–	18,886,010	16,895,781
–	17,241,055	12,855,423
24,249,357	308,942,285	288,563,956
(521,911)	(34,272,098)	(40,674,129)
–	–	101,615,000
–	33,035,000	73,460,000
–	6,995,000	13,200,000
–	5,494,553	24,942,087
–	3,184,710	4,763,734
–	–	(36,435,000)
–	436,260	188,375
–	49,145,523	181,734,196
(521,911)	14,873,425	141,060,067
–	–	9,354,650
(521,911)	14,873,425	150,414,717
1,373,968	212,944,511	62,529,794
$ 852,057	$ 227,817,936	$ 212,944,511

INDEPENDENT SCHOOL DISTRICT NO. 833

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

	2017	2016
Total net change in fund balances – governmental funds	$ 14,873,425	$ 150,414,717
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded in net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	30,236,665	38,403,065
Depreciation expense	(10,000,644)	(10,056,192)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.	(2,141,020)	(2,349,789)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.	(43,214,710)	(193,038,734)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds	16,275,000	51,705,000
Certificates of participation	745,000	–
Capital leases	1,866,010	1,625,781
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	(2,049,913)	(1,175,338)
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability	(326,202,631)	(22,285,228)
Compensated absences	(75,778)	(129,377)
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	(2,106,860)	(21,876,123)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – pension plan deferments	261,711,192	5,897,349
Deferred inflows – pension plan deferments	9,203,737	16,801,447
Deferred inflows – unavailable revenue – delinquent taxes	(3,211)	(80,973)
Change in net position – governmental activities	$ (50,883,738)	$ 13,855,605

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Final Budget
Revenue				
Local sources				
Property taxes	$ 42,770,364	$ 43,232,903	$ 43,100,551	$ (132,352)
Investment earnings	35,000	40,000	123,105	83,105
Other	5,389,993	5,389,772	6,718,386	1,328,614
State sources	159,259,525	164,541,754	164,509,854	(31,900)
Federal sources	4,124,640	4,426,876	4,784,475	357,599
Total revenue	211,579,522	217,631,305	219,236,371	1,605,066
Expenditures				
Current				
Administration	7,779,621	8,241,653	8,197,267	(44,386)
District support services	7,566,617	8,001,036	6,307,421	(1,693,615)
Elementary and secondary regular instruction	107,893,495	106,700,303	107,854,344	1,154,041
Vocational education instruction	1,933,725	2,136,923	2,206,298	69,375
Special education instruction	38,018,506	38,502,591	39,392,782	890,191
Instructional support services	9,525,459	11,045,517	10,306,731	(738,786)
Pupil support services	21,759,415	21,479,353	21,088,490	(390,863)
Sites and buildings	19,223,666	19,188,385	23,601,889	4,413,504
Fiscal and other fixed cost programs	497,462	445,000	493,785	48,785
Debt service				
Principal	1,501,000	2,544,000	2,611,010	67,010
Interest and fiscal charges	174,737	679,000	682,694	3,694
Total expenditures	215,873,703	218,963,761	222,742,711	3,778,950
Excess (deficiency) of revenue over expenditures	(4,294,181)	(1,332,456)	(3,506,340)	(2,173,884)
Other financing sources				
Capital leases issued	–	719,367	3,184,710	2,465,343
Proceeds from sale of assets	–	433,010	436,260	3,250
Total other financing sources	–	1,152,377	3,620,970	2,468,593
Net change in fund balances	$ (4,294,181)	$ (180,079)	114,630	$ 294,709
Fund balances				
Beginning of year			7,303,067	
End of year			$ 7,417,697	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Net Position
Proprietary Funds
Internal Service Funds
as of June 30, 2017
(With Partial Comparative Information as of June 30, 2016)

	2017	2016
Assets		
Cash and temporary investments	$ 11,419,197	$ 12,919,532
Receivables		
Accounts and interest	4,838	6,481
Total assets	11,424,035	12,926,013
Deferred outflows of resources		
Pension plan deferments	490,279	–
Liabilities		
Current liabilities		
Severance benefits	315,817	244,568
Long-term liabilities		
Severance benefits	1,232,034	1,313,443
Net pension liability	3,651,366	81,305
Net OPEB obligation	3,165,928	2,345,659
Total long-term liabilities	8,049,328	3,740,407
Total liabilities	8,365,145	3,984,975
Net position		
Unrestricted	$ 3,549,169	$ 8,941,038

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Revenue, Expenses, and Changes in Net Position
Proprietary Funds
Internal Service Funds
Year Ended June 30, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

	2017	2016
Operating revenue		
Contributions from governmental funds	$ –	$ –
Operating expenses		
Severance benefits	142,233	138,090
Pension benefits	264,619	413,027
Other post-employment benefits	1,798,829	1,812,394
Total operating expenses	2,205,681	2,363,511
Operating income (loss)	(2,205,681)	(2,363,511)
Nonoperating revenue		
Investment earnings	64,661	13,722
Income (loss) before transfers	(2,141,020)	(2,349,789)
Transfers in	142,233	138,090
Transfers (out)	(142,233)	(138,090)
Change in net position	(2,141,020)	(2,349,789)
Net position		
Beginning of year, as previously reported	8,941,038	11,290,827
Change in accounting principle	(3,250,849)	–
Beginning of year, restated	5,690,189	11,290,827
End of year	$ 3,549,169	$ 8,941,038

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Cash Flows
Proprietary Funds
Internal Service Funds
Year Ended June 30, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

	2017	2016
Cash flows from operating activities		
Severance benefit payments	$ (152,393)	$ (302,568)
Pension benefit payments	(435,686)	(274,805)
Other post-employment benefit payments	(978,560)	(1,076,960)
Net cash flows from operating activities	(1,566,639)	(1,654,333)
Cash flows from noncapital financing activities		
Transfer in	142,233	138,090
Transfer (out)	(142,233)	(138,090)
Net cash flows from noncapital financing activities	–	–
Cash flows from investing activities		
Interest on investments	66,304	25,073
Net change in cash and cash equivalents	(1,500,335)	(1,629,260)
Cash and cash equivalents		
Beginning of year	12,919,532	14,548,792
End of year	$ 11,419,197	$ 12,919,532
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	$ (2,205,681)	$ (2,363,511)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets, liabilities, and deferred outflows/inflows of resources		
Net pension asset	–	56,917
Deferred outflows of resources	(215,474)	–
Severance benefits	(10,160)	(164,478)
Net pension liability	44,407	81,305
Net OPEB obligation	820,269	735,434
Net cash flows from operating activities	$ (1,566,639)	$ (1,654,333)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 833

Statement of Fiduciary Net Position
Fiduciary Fund
as of June 30, 2017

		Scholarship Private-Purpose Trust Fund
Assets		
Cash and temporary investments	$	76,247
Net position		
Held in trust for scholarships	$	76,247

Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2017

		Scholarship Private-Purpose Trust Fund
Additions		
Contributions	$	80,732
Deductions		
Scholarships and other deductions		60,493
Change in net position		20,239
Net position		
Beginning of year		56,008
End of year	$	76,247

See notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 833 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

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

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements. Transactions representing interfund services provided and used are not eliminated in the consolidation process to the government-wide financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 revenues are recognized when all eligible requirements imposed by the provider have been met.

For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as "unallocated depreciation." Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

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. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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

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

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except principal and interest on long-term debt and other long-term obligations, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

Internal service funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the internal service funds are consolidated into the governmental activities 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. The principal operating revenue of the District's internal service funds is charges to customers (other district funds) for service. Operating expenses for the internal service funds include the cost of providing the services. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary funds are presented in the fiduciary fund financial statements by type; the Scholarship Private-Purpose Trust Fund is the District's only fiduciary fund. 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 financial statements.

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

Description of Funds

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

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition, construction, or improvement of capital facilities authorized by debt issue.

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

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used primarily to record financial activities of the District's child nutrition program.

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

Proprietary Fund

Internal Service Funds – The internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service funds include financing for post-employment severance, pension, and other post-employment benefits (OPEB) offered by the District to its employees.

Fiduciary Fund

Scholarship Private-Purpose Trust Fund – The Scholarship Private-Purpose Trust Fund is used to account for resources held in trust to be used by various other third parties for donor-directed purposes, such as to award scholarships to former students.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The School Board adopts an annual budget for the following fiscal year for all governmental funds. The budget for each fund is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end.

Expenditures in the General Fund, Food Service Special Revenue Fund, Community Service Special Revenue Fund, Capital Projects – Building Construction Fund, and the Debt Service Fund exceeded budgeted appropriations by $3,778,950, $20,245, $755,300, $16,144,017, and $4,647,914, respectively, during the fiscal year ended June 30, 2017. Revenues and other financing sources in excess of budget, along with available fund balance, covered these variances.

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Debt proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to the fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the General Fund and Capital Projects – Building Construction Fund, the escrow accounts held by the trustee can be used only for certain capital asset acquisition costs as required by terms of the debt issue. In the Debt Service Fund, the refunding bond escrow account held by trustee is used only to retire refunded bond issues and to pay interest on refunding bond issues until the crossover refunding dates. Interest earned on these investments is allocated directly to the respective escrow account.

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalent. The proprietary fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are also reported at amortized cost. Investment income is accrued at the Balance Sheet date.

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

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the District's recurring fair value measurements as of year-end.

G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivable not expected to be fully collected within one year is property taxes receivable.

At June 30, 2017, the District reported the following receivables due from other governmental units:

Due from the MDE	$ 20,065,036
Due from other Minnesota school districts	1,508
Due from Washington County and other	159,513
Total	$ 20,226,057

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, warehouse supplies, and surplus commodities received from the federal government. Purchased food and supplies are recorded at cost on a first-in, first-out basis. Warehouse supplies are recorded using an average cost method. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenses/expenditures at the time of consumption.

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $3,137,203 of the property tax levy collectible in 2017 as revenue to the District in fiscal year 2016–2017. The remaining portion of the taxes collectible in 2017 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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 reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year.

K. Capital Assets

Capital assets that are purchased or constructed by the District are recorded at historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year. 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 statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary, ranging from 20 to 50 years for land improvements and buildings and 5 to 15 years for machinery, equipment, and licensed vehicles. Land and construction in progress are not depreciated.

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

L. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period as other financing sources or uses, respectively. The face amount of debt issued is reported as other financing sources.

M. Compensated Absences Payable

1. **Vacation Pay** – Under the terms of union contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation and related benefits upon termination. Vacation pay is accrued when incurred in the government-wide financial statements. Unused vacation pay is accrued in governmental fund financial statements only when used or matured due to employee termination or similar circumstances.

2. **Sick Pay** – Substantially all district employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of an employee's severance pay upon termination for certain collective bargaining units.

N. Severance Benefits

The District provides lump sum severance benefits to eligible employees in accordance with the provisions of certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of an eligible employee's unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary. Members of certain employee groups may elect to receive district matching contributions paid into tax deferred matching contribution plans. Severance or retirement benefits are required to be paid out twice a year (June and January) following the effective date of retirement. Retirement benefits for certain employee groups are paid into a post-employment tax sheltered annuity account. For all other employees, severance benefits are paid out directly to the employee.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Severance pay based on convertible sick leave is recorded as a liability in the Internal Service Fund and in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future.

O. State-Wide Pension Plans

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

The TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into the TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association in 2015.

The PERA has a special funding situation created by a direct aid contribution made by the state of Minnesota. The direct aid is a result of the merger of the Minneapolis Employees Retirement Fund into the PERA on January 1, 2015.

P. Net Position

In the government-wide and internal service fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets. The details of the District's net investment in capital assets at year-end are as follows:

Net investment in capital assets	
Total capital assets, net of accumulated depreciation	$ 375,583,643
Capital related debt	(261,417,959)
Unamortized premium on capital related debt	(17,087,022)
	$ 97,078,662

- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- **Unrestricted Net Position** – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to the School Board's adopted fund balance policy, the District's superintendent is authorized to establish assignments of fund balance.

- **Unassigned** – The residual classification for the General Fund which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, then use unrestricted resources as they are needed.

When committed, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

R. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The District reports deferred outflows and inflows of resources related to pensions in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual experience, changes in proportion, changes of assumptions, differences between projected and actual earnings on pension plan investments, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

Property taxes levied for subsequent years, which represents property taxes received or reported as a receivable before the period for which the taxes are levied, are reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied, and in the governmental fund financial statements during the year for which they are levied, if available.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unavailable revenue from property taxes arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

S. Risk Management

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

T. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

U. Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the government-wide financial statements. In the fund financial statements these assets have been reported as "cash and investments held by trustee" and "accounts and interest receivable."

V. Prior Period Comparative Financial Information/Reclassifications

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2016, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

W. Change in Accounting Principle

During the year ended June 30, 2017, the District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68*. This statement included major changes in how employers account for certain pension benefit obligations. This statement established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Certain amounts necessary to fully restate fiscal year 2016 financial information are not determinable; therefore, prior year comparative amounts have not been restated.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The implementation of this new GASB statement in the current year resulted in the restatement of net position as of June 30, 2016. The details of the restatement are as follows:

	Governmental Activities	Internal Service Funds
Net position – beginning, as previously reported	$ (30,291,034)	$ 8,941,038
Change in accounting principle		
Net pension obligation, under previous reporting standards	81,305	81,305
Net pension liability, under current reporting standards	(3,606,959)	(3,606,959)
Deferred outflows, under current reporting standards	274,805	274,805
Total change in accounting principle	(3,250,849)	(3,250,849)
Net position – beginning, as restated	$ (33,541,883)	$ 5,690,189

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consisted of the following:

Deposits	$ 8,003,067
Investments	260,380,880
Cash on hand	21,309
Total	$ 268,405,256

Cash and investments are presented in the financial statements as follows:

Statement of Net Position	
Cash and temporary investments	$ 123,835,878
Restricted assets – temporarily restricted	
Cash and investments for capital asset acquisition	22,963,424
Cash and investments for debt service	121,529,707
Statement of Fiduciary Net Position	
Cash and temporary investments	76,247
Total	$ 268,405,256

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and nonnegotiable certificates of deposit.

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

At year-end, the carrying amount of the District's deposits was $8,003,067, while the balance on the bank records was $8,005,403. At year-end, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the District's agent in the District's name.

C. Investments

The District had the following investments at year-end:

Investment Type	Credit Risk – Credit Rating	Credit Risk – Rating Agency	Fair Value Measurements Using	Interest Risk – Maturity Duration in Years – Less Than 1	Interest Risk – Maturity Duration in Years – 1 to 5	Total
U.S. treasury time deposit	N/R	N/A	N/A	$ 94,599,626	$ –	$ 94,599,626
U.S. treasury securities	Aa	Moody's	Level 1	$ 26,929,320	$ –	26,929,320
U.S. agency securities	AA	S&P	Level 2	$ 16,524,848	$ 14,496,433	31,021,281
U.S. agency securities	AA	S&P	Level 1	$ 3,020,773	$ –	3,020,773
Commercial paper	A-1	S&P	Level 2	$ 15,404,278	$ –	15,404,278
Negotiable certificates of deposit	N/R	N/A	Level 1	$ 1,743,000	$ –	1,743,000
Investment pools/mutual funds						
Minnesota School District Liquid Asset Fund	AAA	S&P	N/A	N/A	N/A	63,405,934
First American Government Obligations Fund	AAA	S&P	Level 2	N/A	N/A	21,980,359
Federated Prime Obligations Fund	AAA	S&P	NAV	N/A	N/A	306,252
Wells Fargo Advantage Governmental Fund	AAA	S&P	Level 1	N/A	N/A	1,970,057
Total investments						$ 260,380,880

NAV – Investments measured at the net asset value
N/A – Not Applicable
N/R – Not Rated

The Minnesota School District Liquid Asset Fund (MSDLAF) is regulated by Minnesota Statutes and is an external investment pool which is not registered with the Securities and Exchange Commission. The District's investment in the MSDLAF is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. For the MSDLAF investments, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class; the redemption notice period is 14 days for the MAX Class. For the Federated Prime Obligations Fund valued at the net asset value, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice period required.

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form; and, therefore, are not subject to custodial credit risk disclosures. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to 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 that receive 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; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest 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; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. The District's investment policies do not further restrict investing in specific financial instruments.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds.

The District has an internal policy that limits investment choices and addresses these potential risks beyond the statutory limitations listed above. These limitations are discussed below:

- Investments in the various authorized instruments cannot exceed the following percentages of total funds:

    1. U.S. treasury obligations (bills, notes, and bonds) – 100 percent
    2. U.S. government agency securities and instrumentalities of government-sponsored corporations – 100 percent
    3. Bankers' acceptances – 25 percent
    4. Commercial paper – 75 percent
    5. Repurchase agreements – 50 percent
    6. Certificates of deposit – commercial banks – 100 percent
    7. Certificates of deposit – savings and loans – 25 percent
    8. School district investment pool – 75 percent

- Not more than 50 percent of the total nonconstruction portfolio shall be with any one depository.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). 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.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the current year ended is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	$ 9,747,070	$ 5,099,359	$ –	$ –	$ 14,846,429
Construction in progress	44,554,489	24,540,298	–	(24,462,246)	44,632,541
Total capital assets, not depreciated	54,301,559	29,639,657	–	(24,462,246)	59,478,970
Capital assets, depreciated					
Land improvements	13,585,366	–	–	–	13,585,366
Buildings	392,812,533	–	–	24,462,246	417,274,779
Machinery and equipment	14,702,874	422,201	–	–	15,125,075
Licensed vehicles	11,181,327	174,807	–	–	11,356,134
Total capital assets, depreciated	432,282,100	597,008	–	24,462,246	457,341,354
Less accumulated depreciation for					
Land improvements	(8,612,488)	(671,099)	–	–	(9,283,587)
Buildings	(103,747,123)	(7,964,955)	–	–	(111,712,078)
Machinery and equipment	(10,886,219)	(676,552)	–	–	(11,562,771)
Licensed vehicles	(7,990,207)	(688,038)	–	–	(8,678,245)
Total accumulated depreciation	(131,236,037)	(10,000,644)	–	–	(141,236,681)
Net capital assets, depreciated	301,046,063	(9,403,636)	–	24,462,246	316,104,673
Total capital assets, net	$ 355,347,622	$ 20,236,021	$ –	$ –	$ 375,583,643

Depreciation expense for the year was charged to the following governmental functions:

District support services	$ 55,031
Elementary and secondary regular instruction	26,993
Instructional support services	372
Pupil support services	645,208
Sites and buildings	240,188
Food service	134,196
Community service	4,655
Unallocated depreciation	8,894,001
Total depreciation expense	$ 10,000,644

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds

The District currently has the following general obligation bonds payable outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
General obligation bonds					
2006A Building Bonds	11/28/2006	4.00–5.00%	$ 110,000,000	02/01/2027	$ 82,000,000
2008A Building Bonds	06/18/2008	3.25–4.75%	$ 39,000,000	02/01/2027	29,600,000
2008B Alternative Facility Bonds	08/13/2008	3.50–5.00%	$ 11,250,000	02/01/2025	9,900,000
2010A Refunding Bonds	04/21/2010	4.00–5.00%	$ 41,445,000	02/01/2023	33,525,000
2010B Taxable Alternative Facility	06/10/2010	5.15%	$ 4,365,000	06/01/2026	4,220,000
2010C Taxable Alternative Facility	06/10/2010	5.00%	$ 19,565,000	06/01/2026	19,565,000
2012A Alternative Facility Bonds	04/19/2012	3.00–3.25%	$ 6,150,000	02/01/2027	4,475,000
2014A Alternative Facility Bonds	05/20/2014	2.00–3.50%	$ 14,840,000	02/01/2028	14,640,000
2014B Capital Facilities Bonds	05/20/2014	2.00–2.50%	$ 5,670,000	02/01/2024	3,925,000
2015A Refunding Bonds	05/05/2015	2.00–5.00%	$ 32,695,000	02/01/2021	22,610,000
2016A Building Bonds	03/01/2016	3.50–5.00%	$ 87,145,000	02/01/2035	87,145,000
2016B Refunding Bonds	05/12/2016	3.00–5.00%	$ 73,460,000	02/01/2027	73,460,000
2016C Facilities Maintenance Bonds	05/12/2016	3.00–4.00%	$ 14,470,000	02/01/2031	14,470,000
2016E Refunding Bonds	11/09/2016	3.00–5.00%	$ 33,035,000	02/01/2027	33,035,000
Total general obligation bonds					$ 432,570,000

These bonds were issued to finance acquisition, construction, and/or improvement of capital facilities, or to finance the retirement (refunding) of prior bond issues. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

The District's Taxable Alternative Facility Bonds, Series 2010B were issued as Qualified Zone Academy Bonds – Direct Payment, for which the District receives a federal rebate equal to 100 percent of the interest payment on this debt issue. The District's Taxable Alternative Facility Bonds, Series 2010C were issued as Qualified School Construction Bonds – Direct Payment. Although the District has complied with all eligibility requirements for this credit, the District received notice from the Internal Revenue Service that interest payment credits were reduced from originally anticipated amounts.

In May 2016, the District issued $73,460,000 of General Obligation School Building Refunding Bonds, Series 2016B. The proceeds of this issue and interest earned thereon will be used to refund, in advance of their stated maturities, the 2018 through 2027 maturities of the District's General Obligation Building Bonds, Series 2006A. The proceeds of the 2016B issue have been placed in an escrow account pending the August 1, 2017 call date of the refunded issue. Until the call date, the District will continue to make all debt service payments on the 2006A issue. On August 1, 2017, proceeds will be used to call the remaining principal of the 2006A issue, and the District will assume all future principal and interest payments on the 2016B issue. This advance "crossover refunding" will reduce the District's total future debt service payments by $10,484,306 and will result in present value savings of $9,631,243.

In November 2016, the District issued $33,035,000 of General Obligation School Building Refunding Bonds, Series 2016E. The proceeds of this issue and interest earned thereon will be used to refund, in advance of their stated maturities, the 2019 through 2027 maturities of the District's General Obligation Building Bonds, Series 2008A and the 2019 through 2025 maturities of the District's General Obligation Alternative Facility Bonds, Series 2008B. The proceeds of the 2016E issue have been placed in an escrow account pending the February 1, 2018 call date of the refunded issues. Until the call date, the District will continue to make all debt service payments on the 2008A and 2008B issues. On February 1, 2018, proceeds will be used to call the remaining principal of the 2008A and 2008B issues, and the District will assume all future principal and interest payments on the 2016E issue. This advance "crossover refunding" will reduce the District's total future debt service payments by $4,998,374 and will result in present value savings of $4,551,357.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

B. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2016D Certificates of Participation	06/16/2016	4.00–5.00%	$ 13,200,000	04/01/2031	$ 12,455,000
2017A Certificates of Participation	06/22/2017	3.00–3.25%	$ 6,995,000	02/01/2032	6,995,000
Total certificates of participation					$ 19,450,000

The District has issued certificates of participation under Minnesota Statutes § 123B.51 to finance the purchase of Valley Crossing Elementary School, and to finance an addition to the Woodbury Middle School. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates. These certificates of participation are being paid by the General Fund.

C. Capital Leases

The District has purchased various assets through capitalized lease-purchase agreements. Annual principal and interest on these leases will be paid from the General Fund.

Asset Leased	Asset Value Capitalized	Interest Rate	Lease Date	Final Maturity	Principal Outstanding
Liberty Ridge Site II	$ 4,550,000	2.99%	04/12/2012	04/15/2027	$ 2,923,867
Security equipment	2,268,000	2.90%	04/23/2015	04/01/2024	1,811,740
Elementary entrance projects	3,325,000	2.06%	05/12/2016	04/01/2024	2,931,746
Buses	1,438,734	2.03%	05/18/2016	05/18/2022	1,027,252
Apple iPads	N/A	0.90%	07/25/2016	07/25/2019	1,075,439
Apple MacBooks	N/A	0.25%	01/02/2017	01/02/2020	1,306,605
	$ 11,581,734				$ 11,076,649

N/A – These leases were used to acquire equipment, which individually fell under the District's capitalization policy, therefore, the equipment acquired is not included as part of capital assets.

Amortization of assets capitalized through these lease agreements is included in depreciation expense in the government-wide financial statements. The amount charged to depreciation for the year ended June 30, 2017 was $270,841.

The assets acquired through these capital leases are reported as follows:

	Buildings	Licensed Vehicles	Construction in Progress
Assets	$ 4,550,000	$ 1,438,734	$ 5,593,000
Less accumulated depreciation	439,833	209,815	–
	$ 4,110,167	$ 1,228,919	$ 5,593,000

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including pensions, severance benefits, compensated absences, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund.

District employees participate in three defined benefit pension plans, including two state-wide, cost-sharing, multi-employer plans administered by the PERA and the TRA, and one single-employer plan administered by the District. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2017:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	$ 40,053,517	$ 15,718,736	$ 4,465,937	$ 4,670,816
TRA	425,645,829	273,239,716	5,269,230	67,350,558
District	3,651,366	490,279	–	264,619
Total	$ 469,350,712	$ 289,448,731	$ 9,735,167	$ 72,285,993

E. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds, certificates of participation, and capital leases are as follows:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Certificates of Participation Principal	Certificates of Participation Interest	Capital Leases Principal	Capital Leases Interest
2018	$ 134,915,000	$ 15,900,072	$ 1,105,000	$ 664,882	$ 1,871,640	$ 229,179
2019	16,735,000	12,341,418	1,070,000	708,194	1,902,900	197,919
2020	18,135,000	11,573,518	1,110,000	662,394	1,934,888	165,930
2021	19,320,000	10,737,518	1,160,000	614,794	1,164,959	133,193
2022	21,070,000	9,844,268	1,210,000	564,894	1,194,084	104,068
2023–2027	121,170,000	33,598,257	6,810,000	2,050,519	3,008,178	169,937
2028–2032	66,615,000	13,100,975	6,985,000	694,937	–	–
2033–2035	34,610,000	2,425,150	–	–	–	–
	$ 432,570,000	$ 109,521,176	$ 19,450,000	$ 5,960,614	$ 11,076,649	$ 1,000,226

F. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Change in Accounting Principle *	Additions	Retirements	Balance – End of Year	Due Within One Year
General obligation bonds	$ 415,810,000	$ –	$ 33,035,000	$ 16,275,000	$ 432,570,000	$ 134,915,000
Certificates of participation	13,200,000	–	6,995,000	745,000	19,450,000	1,105,000
Unamortized premium/discount	31,115,494	–	5,494,553	3,387,693	33,222,354	–
Capital leases	9,757,949	–	3,184,710	1,866,010	11,076,649	1,871,640
Net pension liability	139,578,020	3,525,654	342,462,700	16,215,662	469,350,712	–
Compensated absences	1,199,853	–	1,646,289	1,570,511	1,275,631	1,275,631
Severance benefits	1,558,011	–	142,233	152,393	1,547,851	315,817
Net OPEB obligation	2,345,659	–	1,798,829	978,560	3,165,928	–
	$ 614,564,986	$ 3,525,654	$ 394,759,314	$ 41,190,829	$ 971,659,125	$ 139,483,088

* The amount in this column reflects only a portion of the change in accounting principle described earlier in these notes.

NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds which are defined earlier in the report. When applicable, certain restrictions which have an accumulated deficit balance at June 30 are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included since the District has specific authority to future resources for such deficits.

A. Classifications

At year-end, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	$ 168,416	$ –	$ –	$ 112,457	$ 280,873
Prepaid items	3,089,381	–	–	229,767	3,319,148
Total nonspendable	3,257,797	–	–	342,224	3,600,021
Restricted					
Staff development	351,971	–	–	–	351,971
Health and safety	310,775	–	–	–	310,775
Operating capital	2,432,324	–	–	–	2,432,324
State-approved alternative programs	919,416	–	–	–	919,416
Safe schools levy	1,601,880	–	–	–	1,601,880
Community arts center	30,683	–	–	–	30,683
Projects funded by certificates of participation	–	8,889,257	–	–	8,889,257
Long-term facilities maintenance	–	8,247,388	–	–	8,247,388
Building construction	–	75,665,001	–	–	75,665,001
Bond refunding	–	–	121,865,821	–	121,865,821
Debt service	–	–	4,880,715	–	4,880,715
Food service	–	–	–	644,682	644,682
Community education programs	–	–	–	1,351,224	1,351,224
Early childhood family education programs	–	–	–	428,024	428,024
Adult basic education	–	–	–	141,602	141,602
Total restricted	5,647,049	92,801,646	126,746,536	2,565,532	227,760,763
Committed					
Alternative Teacher Professional Pay System	97,017	–	–	–	97,017
Donations/gifts	673,526	–	–	–	673,526
School budget carryover	1,578,597	–	–	–	1,578,597
Total committed	2,349,140	–	–	–	2,349,140
Unassigned					
Restricted account deficits					
Capital projects levy	(3,393)	–	–	–	(3,393)
Long-term facilities maintenance	(1,541,488)	–	–	–	(1,541,488)
School readiness	–	–	–	(1,205,437)	(1,205,437)
Community service	–	–	–	(850,262)	(850,262)
Unassigned	(2,291,408)	–	–	–	(2,291,408)
Total unassigned	(3,836,289)	–	–	(2,055,699)	(5,891,988)
	$ 7,417,697	$ 92,801,646	$ 126,746,536	$ 852,057	$ 227,817,936

NOTE 5 – FUND BALANCES (CONTINUED)

B. Minimum Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding maintaining a minimum fund balance for the General Fund. The policy states that the District will endeavor to maintain an unrestricted fund balance each year of 5–9 percent of the District's General Fund unrestricted operating expenditure budget. As presented in the table on the previous page, the District's year-end unrestricted net position is below the minimum per the adopted fund balance policy.

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Descriptions

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a separate publicly available financial report. These benefits are summarized as follows:

Teachers' Post-Employment Healthcare Savings Benefits – Eligible teachers receive at retirement an amount equal to a calculated number of days paid multiplied by their daily rate of pay at retirement. This benefit is limited to 121 days or $41,347, whichever is greater. This amount is used to extend insurance coverage for the retired teacher.

Post-Employment Insurance Benefits – All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical and/or dental insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has established an Internal Service Fund to account for these obligations.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan:

ARC	$ 1,842,093
Interest on net OPEB obligation	82,098
Adjustment to ARC	(125,362)
Annual OPEB cost (expense)	1,798,829
Contributions made	978,560
Increase in net OPEB obligation	820,269
Net OPEB obligation – beginning of year	2,345,659
Net OPEB obligation – end of year	$ 3,165,928

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years are as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 1,966,105	$ 1,519,712	77.3%	$ 1,610,225
2016	$ 1,812,394	$ 1,076,960	59.4%	$ 2,345,659
2017	$ 1,798,829	$ 978,560	54.4%	$ 3,165,928

D. Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) were both $14,019,575, as the plan is unfunded. The covered payroll (annual payroll of the 2,145 active employees covered by the plan) was $108,738,382, and the ratio of the UAAL to the covered payroll was 12.9 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress following the notes to basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 3.50 percent investment rate of return (net of administrative expenses) based on the District's own investments; a 3.00 percent rate of projected salary increases; and an annual healthcare cost trend rate of 7.25 percent initially, reduced by decrements to an ultimate rate of 5.00 percent after nine years for medical insurance. All rates include a 2.50 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at July 1, 2015 for the various amortization layers ranged from 22 to 30 years.

NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT

A. Plan Description

The District provides pension benefits to certain eligible employees through the Pension Benefits Plan, a single-employer defined benefit plan administered by the District. All pension benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report.

These benefits are summarized as follows:

Teacher Pension Benefits – For eligible teachers hired before July 1, 1991, the District pays a lump sum pension benefit up to $22,500 based on years of service at retirement. The amount of any pension benefits due to an employee is reduced by the total matching contributions made by the District to the employee's qualified retirement account over the course of that individual's employment with the District.

Other Pension Benefits – The District offers pension benefits to several other employee groups. Eligible employees (contracts stipulate a minimum number of years of service and a minimum age) can earn a lump sum pension benefit that differs by bargaining unit. Some contracts also reduce the pension benefits by the total matching contribution made by the District to the employee's qualified retirement account over the course of that individual's employment with the District.

B. Contributions and Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has not established a trust fund to finance these pension benefits. The District has established internal service funds to account for these obligations.

NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)

C. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	21
Active plan members	1,302
Total members	1,323

D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation date of July 1, 2015 and a measurement date as of July 1, 2016, using the entry age, level percentage of pay method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.90%
20-year municipal bond yield	2.90%
Inflation rate	2.50%
Salary increases	3.00%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

E. Discount Rate

The discount rate used to measure the total pension liability was 2.90 percent. The District discount rate used in the prior measurement date was 3.50 percent. Since the plan is not funded, the discount rate is equal to the 20-year municipal bond rate which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

F. Changes in the Net Pension Liability

	Total Pension Liability
Beginning balance – July 1, 2016	$ 3,606,959
Changes for the year	
Service cost	134,534
Interest	126,185
Assumption changes	58,493
Benefit payments – employer financed	(274,805)
Total net changes	44,407
Ending balance – June 30, 2017	$ 3,651,366

NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)

Assumption changes since the prior measurement date include the following:

- Retirement rates now begin at age 55, even if the years of service requirement to receive a GASB 73 benefit has not been met.
- The discount rate was changed from 3.50 percent to 2.90 percent.

G. Net Pension Liability Sensitivity to Discount Rate Changes

The following presents the net pension liability of the District, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Pension discount rate	1.90%	2.90%	3.90%
Net pension liability	$ 3,745,343	$ 3,651,366	$ 3,553,170

H. Pension Expense and Related Deferred Outflows and Deferred Inflows of Resources

For the current year ended, the District recognized pension expense of $264,619.

As of year-end, the District reported its deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 54,593	$ -
District's contributions to the plan subsequent to the measurement date	435,686	-
Total	$ 490,279	$ -

A total of $435,686 reported as deferred outflows of resources related to pensions resulting from district contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to the District pension will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2018	$ 3,900
2019	$ 3,900
2020	$ 3,900
2021	$ 3,900
2022	$ 3,900
Thereafter	$ 35,093

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

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

2. Teachers Retirement Association (TRA)

The 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. The TRA is a separate statutory entity administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

B. Benefits Provided

The PERA and the TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature.

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded, or have fallen below 80.0 percent, are given 1.0 percent increases.

- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January and are assumed to remain level at 2.0 percent annually.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. 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.

1. GERF Benefits

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 the PERA's Coordinated Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent for Coordinated Plan members for each year 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 age 66.

2. TRA Benefits

The 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 Statutes 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 the TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

Tier I Benefits

Step-Rate Formula	Percentage per Year
Basic Plan	
First 10 years of service	2.2 %
All years after	2.7 %
Coordinated Plan	
First 10 years if service years are up to July 1, 2006	1.2 %
First 10 years if service years are July 1, 2006 or after	1.4 %
All other years of service if service years are up to July 1, 2006	1.7 %
All other years of service if service years are up to July 1, 2006 or after	1.9 %

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) Three percent per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Tier II Benefits

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

Members first employed after June 30, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

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

C. Contributions

Minnesota Statutes set the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2017; the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2017 were $2,495,606. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

Minnesota Statutes, Chapter 354 sets the rates for employer and employee contributions. Rates for each fiscal year were:

	Year Ended June 30,			
	2016		2017	
	Employee	Employer	Employee	Employer
Basic Plan	11.0 %	11.5 %	11.0 %	11.5 %
Coordinated Plan	7.5 %	7.5 %	7.5 %	7.5 %

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2017, were $8,114,210. The District's contributions were equal to the required contributions for each year as set by state statutes.

The following is a reconciliation of employer contributions in the TRA's Comprehensive Annual Financial Report (CAFR) Statement of Changes in Fiduciary Net Position to the employer contributions used in the Schedule of Employer and Nonemployer Pension Allocations:

Employer contributions reported in the TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 354,961,140
Deduct employer contributions not related to future contribution efforts	26,356
Deduct the TRA's contributions not included in allocation	(442,978)
Total employer contributions	354,544,518
Total nonemployer contributions	35,587,410
Total contributions reported in Schedule of Employer and Nonemployer Pension Allocations	$ 390,131,928

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2017, the District reported a liability of $40,053,517 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.4933 percent at the end of the measurement period and 0.5003 percent for the beginning of the period.

The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of $6 million to the fund in 2017. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The amount recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	$	40,053,517
State's proportionate share of the net pension liability associated with the District	$	523,069

For the year ended June 30, 2017, the District recognized pension expense of $4,514,851 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $155,965 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $6 million to the GERF.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

At June 30, 2017, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 120,225	$ 3,265,947
Changes in actuarial assumptions	8,649,873	-
Differences between projected and actual investment earnings	4,453,032	-
Changes in proportion	-	1,199,990
District's contributions to the GERF subsequent to the measurement date	2,495,606	-
Total	$ 15,718,736	$ 4,465,937

A total of $2,495,606 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2018	$ 2,226,111
2019	$ 1,298,528
2020	$ 3,785,748
2021	$ 1,446,806

2. **TRA Pension Costs**

At June 30, 2017, the District reported a liability of $425,645,829 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2016, 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 the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 1.7845 percent at the end of the measurement period and 1.8359 percent for the beginning of the period.

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

District's proportionate share of net pension liability	$ 425,645,829
State's proportionate share of the net pension liability associated with the District	$ 42,723,360

For the year ended June 30, 2017, the District recognized pension expense of $61,384,946. It also recognized $5,965,612 as an increase to pension expense for the support provided by direct aid.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

At June 30, 2017, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 4,658,147	$ 11,867
Changes in actuarial assumptions	242,575,355	-
Differences between projected and actual investment earnings	17,098,656	-
Changes in proportion	793,348	5,257,363
District's contributions to the TRA subsequent to the measurement date	8,114,210	-
Total	$273,239,716	$ 5,269,230

A total of $8,114,210 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2018	$ 51,297,623
2019	$ 51,297,623
2020	$ 58,132,103
2021	$ 52,455,725
2022	$ 46,673,202

E. **Actuarial Assumptions**

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.50% per year	
Price inflation		2.75%
Wage growth rate		3.50%
Active member payroll	3.25% per year	3.50–9.50% based on years of service
Investment rate of return	7.50%	4.66%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1 percent per year for all future years for the GERF and 2 percent per year for all future years for the TRA.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Actuarial assumptions used in the June 30, 2016 valuation for the GERF were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015.

The following changes in actuarial assumptions for the GERF occurred in 2016:

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

There was a change in actuarial assumptions that affected the measurement of the total liability for the TRA since the prior measurement date. Post-retirement benefit adjustments are now assumed to remain level at 2.00 percent annually, while in the previous measurement the cost of living adjustment increased to 2.50 percent in 2034.

The long-term expected rate of return on pension plan investments is 7.50 percent for the GERF and 4.66 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic stocks	45 %	5.50 %
International stocks	15	6.00 %
Bonds	18	1.45 %
Alternative assets	20	6.40 %
Cash	2	0.50 %
Total	100 %	

F. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2016 was 7.5 percent, a reduction from the 7.9 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the fiscal 2017 contribution rates. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

2. TRA

The discount rate used to measure the total pension liability was 4.66 percent. This is a decrease from the discount rate at the prior measurement date of 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 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 projected to be depleted in 2052 and, as a result, the municipal bond index rate was used in the determination of the single equivalent interest rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the municipal bond index rate of 3.01 percent was applied to periods on and after 2052, resulting in a SEIR of 4.66 percent. Based on fiduciary net position at prior year measurement date, the discount rate of 8.00 percent was used and it was not necessary to calculate the SEIR.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	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	$ 56,887,859	$ 40,053,517	$ 26,186,594
TRA discount rate	3.66%	4.66%	5.66%
District's proportionate share of the TRA net pension liability	$ 548,338,216	$ 425,645,829	$ 325,716,880

H. Pension Plan Fiduciary Net Position

Detailed information about the GERF's fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the PERA website at www.mnpera.org; by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103; or by calling (651) 296-7460 or (800) 652-9026.

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

NOTE 9 – FLEXIBLE BENEFIT PLAN

The District has established the Flexible Spending Plan (the Plan). The Plan is a "cafeteria plan" under § 125 of the IRC. 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 pretax dollars withheld from payroll checks to the Plan for health insurance, healthcare, and dependent care benefits.

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pretax 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 to the Plan, whether or not such contributions have been made.

Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies.

Amounts withheld for medical reimbursement and dependent care are paid by the District to a trust account maintained by an outside administrator on a monthly basis. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical reimbursement and dependent care activity is included in the financial statements in the General Fund and special revenue funds.

All property of the Plan 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 in an amount equal to the eligible healthcare 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 – INTERFUND TRANSACTIONS

The District made the following transfers during the current year ended:

	Transfers in	Transfers (out)
Internal service funds		
Severance Benefits Fund	$ 142,233	$ –
Pension Benefits Fund	–	97,227
Other Post-Employment Benefits Fund	–	45,006
Total transfers	$ 142,233	$ 142,233

Transfers were made between funds to allocate resources for spending. Interfund transactions are eliminated in the government-wide financial statements.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

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

B. Legal Claims

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. Although the outcomes of these claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

C. Construction Contracts

At June 30, 2017, the District had commitments totaling $48,696,761 under various construction contracts for which the work was not yet completed.

NOTE 12 – SUBSEQUENT EVENTS

In July 2017, the District approved a capital lease purchase for buses. The lease will be paid through the General Fund.

In July 2017, the District approved an operating lease purchase for special education buses. The lease will be paid through the General Fund.

In November 2017, district voters approved referendum questions 1, 2, and 3 on the ballot for the District. The approval of Question 1 means the District will continue to receive a $15.3 million operating levy annually over the next 10 years. Question 1 has been a part of the budget for two decades. The approval of Question 2 means the District will receive an additional $7.5 million operating levy annually over the next 10 years. The approval shows the community recognizes the need as planned for by the School Board in 2015. The approval of Question 3 provides the District with $2 million a year, for 10 years, in capital project funding that will be dedicated to technology expenses.

INDEPENDENT SCHOOL DISTRICT NO. 833

Public Employees Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2017

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.5346%	$ 25,112,830	$ –	$ 25,112,830	$ 28,092,359	89.39%	78.70%
06/30/2016	06/30/2015	0.5003%	$ 25,928,143	$ –	$ 25,928,143	$ 29,415,673	88.14%	78.20%
06/30/2017	06/30/2016	0.4933%	$ 40,053,517	$ 523,069	$ 40,576,586	$ 30,782,743	130.12%	68.90%

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2017

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 2,167,373	$ 2,167,373	$ –	$ 29,415,673	7.37%
06/30/2016	$ 2,296,584	$ 2,296,584	$ –	$ 30,782,743	7.46%
06/30/2017	$ 2,495,606	$ 2,495,606	$ –	$ 33,279,230	7.50%

Note 1: **Changes of Benefit Terms** – On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the GERF, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

Note 2: **Changes in Actuarial Assumptions** – (1) 2015 Changes – The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter. (2) 2016 Changes – The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all future years. The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Note 3: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 833

Teachers Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2017

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	1.9987%	$ 92,098,657	$ 6,479,000	$ 98,577,657	$ 91,237,229	100.94%	81.50%
06/30/2016	06/30/2015	1.8359%	$ 113,568,572	$ 13,930,331	$ 127,498,903	$ 92,802,751	122.38%	76.80%
06/30/2017	06/30/2016	1.7845%	$ 425,645,829	$ 42,723,360	$ 468,369,189	$ 92,469,962	460.31%	44.88%

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2017

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 6,983,156	$ 6,983,156	$ –	$ 92,802,751	7.52%
06/30/2016	$ 6,961,699	$ 6,961,699	$ –	$ 92,469,962	7.53%
06/30/2017	$ 8,114,210	$ 8,114,210	$ –	$ 108,203,544	7.50%

Note 1: **Changes of Benefit Terms** – The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

Note 2: **Change of Assumptions** – (1) 2015 Changes – The annual cost of living adjustment for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent with an increase to 2.50 percent commencing in 2034. The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent. (2) 2016 Changes – The discount rate used to measure the total pension liability was 4.66 percent. Details, if necessary, can be obtained from the TRA's CAFR.

Note 3: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 833

Pension Benefits Plan
Schedule of Changes in the District's Net
Pension Liability and Related Ratios
Year Ended June 30, 2017

	2017
Total pension liability	
Service cost	$ 134,534
Interest	126,185
Assumption changes	58,493
Benefit payments	(274,805)
Net change in total pension liability	44,407
Total pension liability – beginning of year	3,606,959
Total pension liability – end of year	$ 3,651,366
Covered-employee payroll	$ 82,208,486
Total pension liability as a percentage of covered-employee payroll	4.44%

Note 1: **Change of Assumptions** – Retirement rates now begin at age 55 even if the years of service requirement to receive a benefit has not been met. The discount rate was changed from 3.50 percent to 2.90 percent.

Note 2: The District has not established a trust fund to finance GASB Statement No. 73 related benefits.

Note 3: The District implemented GASB Statement No. 73 for the year ended June 30, 2017. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 833

Other Post-Employment Benefits Plan
Schedule of Funding Progress
Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2011	$ 18,057,291	$ –	$ 18,057,291	– %	$ 91,634,068	19.7%
July 1, 2013	$ 16,125,242	$ –	$ 16,125,242	– %	$ 100,846,768	16.0%
July 1, 2015	$ 14,019,575	$ –	$ 14,019,575	– %	$ 108,738,382	12.9%

INDEPENDENT SCHOOL DISTRICT NO. 833

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2017

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 1,182,883	$ 1,172,723	$ 2,355,606
Receivables			
Current taxes	–	786,720	786,720
Delinquent taxes	–	11,216	11,216
Accounts and interest	462	1,432	1,894
Due from other governmental units	101,034	223,472	324,506
Inventory	112,457	–	112,457
Prepaid items	77,490	152,277	229,767
Total assets	$ 1,474,326	$ 2,347,840	$ 3,822,166
Liabilities			
Salaries payable	$ 126,845	$ 449,720	$ 576,565
Accounts and contracts payable	236,238	324,481	560,719
Due to other governmental units	–	2,652	2,652
Unearned revenue	276,614	105,781	382,395
Total liabilities	639,697	882,634	1,522,331
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	–	5,104	5,104
Property taxes levied for subsequent year	–	1,442,674	1,442,674
Total deferred inflows of resources	–	1,447,778	1,447,778
Fund balances (deficit)			
Nonspendable	189,947	152,277	342,224
Restricted	644,682	1,920,850	2,565,532
Unassigned	–	(2,055,699)	(2,055,699)
Total fund balances	834,629	17,428	852,057
Total liabilities, deferred inflows of resources, and fund balances	$ 1,474,326	$ 2,347,840	$ 3,822,166

INDEPENDENT SCHOOL DISTRICT NO. 833

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2017

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 1,378,067	$ 1,378,067
Investment earnings	6,440	2,628	9,068
Other	6,265,612	10,587,395	16,853,007
State sources	426,368	2,187,184	2,613,552
Federal sources	2,857,286	16,466	2,873,752
Total revenue	9,555,706	14,171,740	23,727,446
Expenditures			
Current			
Food service	8,942,896	–	8,942,896
Community service	–	14,775,151	14,775,151
Capital outlay	387,229	144,081	531,310
Total expenditures	9,330,125	14,919,232	24,249,357
Net change in fund balances	225,581	(747,492)	(521,911)
Fund balances			
Beginning of year	609,048	764,920	1,373,968
End of year	$ 834,629	$ 17,428	$ 852,057

INDEPENDENT SCHOOL DISTRICT NO. 833

General Fund
Comparative Balance Sheet
as of June 30, 2017 and 2016

	2017	2016
Assets		
Cash and temporary investments	$ 18,614,337	$ 22,491,674
Cash and investments held by trustee	983,065	5,590,319
Receivables		
Current taxes	23,475,506	22,569,473
Delinquent taxes	312,526	202,826
Accounts and interest	87,624	81,570
Due from other governmental units	19,835,416	16,502,792
Inventory	168,416	176,919
Prepaid items	3,089,381	2,962,591
Total assets	$ 66,566,271	$ 70,578,164
Liabilities		
Salaries payable	$ 11,617,659	$ 13,837,267
Accounts and contracts payable	6,236,430	6,393,558
Due to other governmental units	574,837	529,465
Unearned revenue	678,723	2,670,804
Total liabilities	19,107,649	23,431,094
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	173,747	151,090
Property taxes levied for subsequent year	39,867,178	39,692,913
Total deferred inflows of resources	40,040,925	39,844,003
Fund balances (deficit)		
Nonspendable for inventory	168,416	176,919
Nonspendable for prepaid items	3,089,381	2,962,591
Restricted for staff development	351,971	264,805
Restricted for health and safety	310,775	361,275
Restricted for operating capital	2,432,324	2,528,922
Restricted for state-approved alternative programs	919,416	747,072
Restricted for safe schools levy	1,601,880	1,299,489
Restricted for community arts center	30,683	30,683
Committed for ATPPS	97,017	605,094
Committed for donations/gifts	673,526	713,942
Committed for school budget carryover	1,578,597	1,529,027
Unassigned – capital projects levy restricted account deficit	(3,393)	–
Unassigned – long-term facilities maintenance restricted account deficit	(1,541,488)	–
Unassigned	(2,291,408)	(3,916,752)
Total fund balances	7,417,697	7,303,067
Total liabilities, deferred inflows of resources, and fund balances	$ 66,566,271	$ 70,578,164

INDEPENDENT SCHOOL DISTRICT NO. 833

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 43,232,903	$ 43,100,551	$ (132,352)	$ 28,704,114
Investment earnings	40,000	123,105	83,105	45,546
Other	5,389,772	6,718,386	1,328,614	3,657,510
State sources	164,541,754	164,509,854	(31,900)	158,400,311
Federal sources	4,426,876	4,784,475	357,599	4,080,943
Total revenue	217,631,305	219,236,371	1,605,066	194,888,424
Expenditures				
Current				
Administration	8,241,653	8,197,267	(44,386)	7,892,778
District support services	8,001,036	6,307,421	(1,693,615)	6,523,030
Elementary and secondary regular instruction	106,700,303	107,854,344	1,154,041	98,789,970
Vocational education instruction	2,136,923	2,206,298	69,375	2,317,450
Special education instruction	38,502,591	39,392,782	890,191	34,778,587
Instructional support services	11,045,517	10,306,731	(738,786)	9,845,835
Pupil support services	21,479,353	21,088,490	(390,863)	19,897,703
Sites and buildings	19,188,385	23,601,889	4,413,504	30,054,434
Fiscal and other fixed cost programs	445,000	493,785	48,785	318,258
Debt service				
Principal	2,544,000	2,611,010	67,010	1,625,781
Interest and fiscal charges	679,000	682,694	3,694	165,776
Total expenditures	218,963,761	222,742,711	3,778,950	212,209,602
Excess (deficiency) of revenue over expenditures	(1,332,456)	(3,506,340)	(2,173,884)	(17,321,178)
Other financing sources				
Capital leases issued	719,367	3,184,710	2,465,343	4,763,734
Proceeds from sale of assets	433,010	436,260	3,250	188,375
Total other financing sources	1,152,377	3,620,970	2,468,593	4,952,109
Net change in fund balances before special item	(180,079)	114,630	294,709	(12,369,069)
Special item – joint school proceeds	–	–	–	9,354,650
Net change in fund balances	$ (180,079)	114,630	$ 294,709	(3,014,419)
Fund balances				
Beginning of year		7,303,067		10,317,486
End of year		$ 7,417,697		$ 7,303,067

INDEPENDENT SCHOOL DISTRICT NO. 833

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2017 and 2016

	2017	2016
Assets		
Cash and temporary investments	$ 1,182,883	$ 578,844
Receivables		
Accounts and interest	462	1,874
Due from other governmental units	101,034	426,190
Inventory	112,457	89,819
Prepaid items	77,490	77,501
Total assets	$ 1,474,326	$ 1,174,228
Liabilities		
Salaries payable	$ 126,845	$ 109,220
Accounts and contracts payable	236,238	194,484
Unearned revenue	276,614	261,476
Total liabilities	639,697	565,180
Fund balances		
Nonspendable for inventory	112,457	89,819
Nonspendable for prepaid items	77,490	77,501
Restricted for food service	644,682	441,728
Total fund balances	834,629	609,048
Total liabilities and fund balances	$ 1,474,326	$ 1,174,228

INDEPENDENT SCHOOL DISTRICT NO. 833

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 1,000	$ 6,440	$ 5,440	$ 910
Other – primarily meal sales	6,158,950	6,265,612	106,662	5,929,451
State sources	629,757	426,368	(203,389)	428,167
Federal sources	2,834,698	2,857,286	22,588	2,732,726
Total revenue	9,624,405	9,555,706	(68,699)	9,091,254
Expenditures				
Current				
Salaries	3,319,507	3,385,918	66,411	3,136,730
Employee benefits	1,107,799	1,149,698	41,899	1,060,751
Purchased services	586,860	573,870	(12,990)	508,948
Supplies and materials	3,905,714	3,817,130	(88,584)	3,721,868
Other expenditures	15,000	16,280	1,280	14,011
Capital outlay	375,000	387,229	12,229	118,578
Total expenditures	9,309,880	9,330,125	20,245	8,560,886
Net change in fund balances	$ 314,525	225,581	$ (88,944)	530,368
Fund balances				
Beginning of year		609,048		78,680
End of year		$ 834,629		$ 609,048

INDEPENDENT SCHOOL DISTRICT NO. 833

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2017 and 2016

	2017	2016
Assets		
Cash and temporary investments	$ 1,172,723	$ 1,837,739
Receivables		
Current taxes	786,720	746,132
Delinquent taxes	11,216	9,214
Accounts and interest	1,432	1,666
Due from other governmental units	223,472	191,355
Prepaid items	152,277	114,851
Total assets	$ 2,347,840	$ 2,900,957
Liabilities		
Salaries payable	$ 449,720	$ 220,673
Accounts and contracts payable	324,481	312,289
Due to other governmental units	2,652	3,039
Unearned revenue	105,781	213,847
Total liabilities	882,634	749,848
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	5,104	6,807
Property taxes levied for subsequent year	1,442,674	1,379,382
Total deferred inflows of resources	1,447,778	1,386,189
Fund balances (deficit)		
Nonspendable for prepaid items	152,277	114,851
Restricted for community education programs	1,351,224	1,470,925
Restricted for early childhood family education programs	428,024	476,722
Restricted for adult basic education	141,602	74,403
Unassigned – school readiness restricted account deficit	(1,205,437)	(993,075)
Unassigned – community service restricted account deficit	(850,262)	(378,906)
Total fund balances	17,428	764,920
Total liabilities, deferred inflows of resources, and fund balances	$ 2,347,840	$ 2,900,957

INDEPENDENT SCHOOL DISTRICT NO. 833

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 1,429,900	$ 1,378,067	$ (51,833)	$ 1,329,610
Investment earnings	1,000	2,628	1,628	1,191
Other – primarily tuition and fees	10,551,101	10,587,395	36,294	10,012,263
State sources	2,221,643	2,187,184	(34,459)	1,914,238
Federal sources	12,083	16,466	4,383	11,862
Total revenue	14,215,727	14,171,740	(43,987)	13,269,164
Expenditures				
Current				
Salaries	9,102,156	9,662,640	560,484	8,376,556
Employee benefits	2,688,368	2,701,088	12,720	2,411,923
Purchased services	1,462,391	1,623,683	161,292	1,428,653
Supplies and materials	714,728	757,831	43,103	821,568
Other expenditures	9,425	29,909	20,484	7,584
Capital outlay	186,864	144,081	(42,783)	205,715
Total expenditures	14,163,932	14,919,232	755,300	13,251,999
Net change in fund balances	$ 51,795	(747,492)	$ (799,287)	17,165
Fund balances				
Beginning of year		764,920		747,755
End of year		$ 17,428		$ 764,920

INDEPENDENT SCHOOL DISTRICT NO. 833

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2017 and 2016

	2017	2016
Assets		
Cash and temporary investments	$ 73,972,484	$ 101,544,192
Cash and investments held by trustee	21,980,359	14,977,308
Receivables		
Accounts and interest	199,153	221,239
Total assets	$ 96,151,996	$ 116,742,739
Liabilities		
Accounts and contracts payable	$ 3,350,350	$ 2,463,131
Fund balances (deficit)		
Restricted for projects funded by certificates of participation	8,889,257	2,756,719
Restricted for long-term facilities maintenance	8,247,388	–
Restricted for building construction	75,665,001	111,791,509
Unassigned – alternative facilities program account deficit	–	(268,620)
Total fund balances	92,801,646	114,279,608
Total liabilities and fund balances	$ 96,151,996	$ 116,742,739

INDEPENDENT SCHOOL DISTRICT NO. 833

Capital Projects – Building Construction Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 1,057,008	$ –	$ (1,057,008)	$ 2,089,950
Investment earnings	–	510,660	510,660	448,756
Other	–	–	–	30,125
Total revenue	1,057,008	510,660	(546,348)	2,568,831
Expenditures				
Capital outlay				
Salaries	–	141,711	141,711	–
Employee benefits	–	45,610	45,610	–
Purchased services	51,451	12,277,766	12,226,315	476,615
Capital expenditures	12,921,388	16,651,769	3,730,381	25,531,999
Total expenditures	12,972,839	29,116,856	16,144,017	26,008,614
Excess (deficiency) of revenue over expenditures	(11,915,831)	(28,606,196)	(16,690,365)	(23,439,783)
Other financing sources				
Bonds issued	–	–	–	101,615,000
Certificates of participation issued	–	6,995,000	6,995,000	13,200,000
Premium on debt issued	–	133,234	133,234	11,875,891
Total other financing sources	–	7,128,234	7,128,234	126,690,891
Net change in fund balances	$ (11,915,831)	(21,477,962)	$ (9,562,131)	103,251,108
Fund balances				
Beginning of year		114,279,608		11,028,500
End of year		$ 92,801,646		$ 114,279,608

INDEPENDENT SCHOOL DISTRICT NO. 833

Debt Service Fund
Comparative Balance Sheet
as of June 30, 2017 and 2016

	2017	2016
Assets		
Cash and temporary investments	$ 17,474,254	$ 17,662,749
Cash and investments held by trustee	121,529,707	85,474,196
Receivables		
Current taxes	15,325,641	15,547,350
Delinquent taxes	226,280	177,021
Accounts and interest	337,308	1,147
Due from other governmental units	66,135	996
Total assets	$ 154,959,325	$ 118,863,459
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	$ 108,873	$ 133,038
Property taxes levied for subsequent year	28,103,916	28,742,553
Total deferred inflows of resources	28,212,789	28,875,591
Fund balances		
Restricted for bond refunding	121,865,821	85,474,196
Restricted for debt service	4,880,715	4,513,672
Total fund balances	126,746,536	89,987,868
Total deferred inflows of resources and fund balances	$ 154,959,325	$ 118,863,459

INDEPENDENT SCHOOL DISTRICT NO. 833

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 29,390,967	$ 28,707,636	$ (683,331)	$ 26,874,642
Investment earnings	–	661,904	661,904	70,293
Other	–	51,738	51,738	–
State sources	23,054	661,347	638,293	9,949
Federal sources	–	1,113,085	1,113,085	1,117,270
Total revenue	29,414,021	31,195,710	1,781,689	28,072,154
Expenditures				
Capital outlay – joint elementary school	576,532	–	(576,532)	573,208
Debt service				
Principal	16,175,000	16,275,000	100,000	15,270,000
Interest	11,423,315	16,293,939	4,870,624	11,582,201
Fiscal charges and other	10,600	264,422	253,822	1,107,446
Total expenditures	28,185,447	32,833,361	4,647,914	28,532,855
Excess (deficiency) of revenue over expenditures	1,228,574	(1,637,651)	(2,866,225)	(460,701)
Other financing sources (uses)				
Refunding bonds issued	–	33,035,000	33,035,000	73,460,000
Premium on debt issued	–	5,361,319	5,361,319	13,066,196
Payment to refunded bond escrow agent	–	–	–	(36,435,000)
Total other financing sources (uses)	–	38,396,319	38,396,319	50,091,196
Net change in fund balances	$ 1,228,574	36,758,668	$ 35,530,094	49,630,495
Fund balances				
Beginning of year		89,987,868		40,357,373
End of year		$ 126,746,536		$ 89,987,868

INDEPENDENT SCHOOL DISTRICT NO. 833

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2017
(With Comparative Totals as of June 30, 2016)

	Severance Benefits	Pension Benefits	Other Post-Employment Benefits	Totals 2017	Totals 2016
Assets					
Cash and temporary investments	$ 1,547,851	$ 3,161,087	$ 6,710,259	$ 11,419,197	$ 12,919,532
Receivables					
Accounts and interest	–	–	4,838	4,838	6,481
Total assets	1,547,851	3,161,087	6,715,097	11,424,035	12,926,013
Deferred outflows of resources					
Pension plan deferments	–	490,279	–	490,279	–
Liabilities					
Current liabilities					
Severance benefits	315,817	–	–	315,817	244,568
Long-term liabilities					
Severance benefits	1,232,034	–	–	1,232,034	1,313,443
Net pension liability	–	3,651,366	–	3,651,366	81,305
Net OPEB obligation	–	–	3,165,928	3,165,928	2,345,659
Total long-term liabilities	1,232,034	3,651,366	3,165,928	8,049,328	3,740,407
Total liabilities	1,547,851	3,651,366	3,165,928	8,365,145	3,984,975
Net position					
Unrestricted	$ –	$ –	$ 3,549,169	$ 3,549,169	$ 8,941,038

INDEPENDENT SCHOOL DISTRICT NO. 833

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Severance Benefits	Pension Benefits	Other Post-Employment Benefits	Totals 2017	Totals 2016
Operating revenue					
Contributions from governmental funds	$ –	$ –	$ –	$ –	$ –
Operating expenses					
Severance benefits	142,233	–	–	142,233	138,090
Pension benefits	–	264,619	–	264,619	413,027
Other post-employment benefits	–	–	1,798,829	1,798,829	1,812,394
Total operating expenses	142,233	264,619	1,798,829	2,205,681	2,363,511
Operating income (loss)	(142,233)	(264,619)	(1,798,829)	(2,205,681)	(2,363,511)
Nonoperating revenue					
Investment earnings	–	–	64,661	64,661	13,722
Income (loss) before transfers	(142,233)	(264,619)	(1,734,168)	(2,141,020)	(2,349,789)
Transfers in	142,233	–	–	142,233	138,090
Transfers (out)	–	(97,227)	(45,006)	(142,233)	(138,090)
Change in net position	–	(361,846)	(1,779,174)	(2,141,020)	(2,349,789)
Net position					
Beginning of year, as previously reported	–	3,612,695	5,328,343	8,941,038	11,290,827
Change in accounting principle	–	(3,250,849)	–	(3,250,849)	–
Beginning of year, as restated	–	361,846	5,328,343	5,690,189	11,290,827
End of year	$ –	$ –	$ 3,549,169	$ 3,549,169	$ 8,941,038

INDEPENDENT SCHOOL DISTRICT NO. 833

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Severance Benefits	Pension Benefits	Other Post-Employment Benefits	Totals 2017	Totals 2016
Cash flows from operating activities					
Severance benefit payments	$ (152,393)	$ –	$ –	$ (152,393)	$ (302,568)
Pension benefit payments	–	(435,686)	–	(435,686)	(274,805)
Other post-employment benefit payments	–	–	(978,560)	(978,560)	(1,076,960)
Net cash flows from operating activities	(152,393)	(435,686)	(978,560)	(1,566,639)	(1,654,333)
Cash flows from noncapital financial activities					
Transfer in	142,233	–	–	142,233	138,090
Transfer (out)	–	(97,227)	(45,006)	(142,233)	(138,090)
Net cash flows from noncapital financing activities	142,233	(97,227)	(45,006)	–	–
Cash flows from investing activities					
Interest on investments	–	–	66,304	66,304	25,073
Net change in cash and cash equivalents	(10,160)	(532,913)	(957,262)	(1,500,335)	(1,629,260)
Cash and cash equivalents					
Beginning of year	1,558,011	3,694,000	7,667,521	12,919,532	14,548,792
End of year	$ 1,547,851	$ 3,161,087	$ 6,710,259	$ 11,419,197	$ 12,919,532
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	$ (142,233)	$ (264,619)	$ (1,798,829)	$ (2,205,681)	$ (2,363,511)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities					
Changes in assets, liabilities, and deferred outflows/inflows of resources					
Net pension asset	–	–	–	–	56,917
Deferred outflows of resources	–	(215,474)	–	(215,474)	–
Severance benefits	(10,160)	–	–	(10,160)	(164,478)
Net pension liability	–	44,407	–	44,407	81,305
Net OPEB obligation	–	–	820,269	820,269	735,434
Net cash flows from operating activities	$ (152,393)	$ (435,686)	$ (978,560)	$ (1,566,639)	$ (1,654,333)

INDEPENDENT SCHOOL DISTRICT NO. 833

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	$ 36,944,822	$ 45,824,725	$ 51,600,287	$ 52,070,800	$ 50,633,665	$ 55,788,399	$ 62,066,067	$ 67,105,680	$ 85,486,603	$ 97,078,662
Restricted	4,572,455	4,732,369	5,078,562	4,568,751	7,224,679	7,969,499	6,717,236	5,307,406	7,985,002	8,559,909
Unrestricted	51,659,277	54,122,656	50,012,108	40,897,389	41,564,392	33,224,612	21,345,431	(116,559,725)	(123,762,639)	(190,064,192)
Total governmental activities net position	$ 93,176,554	$ 104,679,750	$ 106,690,957	$ 97,536,940	$ 99,422,736	$ 96,982,510	$ 90,128,734	$ (44,146,639)	$ (30,291,034)	$ (84,425,621)

Note 1: The District implemented GASB Statement No. 45 in fiscal 2008. The implementation of this standard caused the net position balance as of July 1, 2007 in the District's government-wide and proprietary fund financial statements to increase by $28,341,339.

Note 2: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by $133,694,258.

Note 2: The District implemented GASB Statement No. 73 in fiscal 2017. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by $3,250,849.

INDEPENDENT SCHOOL DISTRICT NO. 833

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year 2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Expenses										
Administration	$ 6,055,970	$ 6,099,495	$ 6,432,684	$ 6,726,526	$ 6,804,171	$ 7,050,311	$ 7,360,847	$ 7,532,409	$ 8,060,524	$ 10,381,871
District support services	3,843,610	3,495,202	4,488,058	4,155,337	3,911,630	4,018,082	3,740,490	5,376,819	6,414,735	6,596,898
Elementary and secondary regular instruction	74,726,838	78,667,476	83,495,190	88,083,313	88,058,900	92,521,117	95,372,479	98,375,195	100,748,199	148,539,553
Vocational education instruction	2,607,651	2,486,278	2,261,115	1,909,055	1,717,365	1,740,819	2,177,553	2,205,777	2,313,645	2,685,595
Special education instruction	23,144,174	23,573,415	24,300,238	24,304,069	23,604,017	25,962,043	29,637,200	31,977,796	34,696,192	50,522,278
Instructional support services	8,551,355	8,015,593	8,720,902	8,762,391	8,523,989	9,113,915	9,413,500	9,562,822	9,842,037	13,144,802
Pupil support services	14,752,655	15,354,371	16,113,029	17,177,994	17,762,412	18,413,745	19,096,318	20,109,824	19,090,739	24,295,235
Sites and buildings	16,010,719	15,876,405	15,855,796	21,394,450	19,307,770	19,778,272	22,213,724	22,005,923	20,099,373	23,711,287
Fiscal and other fixed cost programs	442,154	269,333	477,434	320,340	397,742	431,469	475,441	575,898	318,258	493,785
Food service	6,430,201	6,631,553	6,573,724	7,086,114	7,520,073	7,806,312	8,490,573	9,163,254	8,651,331	9,508,533
Community service	9,480,317	9,965,857	10,032,694	10,520,754	11,558,180	12,430,058	12,999,994	12,359,513	13,312,337	16,767,322
Depreciation not included in other functions	4,904,146	5,123,789	5,734,973	8,563,123	8,945,019	9,231,034	9,329,886	9,217,946	8,997,829	8,894,001
Interest and fiscal charges	14,061,738	15,558,451	14,692,589	14,757,583	13,100,740	11,796,212	11,590,377	11,615,626	10,964,797	15,903,275
Total governmental activities expenses	185,011,528	191,117,218	199,178,426	213,761,049	211,212,008	220,293,389	231,898,382	240,078,802	243,509,996	331,444,435
Program revenues										
Charges for services										
Food service	4,979,997	5,103,675	5,095,535	5,057,023	4,945,351	5,140,646	5,317,906	5,362,540	5,929,451	6,265,612
Community service	7,023,282	7,432,061	7,540,926	8,002,134	8,817,171	9,547,111	9,616,643	8,969,973	10,012,263	10,587,395
All other	1,059,612	1,077,496	1,201,243	1,157,250	1,180,515	1,119,080	1,242,491	1,206,308	1,608,938	3,840,898
Operating grants and contributions	31,929,265	33,787,038	33,907,129	35,709,293	34,410,790	39,448,027	39,081,056	46,117,949	46,131,521	51,670,670
Total governmental activities program revenues	44,992,156	47,400,270	47,744,833	49,925,700	49,353,827	55,254,864	55,258,096	61,656,770	63,682,173	72,364,575
Net (expense) revenue	(140,019,372)	(143,716,948)	(151,433,593)	(163,835,349)	(161,858,181)	(165,038,525)	(176,640,286)	(178,422,032)	(179,827,823)	(259,079,860)
General revenues and other changes in net position										
Taxes										
Property taxes levied for general purposes	25,927,022	26,972,635	28,329,696	39,366,853	27,927,885	27,046,036	17,273,471	28,675,307	28,665,427	43,123,208
Property taxes levied for community service	1,239,434	1,146,358	1,283,820	1,997,132	1,277,741	1,312,685	675,875	1,337,276	1,327,464	1,376,364
Property taxes levied for capital projects	3,687,977	3,184,665	2,217,915	2,069,000	–	1,306,697	1,063,625	434,612	2,089,950	–
Property taxes levied for debt service	17,565,143	18,979,960	21,113,789	20,075,991	23,546,002	24,174,245	24,935,744	25,859,959	26,834,502	28,683,471
General grants and aids	96,090,673	97,061,395	96,811,892	88,826,346	106,110,510	106,799,031	123,100,301	118,753,997	122,563,945	130,278,195
Other general revenues	1,318,569	1,288,131	1,570,069	1,685,748	3,543,466	1,956,699	2,582,363	2,598,100	2,267,072	3,365,486
Investment earnings	9,286,695	6,587,000	2,117,619	660,262	1,338,373	2,906	155,131	181,666	580,418	1,369,398
Special item – joint school proceeds	–	–	–	–	–	–	–	–	9,354,650	–
Total general revenues and other changes in net position	155,115,513	155,220,144	153,444,800	154,681,332	163,743,977	162,598,299	169,786,510	177,840,917	193,683,428	208,196,122
Change in net position	$ 15,096,141	$ 11,503,196	$ 2,011,207	$ (9,154,017)	$ 1,885,796	$ (2,440,226)	$ (6,853,776)	$ (581,115)	$ 13,855,605	$ (50,883,738)

INDEPENDENT SCHOOL DISTRICT NO. 833

Governmental Activities Tax Revenues by Source and Levy Type
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Property Tax				
Fiscal Year	General Purposes	Community Service	Capital Projects	Debt Service	Total
2008	$ 25,927,022	$ 1,239,434	$ 3,687,977	$ 17,565,143	$ 48,419,576
2009	26,972,635	1,146,358	3,184,665	18,979,960	50,283,618
2010	28,329,696	1,283,820	2,217,915	21,113,789	52,945,220
2011	39,366,853	1,997,132	2,069,000	20,075,991	63,508,976
2012	27,927,885	1,277,741	–	23,546,002	52,751,628
2013	27,046,036	1,312,685	1,306,697	24,174,245	53,839,663
2014	17,273,471	675,875	1,063,625	24,935,744	43,948,715
2015	28,675,307	1,337,276	434,612	25,859,959	56,307,154
2016	28,665,427	1,327,464	2,089,950	26,834,502	58,917,343
2017	43,123,208	1,376,364	–	28,683,471	73,183,043

Note: The change in "tax shift" as approved in legislation impacted the amount of tax revenue recognized in fiscal years 2011 and 2014. Changes in the amount of revenue recognized due to the tax shift are offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 833

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

				Fiscal Year
	2008	2009	2010	2011
General Fund				
Reserved	$ 2,171,001	$ 2,583,462	$ –	$ –
Unreserved	24,753,613	25,537,221	–	–
Nonspendable	–	–	725,419	823,164
Restricted	–	–	1,573,914	832,872
Committed	–	–	–	4,810,821
Assigned	–	–	11,379,950	7,708,428
Unassigned	–	–	11,292,132	5,204,005
Total General Fund	$ 26,924,614	$ 28,120,683	$ 24,971,415	$ 19,379,290
All other governmental funds				
Reserved	$ 136,804,657	$ 84,876,525	$ –	$ –
Unreserved, reported in				
Special revenue funds	1,379,934	1,545,210	–	–
Capital Projects – Building Construction Fund	(1,064,466)	–	–	–
Debt Service Fund	3,535,831	2,946,674	–	–
Nonspendable	–	–	179,281	187,327
Restricted	–	–	82,712,351	65,501,210
Unassigned – special revenue funds and capital projects fund	–	–	(40,461)	(115,104)
Total all other governmental funds	$ 140,655,956	$ 89,368,409	$ 82,851,171	$ 65,573,433
Total all governmental funds	$ 167,580,570	$ 117,489,092	$ 107,822,586	$ 84,952,723

Note: The District implemented GASB Statement No. 54 in fiscal 2011. The new fund balance classifications under GASB Statement No. 54 are not available for years prior to fiscal 2010.

2012	2013	2014	2015	2016	2017
$ –	$ –	$ –	$ –	$ –	$ –
–	–	–	–	–	–
1,125,484	1,105,277	1,135,917	2,949,314	3,139,510	3,257,797
2,188,743	2,886,060	1,155,136	3,250,381	5,232,246	5,647,049
4,188,228	3,899,880	3,531,073	1,611,060	2,848,063	2,349,140
3,988,180	2,598,614	1,068,692	2,506,731	–	–
8,245,358	3,393,447	2,594,734	–	(3,916,752)	(3,836,289)
$ 19,735,993	$ 13,883,278	$ 9,485,552	$ 10,317,486	$ 7,303,067	$ 7,417,697
$ –	$ –	$ –	$ –	$ –	$ –
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
187,405	319,142	322,357	311,391	282,171	342,224
16,691,364	11,824,838	30,934,103	53,227,317	206,999,874	222,113,714
(175,737)	(391,720)	(902,741)	(1,326,400)	(1,640,601)	(2,055,699)
$ 16,703,032	$ 11,752,260	$ 30,353,719	$ 52,212,308	$ 205,641,444	$ 220,400,239
$ 36,439,025	$ 25,635,538	$ 39,839,271	$ 62,529,794	$ 212,944,511	$ 227,817,936

INDEPENDENT SCHOOL DISTRICT NO. 833

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
Local sources				
Property taxes	$ 48,050,563	$ 50,026,665	$ 52,709,735	$ 63,259,902
Investment earnings	8,562,925	6,075,712	1,587,535	522,878
Other	14,381,460	14,901,363	15,407,773	15,902,155
State sources	122,519,327	125,054,777	113,312,426	115,110,779
Federal sources	5,500,611	5,793,656	17,406,595	9,424,860
Total revenues	199,014,886	201,852,173	200,424,064	204,220,574
Expenditures				
Current				
Administration	6,068,728	6,132,975	6,259,025	6,630,915
District support services	3,834,051	3,479,438	4,012,025	3,922,033
Elementary and secondary regular instruction	75,024,779	79,073,331	81,946,206	85,964,779
Vocational education instruction	2,607,651	2,486,278	2,261,115	1,992,798
Special education instruction	23,196,140	23,604,573	24,284,928	24,153,866
Instructional support services	8,525,880	7,981,401	8,682,829	8,735,134
Pupil support services	15,151,565	14,819,938	15,985,035	17,177,277
Sites and buildings	15,011,450	16,413,934	15,310,726	16,793,160
Fiscal and other fixed cost programs	442,154	269,333	477,434	320,340
Food service	6,246,966	6,475,838	6,435,678	6,899,039
Community service	9,400,012	9,879,929	9,941,998	10,289,794
Capital outlay	67,773,544	68,508,505	27,550,445	19,130,882
Debt service				
Principal	9,698,357	8,848,152	9,702,244	9,976,286
Interest and fiscal charges	15,471,360	15,225,363	15,879,670	15,104,134
Total expenditures	258,452,637	263,198,988	228,729,358	227,090,437
Excess (deficiency) of revenues over expenditures	(59,437,751)	(61,346,815)	(28,305,294)	(22,869,863)
Other financing sources (uses)				
Bonds issued	39,000,000	11,250,000	23,930,000	–
Refunding bonds issued	–	–	41,445,000	–
Certificates of participation issued	–	–	–	–
Premium on debt issued	439,404	5,337	3,773,788	–
Capital leases issued	–	–	–	–
Payment on refunded bonds	(4,490,000)	–	(50,510,000)	–
Proceeds from sale of assets	–	–	–	–
Transfers in	285,815	444,689	284,327	295,369
Transfers out	(285,815)	(444,689)	(284,327)	(295,369)
Total other financing sources (uses)	34,949,404	11,255,337	18,638,788	–
Net change in fund balances before special item	(24,488,347)	(50,091,478)	(9,666,506)	(22,869,863)
Special item – joint school proceeds	–	–	–	–
Net change in fund balances	$ (24,488,347)	$ (50,091,478)	$ (9,666,506)	$ (22,869,863)
Debt service as a percentage of noncapital expenditures	13.2%	12.4%	12.7%	11.9%

2012	2013	2014	2015	2016	2017
$ 53,398,487	$ 54,114,344	$ 44,086,418	$ 56,771,747	$ 58,998,316	$ 73,186,254
271,107	33,466	76,020	86,803	566,696	1,304,737
18,486,503	17,763,536	18,759,403	18,136,921	19,629,349	23,623,131
130,985,867	138,316,987	154,160,144	156,896,497	160,752,665	167,784,753
9,535,433	7,930,071	8,021,213	7,692,816	7,942,801	8,771,312
212,677,397	218,158,404	225,103,198	239,584,784	247,889,827	274,670,187
6,834,030	6,885,574	7,279,625	7,527,157	7,892,778	8,197,267
3,932,209	4,126,221	3,723,231	5,405,748	6,523,030	6,307,421
87,351,693	91,084,361	92,903,232	97,894,964	98,789,970	107,854,344
1,717,365	1,740,819	2,177,553	2,219,972	2,317,450	2,206,298
23,732,334	25,956,261	29,648,664	32,318,511	34,778,587	39,392,782
8,573,910	9,121,267	9,429,549	9,624,579	9,845,835	10,306,731
17,473,201	18,382,511	18,964,817	19,998,559	19,897,703	21,088,490
19,728,887	18,770,018	21,214,467	19,235,624	30,054,434	23,601,889
397,742	431,469	475,441	575,898	318,258	493,785
7,323,687	7,534,746	7,905,963	8,733,963	8,442,308	8,942,896
11,378,251	12,204,906	12,761,208	12,199,272	13,046,284	14,775,151
14,170,324	7,168,443	3,625,881	12,365,749	26,906,115	29,648,166
11,141,959	14,187,625	15,901,988	19,522,458	16,895,781	18,886,010
15,214,160	12,632,458	12,433,570	12,295,560	12,855,423	17,241,055
228,969,752	230,226,679	238,445,189	259,918,014	288,563,956	308,942,285
(16,292,355)	(12,068,275)	(13,341,991)	(20,333,230)	(40,674,129)	(34,272,098)
6,150,000	–	20,510,000	–	101,615,000	–
8,440,000	–	–	32,695,000	73,460,000	33,035,000
–	–	–	–	13,200,000	6,995,000
93,657	–	429,342	4,001,004	24,942,087	5,494,553
4,100,000	1,264,788	2,606,382	2,268,000	4,763,734	3,184,710
(51,005,000)	–	–	–	(36,435,000)	–
–	–	–	59,749	188,375	436,260
139,164	–	4,144,517	4,000,000	–	–
(139,164)	–	(144,517)	–	–	–
(32,221,343)	1,264,788	27,545,724	43,023,753	181,734,196	49,145,523
(48,513,698)	(10,803,487)	14,203,733	22,690,523	141,060,067	14,873,425
–	–	–	–	9,354,650	–
$ (48,513,698)	$ (10,803,487)	$ 14,203,733	$ 22,690,523	$150,414,717	$ 14,873,425
12.3%	12.0%	12.0%	12.7%	11.9%	13.0%

INDEPENDENT SCHOOL DISTRICT NO. 833

General Governmental Tax Revenues by Source and Levy Type
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Property Tax				
Fiscal Year	General Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Total
2008	$ 25,696,111	$ 1,229,814	$ 3,687,977	$ 17,436,661	$ 48,050,563
2009	26,835,663	1,143,075	3,184,665	18,863,262	50,026,665
2010	28,223,168	1,277,326	2,217,915	20,991,326	52,709,735
2011	39,212,681	1,989,914	2,069,000	19,988,307	63,259,902
2012	28,343,779	1,294,368	–	23,760,340	53,398,487
2013	27,207,656	1,320,051	1,306,697	24,279,940	54,114,344
2014	17,356,331	679,486	1,063,625	24,986,976	44,086,418
2015	28,926,672	1,349,064	434,612	26,061,399	56,771,747
2016	28,704,114	1,329,610	2,089,950	26,874,642	58,998,316
2017	43,100,551	1,378,067	–	28,707,636	73,186,254

Note: The change in “tax shift” as approved in legislation impacted the amount of tax revenue recognized in fiscal years 2011 and 2014. Changes in the amount of revenue recognized due to the tax shift are offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 833

Tax Capacities and Market Values
Last Ten Fiscal Years

For Taxes Collectible	Tax Capacity Valuation								
			Fiscal Disparities						
	Agricultural	Non-Agricultural	Contribution	Distribution	Tax Increment	Total Taxable	Total Direct Tax Rate	Taxable Market Value	Tax Capacity as a Percentage of Market Value
2008	$ 1,214,492	$ 100,728,035	$ (5,280,413)	$ 10,771,320	$ (2,032,706)	$ 105,400,728	29.841 %	$ 9,187,642,000	1.15 %
2009	1,332,450	103,487,889	(5,945,701)	12,349,668	(2,409,347)	108,814,959	30.708	9,369,148,400	1.16
2010	1,390,202	99,076,630	(6,930,281)	13,071,258	(2,386,274)	104,221,535	31.649	8,902,560,100	1.17
2011	1,556,753	91,487,690	(7,024,577)	13,200,039	(1,583,763)	97,636,142	35.215	8,208,261,700	1.19
2012	1,460,166	85,636,730	(6,411,866)	12,973,932	(1,367,074)	92,291,888	37.894	8,109,596,500	1.14
2013	1,416,082	80,294,632	(6,400,832)	11,605,924	(1,218,416)	85,697,390	41.286	7,626,898,000	1.12
2014	1,520,718	84,069,276	(6,110,679)	11,530,736	(850,053)	90,159,998	39.169	7,978,967,600	1.13
2015	1,631,755	96,283,039	(6,110,745)	11,589,664	(729,809)	102,663,904	35.675	9,098,596,000	1.13
2016	1,525,489	99,519,527	(6,241,320)	11,611,979	(807,459)	105,608,216	36.812	9,372,785,100	1.13
2017	1,598,306	103,036,166	(6,595,331)	12,705,153	(858,726)	109,885,568	34.309	9,652,063,700	1.14

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 833

Property Tax Rates – Direct and Overlapping Governments
Last Ten Fiscal Years

Rate	Tax Collection Calendar Year	ISD No. 833	Overlapping Rates Municipalities (1) Cottage Grove	Woodbury	Newport	St. Paul Park	Denmark	Grey Cloud Island	Afton	Washington County	Miscellaneous Other (2)	Total ISD No. 833 Resident (3)
Tax capacity rate	2008	29.841%	35.189%	28.169%	47.213%	32.734%	14.318%	23.657%	22.510%	25.936%	7.906%	98.872%
Market value rate	2008	0.18952%	–	0.02318%	–	–	–	–	–	–	–	0.18952%
Tax capacity rate	2009	30.708%	34.632%	28.474%	44.046%	32.831%	13.851%	23.017%	24.037%	26.371%	7.941%	99.652%
Market value rate	2009	0.19232%	–	0.02249%	–	–	–	–	–	–	–	0.19232%
Tax capacity rate	2010	31.649%	35.415%	31.033%	53.643%	35.028%	13.035%	23.875%	25.357%	27.775%	8.512%	103.351%
Market value rate	2010	0.20782%	–	0.02362%	–	–	–	–	–	0.00314%	–	0.21096%
Tax capacity rate	2011	35.215%	38.255%	34.921%	60.261%	43.221%	13.088%	23.773%	27.044%	29.772%	9.263%	112.505%
Market value rate	2011	0.20834%	–	0.02572%	–	–	–	–	–	0.00229%	–	0.21063%
Tax capacity rate	2012	37.894%	41.446%	35.921%	64.662%	49.481%	13.696%	27.277%	30.078%	31.939%	10.322%	121.601%
Market value rate	2012	0.19942%	–	0.02566%	–	–	–	–	–	0.00180%	–	0.20122%
Tax capacity rate	2013	41.286%	45.046%	39.440%	70.803%	57.471%	13.678%	25.691%	30.059%	34.225%	12.854%	133.411%
Market value rate	2013	0.21905%	–	0.02700%	–	–	–	–	–	0.00191%	–	0.22096%
Tax capacity rate	2014	39.169%	43.812%	38.076%	72.054%	48.754%	13.135%	26.196%	30.092%	32.811%	12.843%	128.635%
Market value rate	2014	0.22287%	–	0.02594%	–	–	–	–	–	0.00449%	–	0.22736%
Tax capacity rate	2015	35.675%	41.591%	34.657%	69.973%	45.677%	12.490%	23.580%	27.737%	30.186%	11.365%	118.817%
Market value rate	2015	0.20996%	–	0.01308%	–	–	–	–	–	0.00400%	–	0.21396%
Tax capacity rate	2016	36.812%	43.140%	35.287%	61.660%	45.560%	11.236%	23.481%	29.373%	30.564%	11.831%	122.347%
Market value rate	2016	0.33988%	–	0.01216%	–	–	–	–	–	0.00390%	–	0.34378%
Tax capacity rate	2017	34.309%	43.012%	35.219%	60.304%	43.919%	11.264%	22.455%	32.300%	30.448%	11.413%	119.181%
Market value rate	2017	0.31281%	–	–	–	–	–	–	–	0.00378%	–	0.31659%

(1) Municipalities listed include those with district learning sites.

(2) The miscellaneous other levy includes Northeast Metropolitan Intermediate School District No. 916, Metropolitan Council, Metropolitan Mosquito, Transit District, Transit Area, Washington County HRA, Woodbury EDA, Woodbury HRA, Ramsey-Washington Metro Watershed District, Valley Branch Watershed District, South Washington Watershed District, and Regional Rail Authority.

(3) The City of Cottage Grove was used as the municipality for purposes of the total district residents.

Source: Washington County

INDEPENDENT SCHOOL DISTRICT NO. 833

Principal Taxpayers
Prior Year and Nine Years Ago

		2016			2008		
Taxpayer	Type of Property	Tax Capacity	Rank	Percent of Total Tax Capacity	Tax Capacity	Rank	Percent of Total Tax Capacity
Xcel Energy	Utility	$ 2,185,886	1	2.07 %	$ 1,614,293	1	1.53 %
Woodbury Village Shopping	Industrial	773,197	2	0.73	789,960	2	0.75
3M Company	Commercial	681,098	3	0.64	618,674	3	0.59
Grand Reserve Apartments Corp.	Residential	624,788	4	0.59	565,464	4	0.54
St. Paul Park Refining Co., LLC (1)	Industrial	457,528	5	0.43	234,725	9	0.22
VRS/CAP Classic at Preserve	Residential	417,961	6	0.40	–	–	–
Marquette Valley Creek LLC	Residential	411,404	7	0.39	–	–	–
Allina Health System	Commercial	363,308	8	0.34	378,814	6	0.36
Target	Commercial	359,388	9	0.34	–	–	–
Health Investors Business Trust	Commercial	295,140	10	0.28	282,976	7	0.27
I & G St. Paul, LLC	Residential	–	–	–	452,268	5	0.43
Bellwood, LLC	Commercial	–	–	–	245,892	8	0.23
West-Biel 68, LLC	Commercial	–	–	–	208,140	10	0.20
Total		$ 6,569,698		6.21 %	$ 5,391,206		5.12 %

(1) Listed as Marathon Ashland Petroleum, LLC in 2008.

Note: The most recent data available is from 2016.

Source: Washington County

INDEPENDENT SCHOOL DISTRICT NO. 833

Property Tax Levies, Collections, and Receivables
Last Ten Fiscal Years

	Original Levy				Collections – First Year Levy Recognized	
For Taxes Collectible	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread	Amount	Percentage of Levy
2008	$ 44,446,083	$ 5,311,229	$ 1,221,897	$ 50,979,209	N/A	N/A
2009	46,375,776	5,957,603	1,227,271	53,560,650	$ 52,392,329	97.8 %
2010	46,043,972	6,455,509	1,328,990	53,828,471	52,730,574	98.0
2011	45,370,297	6,856,973	1,505,259	53,732,529	53,122,776	98.9
2012	46,267,400	7,196,635	10,202	53,474,237	52,997,555	99.1
2013	47,348,831	6,764,319	11,047	54,124,197	53,735,190	99.3
2014	48,596,750	7,360,609	11,559	55,968,918	55,629,431	99.4
2015	51,600,611	7,160,639	17,920	58,779,170	58,588,601	99.7
2016	66,435,278	6,578,305	18,900	73,032,483	72,672,119	99.5
2017	63,551,494	8,982,988	16,488	72,550,970	32,963,103	45.4

N/A – Not Available (first year collections were not readily available for years collectible prior to 2009).

Note 1: A portion of the total spread levy is paid through various property tax credits, which are paid through state aids and have been included in collections. Legislative changes beginning with taxes collectible in 2012 significantly changed the calculation of tax credits applied and paid through state aids.

Note 2: Delinquent taxes receivable are written off after seven years. The amount of collections has been adjusted to reflect the write-off of delinquent taxes receivable.

Source: State of Minnesota School Tax Report

			Uncollected Taxes Receivable as of June 30, 2017			
	Total to Date		Delinquent		Current	
Received in Subsequent Years	Amount	Percentage of Levy	Amount	Percent	Amount	Percent
$ 50,979,209	$ 50,979,209	100.0 %	$ –	– %	$ –	– %
1,168,321	53,560,650	100.0	–	–	–	–
1,097,897	53,828,471	100.0	–	–	–	–
580,660	53,703,436	99.9	29,093	0.1	–	–
443,703	53,441,258	99.9	32,979	0.1	–	–
361,908	54,097,098	99.9	27,099	0.1	–	–
306,217	55,935,648	99.9	33,270	0.1	–	–
123,352	58,711,953	99.9	67,217	0.1	–	–
–	72,672,119	99.5	360,364	0.5	–	–
–	32,963,103	45.4	–	–	39,587,867	54.6
			$ 550,022		$ 39,587,867	

INDEPENDENT SCHOOL DISTRICT NO. 833

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities					
Fiscal Year	General Obligation Bonds	Premium (Discount) on Bonds	Certificates of Participation	Capital Leases	Energy Conservation Loans	Total Primary Government
2008	$ 328,020,000	$ 5,484,596	$ –	$ 7,139,224	$ 37,314	$ 340,681,134
2009	331,405,000	5,084,798	–	6,187,414	5,972	342,683,184
2010	337,570,000	8,577,535	–	5,191,142	–	351,338,677
2011	328,635,000	7,893,326	–	4,149,856	–	340,678,182
2012	282,165,000	6,911,442	–	7,162,897	–	296,239,339
2013	269,700,000	6,214,757	–	6,705,060	–	282,619,817
2014	276,850,000	5,941,951	–	6,769,454	–	289,561,405
2015	292,440,000	9,239,371	–	6,619,996	–	308,299,367
2016	415,810,000	31,115,494	13,200,000	9,757,949	–	469,883,443
2017	432,570,000	33,222,354	19,450,000	11,076,649	–	496,319,003

N/A – Not Available

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

Note: Details regarding the District's outstanding debt can be found in the notes to basic financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 833

Ratio of Net General Obligation Bonded Debt
to Market Value and Net General Obligation Bonded Debt
per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less Debt Service Funds on Hand	Net Bonded Debt	Market Value	Percentage of Net Debt to Market Value	Estimated Population	Net Bonded Debt per Capita
2008	$ 333,504,596	$ 56,537,683	$ 276,966,913	$ 9,187,642,000	3.01 %	96,369	$ 2,874
2009	336,489,798	55,517,184	280,972,614	9,369,148,400	3.00	97,257	2,889
2010	346,147,535	48,867,209	297,280,326	8,902,560,100	3.34	97,406	3,052
2011	336,528,326	47,211,175	289,317,151	8,208,261,700	3.52	92,998	3,111
2012	289,076,442	5,606,302	283,470,140	8,109,596,500	3.50	93,972	3,017
2013	275,914,757	5,634,352	270,280,405	7,626,898,000	3.54	94,399	2,863
2014	282,791,951	6,464,953	276,326,998	7,978,967,600	3.46	95,556	2,892
2015	301,679,371	40,357,373	261,321,998	9,098,596,000	2.87	98,185	2,662
2016	446,925,494	89,987,868	356,937,626	9,372,785,100	3.81	98,185	3,635
2017	465,792,354	126,746,536	339,045,818	9,652,063,700	3.51	98,185	3,453

Source: Annual school district census and U.S. Census

Percentage of Personal Income (1)	Per Capita (1)
3.04 %	$ 3,535
3.14	3,523
3.10	3,607
2.79	3,663
2.34	3,152
2.20	2,994
2.22	3,030
2.19	3,140
3.07	4,786
N/A	5,055

INDEPENDENT SCHOOL DISTRICT NO. 833

Direct and Overlapping Debt
as of June 30, 2017

Governmental Unit	Gross Bonded Debt	Percent Allocable to ISD No. 833	Portion Allocable to ISD No. 833
Independent School District No. 833	$ 465,792,354	100.00 %	$ 465,792,354
Overlapping debt			
Washington County	$ 118,065,000	39.22 %	46,309,698
City of Afton	$ 6,565,000	5.60 %	367,673
City of Cottage Grove	$ 16,600,000	98.32 %	16,321,352
City of Newport	$ 4,430,000	100.00 %	4,430,000
City of St. Paul Park	$ 2,940,000	100.00 %	2,940,000
City of Woodbury	$ 47,474,670	74.29 %	35,269,170
Metropolitan Council	$ 153,680,000	3.05 %	4,682,630
Ramsey-Washington Metro Watershed District	$ 1,169,079	57.80 %	675,698
South Washington Watershed District	$ 3,975,000	75.87 %	3,015,984
Total overlapping debt			114,012,205
Total direct and overlapping debt			$ 579,804,559

Note: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping entity's taxable assessed value that is within the District's boundaries and dividing it by the overlapping government's total taxable assessed value.

Source: Washington County

INDEPENDENT SCHOOL DISTRICT NO. 833

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2008	2009	2010	2011
Debt limit	$ 1,378,146,300	$ 1,405,372,260	$ 1,335,384,015	$ 1,231,239,255
Total net debt applicable to limit	271,482,317	275,887,816	288,702,791	281,423,825
Legal debt margin	$ 1,106,663,983	$ 1,129,484,444	$ 1,046,681,224	$ 949,815,430
Total net debt applicable to the limit as a percentage of debt limit	19.70%	19.63%	21.62%	22.86%

Note: Under state finance law, the District's outstanding general obligation debt should not exceed 15 percent of total market property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

2012	2013	2014	2015	2016	2017
$ 1,216,439,475	$ 1,144,034,700	$ 1,196,845,140	$ 1,364,789,400	$ 1,405,917,765	$ 1,447,809,555
276,558,698	264,065,648	270,385,047	252,082,627	325,822,132	305,823,464
$ 939,880,777	$ 879,969,052	$ 926,460,093	$ 1,112,706,773	$ 1,080,095,633	$ 1,141,986,091
22.74%	23.08%	22.59%	18.47%	23.18%	21.12%

Legal Debt Margin Calculation for Fiscal Year 2017

Market value	$ 9,652,063,700
Debt limit (15% of market value)	1,447,809,555
Debt applicable to limit	
General obligation bonds	432,570,000
Less amount set aside for repayment of general obligation debt	(126,746,536)
Total net debt applicable to limit	305,823,464
Legal debt margin	$ 1,141,986,091

INDEPENDENT SCHOOL DISTRICT NO. 833

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Washington County Population (1)	Washington County Personal Income (1)	Washington County Per Capita Personal Income (1)	Total ISD No. 833 Population (2)	School Enrollment (3)	Unemployment Rate (3)
2008	234,311	$ 11,200,728,000	$ 47,803	96,369	16,767	5.4 %
2009	236,917	10,907,061,000	46,037	97,257	16,727	7.2
2010	238,136	11,318,413,000	47,529	97,406	16,864	6.1
2011	240,640	12,230,548,000	50,825	92,998	17,150	5.9
2012	243,313	12,642,268,000	51,959	93,972	17,477	5.1
2013	248,095	12,838,180,000	51,747	94,399	17,649	4.4
2014	252,877	13,034,092,000	51,543	95,556	17,719	3.6
2015	250,123	14,056,242,000	56,197	98,185	17,773	3.2
2016	252,921	15,299,947,000	60,493	98,185	17,794	3.3
2017	N/A	N/A	N/A	98,185	18,164	2.7

N/A – Not Available

Sources:
(1) 2016 Comprehensive Annual Financial Report of Washington County, Minnesota
(2) Annual school district census and U.S. Census
(3) ISD No. 833 and the Bureau of Economic Analysis

INDEPENDENT SCHOOL DISTRICT NO. 833

Principal Employers
Current Year and Nine Years Ago

Employer	2017 Employees	2017 Rank	2017 Percent of Employment	2008 Employees	2008 Rank	2008 Percent of Employment
Independent School District No. 833	2,513	1	34.38 %	2,612	1	40.23 %
HealthEast Woodwinds Hospital	925	2	12.65	485	4	7.47
Bailey Nurseries, Inc.	800	3	10.94	700	3	10.78
3M Company – Cottage Grove	700	4	9.58	1,000	2	15.40
Renewal by Anderson	450	5	6.16	250	8	3.85
Woodbury Senior Living (1)	450	5	6.16	220	10	3.39
Ecowater Systems	440	7	6.02	380	5	5.85
Target	430	8	5.88	–	–	–
Northern Tier Energy	302	9	4.13	–	–	–
Up North Plastics	300	10	4.10	280	7	4.31
Assurant	–	–	–	340	6	5.24
Dean Foods	–	–	–	225	9	3.47
Total	7,310		100.00 %	6,492		100.00 %

(1) Listed as Woodbury HealthCare Center in 2008

Note: The statistic for total cities' employment is not available; therefore, the percentage represents the percentage of the top 10 listed.

Source: Reference USA, written and telephone survey, and the Minnesota Department of Employment and Economic Development

INDEPENDENT SCHOOL DISTRICT NO. 833

Employees by Classification
Last Ten Fiscal Years

Employees (1)	2008	2009	2010	Fiscal Year 2011
District directors/superintendent	16	15	14	15
Principals	38	40	40	41
Teachers, nurses, and counselors	1,183	1,205	1,209	1,250
Coordinators, supervisors, specialists, and technical support	242	238	234	237
Paraprofessionals	304	321	327	324
Food service	122	115	139	145
Custodians	104	106	115	116
Bus drivers and mechanics	186	200	206	199
Community education leads and assistants	22	22	22	22
Total	2,217	2,262	2,306	2,349

(1) This schedule is a headcount based on contract group. Full-time and part-time employees count the same.

2012	2013	2014	2015	2016	2017
15	14	14	14	13	11
41	41	43	43	43	45
1,267	1,280	1,350	1,373	1,373	1,402
235	240	237	244	247	256
337	348	374	396	422	449
140	148	142	129	134	130
117	121	116	113	119	123
203	206	194	178	175	164
22	20	23	23	23	25
2,377	2,418	2,493	2,513	2,549	2,605

INDEPENDENT SCHOOL DISTRICT NO. 833

Operating Indicators by Function
Standardized Testing Rates
Last Ten Fiscal Years

	Fiscal Year			
	2008	2009	2010	2011
Standardized tests				
MCA Reading (1)				
Grade 3	83 %	84 %	84 %	87 %
Grade 4	78	79	80	83
Grade 5	78	80	82	87
Grade 6	76	81	77	81
Grade 7	71	76	75	78
Grade 8	73	73	75	82
Grade 10	78	84	81	86
MCA Math (1)				
Grade 3	85	88	91	80
Grade 4	78	82	86	75
Grade 5	71	74	78	61
Grade 6	74	71	73	57
Grade 7	65	74	71	60
Grade 8	65	65	70	65
Grade 11	39	49	56	65
ACT				
Average composite score	22.9	23.0	23.0	23.4

(1) Percent of students scoring at or above proficiency on the Minnesota Comprehensive Assessment Test.

2012	2013	2014	2015	2016	2017
85 %	65 %	65 %	67 %	67 %	65 %
86	60	64	67	71	66
86	71	72	79	79	77
82	65	67	68	73	71
81	64	64	66	65	67
83	68	69	69	73	68
87	74	71	71	71	73
79	81	82	81	79	77
81	83	77	77	78	75
65	72	67	68	67	63
68	65	69	64	65	65
65	68	68	67	64	66
69	73	72	69	73	65
56	68	60	58	58	61
23.6	23.5	24.1	24.1	22.3	22.7

INDEPENDENT SCHOOL DISTRICT NO. 833

School Facilities
as of June 30, 2017

Facility	Use	Constructed	Acres	Classrooms	Square Footage	Capacity*	Enrollment (1)
Armstrong Elementary	School	1969/1987/2001	12.00	31	76,211	484	338
Cottage Grove Elementary	School	2002	35.00	36	98,635	648	536
Crestview Elementary	School	1963/1970/1990/ 1999/2001	35.00	36	81,840	648	640
Gordon Bailey Elementary	School	1991/1992/2000	30.00	45	107,243	820	692
Grey Cloud Elementary	School	1991/1992/2001	41.00	45	110,954	756	730
Hillside Elementary	School	1963/1970/1990/ 2001	16.00	32	75,864	616	426
Liberty Ridge Elementary	School	2003/2013	25.00	56	135,123	993	1,040
Middleton Elementary	School	1991/1992/1999	30.00	45	107,614	780	737
Newport Elementary	School	1955/1970/1990	9.00	21	79,286	352	271
Pine Hill Elementary	School	1960/1967/1970/ 2001	12.00	28	73,631	510	416
Pullman Elementary	School	1960/1970/2002	16.00	29	70,842	510	403
Red Rock Elementary	School	2002	31.00	36	98,556	648	554
Royal Oaks Elementary	School	1966/1970/1990/ 2001	7.00	32	75,859	616	555
Valley Crossing Elementary	School	1996	34.35	33	133,865	800	652
Woodbury Elementary	School	1960/1963/1970/ 1989/1990/1999/ 2002	10.00	40	95,567	648	507
Cottage Grove Middle School	School	1995/2004/2007	72.00	56	196,641	1,342	1,200
Lake Middle School	School	1995/2000	67.00	54	188,996	1,320	1,306
Oltman Middle School	School	1951/1960/1965/ 1973/1974/1995/ 2002	20.00	37	184,721	936	664
Woodbury Middle School	School	1969/1989/2002	16.00	44	181,496	1,080	963
East Ridge High School	School	2009	58.00	70	382,264	1,802	1,806
Park Senior High School	School	1964/1971/1973/ 1994/2002/2003	51.00	86	403,981	2,167	1,790
Woodbury Senior High School	School	1974/2002/2003	45.00	80	366,599	2,026	1,910
District Service Center	Office/ warehouse	1975	7.00	N/A	51,312	N/A	-
District Program Center	School/ office	1975	7.00	9	56,045	N/A	110
District Transportation Center	Office/garage/ maintenance	1971/1977/2002	10.00	N/A	44,864	N/A	-

N/A – Not Available

(1) Enrollment data from October 1, 2016.

* Capacity is based on student-to-staff ratios in effect for fiscal year 2015.

INDEPENDENT SCHOOL DISTRICT NO. 833

Food Service
School Lunch Program Data
Last Ten Fiscal Years

Fiscal Year	Average Daily Attendance (1)	Total Lunches Served	Days	Average Daily Participation	Participation as a Percentage of Average Daily Attendance	Free Lunch		Reduced Lunch	
						Number Served	Percent of Total	Number Served	Percent of Total
2008	15,761	1,427,835	173	8,253	52.37 %	207,137	14.51 %	92,794	6.50 %
2009	15,723	1,453,001	171	8,497	54.04	218,340	15.03	98,004	6.74
2010	15,852	1,595,427	173	9,222	58.18	260,093	16.30	89,631	5.62
2011	16,121	1,681,144	174	9,662	59.93	284,227	16.91	103,884	6.18
2012	16,428	1,713,365	174	9,847	59.94	327,020	19.09	105,126	6.14
2013	16,590	1,657,164	173	9,579	57.74	335,781	20.26	104,921	6.33
2014	16,656	1,670,058	168	9,941	59.68	332,818	19.93	104,162	6.24
2015	16,707	1,798,346	174	10,335	61.86	338,742	18.84	116,852	6.50
2016	16,726	1,814,033	174	10,425	62.33	337,475	18.60	113,467	6.25
2017	17,074	1,772,015	175	10,126	59.30	338,116	19.08	115,548	6.52

(1) Based on State Food and Nutrition Department guidelines; attendance is deemed to be 94 percent of enrollment.

INDEPENDENT SCHOOL DISTRICT NO. 833

Expenditures per Student (Average Daily Membership)
Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administration	$ 362	$ 367	$ 371	$ 387	$ 391	$ 390	$ 411	$ 424	$ 444	$ 451
District support services	229	208	238	229	225	234	210	304	367	347
Elementary and secondary regular instruction	4,475	4,727	4,859	5,013	4,998	5,161	5,243	5,508	5,552	5,938
Vocational education instruction	156	149	134	116	98	99	123	125	130	121
Special education instruction	1,383	1,411	1,440	1,408	1,358	1,471	1,673	1,818	1,955	2,169
Instructional support services	508	477	515	509	491	517	532	542	553	567
Pupil support services	904	886	948	1,002	1,000	1,042	1,070	1,125	1,118	1,161
Sites and buildings	895	981	908	979	1,129	1,064	1,197	1,082	1,689	1,299
Fiscal and other fixed cost programs	26	16	28	19	23	24	27	32	18	27
Food service	373	387	382	402	419	427	446	491	474	492
Community service	561	591	590	600	651	692	720	686	733	813
Capital outlay	4,042	4,096	1,634	1,116	811	406	205	696	1,512	1,632
Debt service	1,501	1,439	1,517	1,462	1,508	1,520	1,599	1,790	1,672	1,989
Total expenditures	$ 15,414	$ 15,735	$ 13,563	$ 13,241	$ 13,101	$ 13,045	$ 13,457	$ 14,624	$ 16,217	$ 17,008
Average daily membership	16,767	16,727	16,864	17,150	17,477	17,649	17,719	17,773	17,794	18,164

Note: Includes all governmental fund expenditures.

INDEPENDENT SCHOOL DISTRICT NO. 833

Student Enrollment
Last Ten Fiscal Years

	Average Daily Membership (ADM) (for Students Served or Tuition Paid)					
Year Ended June 30,	Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total	Total Pupil Units
2008	141	1,108	7,896	7,622	16,767	19,345
2009	147	1,101	7,788	7,691	16,727	19,313
2010	155	1,149	7,853	7,707	16,864	19,443
2011	169	1,107	7,940	7,934	17,150	19,828
2012	218	1,165	8,034	8,060	17,477	20,189
2013	259	1,042	8,156	8,192	17,649	20,465
2014	267	1,059	8,155	8,238	17,719	20,542
2015	354	1,111	8,159	8,149	17,773	19,397
2016	394	1,084	8,107	8,209	17,794	19,435
2017	424	1,120	8,374	8,246	18,164	19,810

Note 1: Student enrollment numbers are estimated for the most recent fiscal year.

Note 2: ADM is weighted as follows in computing pupil units:

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2008 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2017	1.000	1.000	0.550	1.000	1.000	1.000	1.200

APPENDIX B

FORM OF LEGAL OPINION

(See following page)

KNUTSON, FLYNN & DEANS, P.A.
1155 Centre Pointe Drive, Suite 10
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$23,265,000*
GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2018A
INDEPENDENT SCHOOL DISTRICT NO. 833
(SOUTH WASHINGTON COUNTY SCHOOLS)
WASHINGTON COUNTY, MINNESOTA

We have acted as Bond Counsel in connection with the issuance by Independent School District No. 833 (South Washington County Schools), Washington County, Minnesota (the "District"), of its General Obligation Facilities Maintenance Bonds, Series 2018A (the "Bonds"), in the aggregate principal amount of $23,265,000*, bearing a date of original issue of May 17, 2018. The Bonds are fully registered as to principal and interest and are originally issued using a global book-entry system.

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

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

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

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

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

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

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

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

DATED at Mendota Heights, Minnesota, this 17th day of May, 2018.

KNUTSON, FLYNN & DEANS
Professional Association

APPENDIX C

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.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following page)

CONTINUING DISCLOSURE CERTIFICATE
(Full Disclosure)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 833 (South Washington County Schools), State of Minnesota (the "District"), in connection with the issuance of its General Obligation Facilities Maintenance Bonds, Series 2018A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the School Board on April 26, 2018 (the "Resolution"). The District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 (the "State Payment Law" described in the Official Statement for the Bonds) which provides for payment by the State of Minnesota in the event of a potential default of a District obligation. The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

SECTION 3. Provision of Annual Reports.

(a) The District shall provide, or shall cause the Dissemination Agent to provide not later than June 30, 2019, and twelve (12) months after the end of each Fiscal Year during which the Bonds are outstanding, to the MSRB, in an electronic format through the use of EMMA, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. If audited financial statements are not available by the date specified above, the District shall submit unaudited financial statements by that date to the MSRB and will submit the audited financial statements as soon as they are available.

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

(c) The Dissemination Agent shall:

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

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

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

1. An annual Audited Financial Statement.

2. Updates of the operating and financial data included in the Official Statement under headings substantially similar to the following or containing financial information directly

relating to the following: "Current Property Valuations", "Tax Levies & Collections", "Student Body", "Direct Debt", and "Employment/Unemployment."

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

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 14. District Contact Information.

Title:	Superintendent
Name of District:	Independent School District No. 833 (South Washington County Schools)
Address:	7362 E Point Douglas Rd. Cottage Grove, MN 55016
Telephone No.	(651) 425-6300

Dated as of this 17th day of May, 2018.

INDEPENDENT SCHOOL DISTRICT NO. 833
(SOUTH WASHINGTON COUNTY SCHOOLS)
COTTAGE GROVE, MINNESOTA

By: ______________________________
Chair

And: ______________________________
Clerk

[Signature Page for Continuing Disclosure Certificate]

APPENDIX E

TERMS OF PROPOSAL

$23,265,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2018A INDEPENDENT SCHOOL DISTRICT NO. 833 (SOUTH WASHINGTON COUNTY SCHOOLS), MINNESOTA

Proposals for the purchase of $23,265,000* General Obligation Facilities Maintenance Bonds, Series 2018A (the "Bonds") of Independent School District No. 833 (South Washington County Schools), Minnesota (the "District") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the District, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on April 26, 2018, 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 6:30 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 Section 123B.595 (long-term facilities maintenance revenue) by the District, to provide funds for facility maintenance projects included in the ten-year facility plan of the District and approved by the Commissioner of Education. 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 May 17, 2018, 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:

Year	Amount*	Year	Amount*	Year	Amount*
2028	$2,625,000	2030	$2,595,000	2032	$5,095,000
2029	2,855,000	2031	4,985,000	2033	5,110,000

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, 2019, 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. 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 shall be subject to optional redemption prior to maturity on February 1, 2027 and on 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 May 17, 2018, 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 as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Knutson, Flynn & Deans, P.A., Mendota Heights, Minnesota, Bond Counsel to the District, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the District; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than $23,032,350 plus accrued interest on the principal sum of $23,265,000 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) Facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or

3) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 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 $465,300 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. 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.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the District in establishing the issue price of the Bonds and shall execute and deliver to the District at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the District under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the District by the District's municipal advisor identified herein and any notice or report to be provided to the District may be provided to the District's municipal advisor.

(b) The District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

(1) The District shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;

(2) all bidders shall have an equal opportunity to bid;

(3) the District may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the District anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the District shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the Underwriter. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the District agrees to use the rule selected by the Underwriter on its proposal form to determine the issue price for the Bonds. On its proposal form, each Underwriter must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisifed and the Underwriter selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5^{th}) business day after the sale date; or
(2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the District when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5^{th}) business day after the sale date.

The District acknowledges that in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the 10% test, the Underwriter agrees to promptly report to the District, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a certain maturity have been sold.

(f) By submitting a proposal, each bidder confirms that (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if an for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(g) Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Bonds are awarded by the District to the winning bidder.

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. 833
(South Washington County Schools), Minnesota

PROPOSAL FORM

The Board of Education **April 26, 2018**
Independent School District No. 833 (South Washington County Schools), Minnesota

RE: $23,265,000* General Obligation Facilities Maintenance Bonds, Series 2018A
DATED: May 17, 2018

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 $23,032,350) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

________	% due	2028	________	% due	2030	________	% due	2032
________	% due	2029	________	% due	2031	________	% due	2033

* 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.

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%.

We enclose our Deposit in the amount of $465,300, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138.** Such Deposit shall be received by Ehlers & Associates no later than two hours after the proposal opening time. 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. 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. If our proposal is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & 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 May 17, 2018.

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 this Issue.

We have received and reviewed the Official Statement 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 Proposal.

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 May 17, 2018 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. 833 (South Washington County Schools), Minnesota, on April 26, 2018.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________