PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 22, 2017

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which exclude any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and, to the same extent, from taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. Such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations and is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "Tax Exemption" herein.

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

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

INDEPENDENT SCHOOL DISTRICT NO. 623 (ROSEVILLE AREA SCHOOLS), MINNESOTA
(Ramsey County)

(Minnesota School District Credit Enhancement Program)

$10,000,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2017B

PROPOSAL OPENING: December 6, 2017, 10:00 A.M., C.T.
CONSIDERATION: Not later than 11:59 P.M., C.T. on December 6, 2017 (PARAMETERS RESOLUTION)

PURPOSE/AUTHORITY/SECURITY: The $10,000,000* General Obligation Facilities Maintenance Bonds, Series 2017B (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. 623 (Roseville Area 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 Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: December 28, 2017

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2027	$1,545,000	2029	$1,640,000	2031	$1,740,000
2028	1,590,000	2030	1,690,000	2032	1,795,000

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: August 1, 2018 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing February 1, 2028 and thereafter 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: $9,900,000.

GOOD FAITH DEPOSIT: A cashier's check in the amount of $200,000 may be submitted contemporaneously with the proposal or, alternatively, a good faith deposit shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation, Roseville, Minnesota.

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 not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

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

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over $1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the 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
Mark Traynor	Chairperson	January 2018
Kitty Gogins	Clerk	January 2018
Frank Shaw	Treasurer	January 2018
Erin Azer	Director	January 2020
Mike Boguszewski	Director	January 2020
Todd Anderson	Director	January 2020

ADMINISTRATION

Dr. Aldo Sicoli, Superintendent of Schools

Shari Thompson, Business Manager

PROFESSIONAL SERVICES

Kennedy & Graven, Chartered, Bond Counsel, Minneapolis, 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 the Independent School District No. 623 (Roseville Area Schools), Minnesota (the "District") and the issuance of its $10,000,000* General Obligation Facilities Maintenance Bonds, Series 2017B (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution ratifying the sale of the Bonds (the "Award Resolution") to be adopted by the Board of Education.

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 December 28, 2017. 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 August 1, 2018, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2028 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	$10,000,000	
	Estimated Premium	112,338	
	Total Sources		**$10,112,338**
Uses			
	Project Costs	$9,967,338	
	Estimated Discount	85,000	
	Finance Related Expenses	60,000	
	Total Uses		**$10,112,338**

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, Inc. ("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 an "Baa1 " 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 judgment 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 November 14, 2017 (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 of the date of this Official Statement, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2046, is approximately $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 the Award Resolution by entering into a Continuing Disclosure Certificate (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.

The District did not timely file notice of certain bond insurer rating changes during the previous five years.
Except to the extent the preceding is deemed to be material, 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. However, in the interest of full disclosure, the District notes the following: Prior continuing disclosure undertakings entered into by the District included language stating that the District's audited financial statements would be filed "as soon as available." Although the District did not always comply with this requirement, the audited financial statements were timely filed within the required twelve (12) month timeframe as provided for in each disclosure 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 Kennedy & Graven, Chartered, Minneapolis, 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

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and decisions, interest on the Bonds is excluded from gross income of the owners thereof for purposes of federal income taxation and is excluded from taxable net income of individuals, estates or trusts for purposes of State of Minnesota income taxation, but is subject to State of Minnesota franchise taxes measured by income that are imposed upon corporations, including financial institutions.

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

The Code imposes an alternative minimum tax with respect to individuals and corporations on alternative minimum taxable income. Interest on the Bonds will not be treated as a preference item in calculating alternative minimum taxable income. The Code provides, however, that a portion of the adjusted current earnings of a corporation not otherwise included in the minimum tax base is included in adjusted current earnings for purposes of calculating the alternative minimum tax that may be imposed with respect to corporations. Adjusted current earnings include income received that is otherwise exempt from taxation such as interest on the Bonds.

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

Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code. Under certain circumstances, interest on the Bonds may be subject to the tax on "excess net passive income" of Subchapter S corporations imposed by Section 1375 of the Code.

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

Legislative proposals

Bond Counsel's opinion is given as of its date and Bond Counsel assumes no obligation to update, revise, or supplement such opinion to reflect any changes in facts or circumstances or any changes in law that may hereafter occur. Proposals are regularly introduced in both the United States House of Representatives and the United States

Senate that, if enacted, could alter or affect the tax-exempt status on municipal bonds. For example, legislation has been proposed that would, among other things, limit the amount of exclusions (including tax-exempt interest) or deductions that certain higher-income taxpayers could use to reduce their tax liability. The likelihood of adoption of this or any other such legislative proposal relating to tax-exempt bonds cannot be reliably predicted. If enacted into law, current or future proposals may have a prospective or retroactive effect and could affect the value or marketability of tax-exempt bonds (including the Bonds). Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any such change in law.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations. "Qualified tax-exempt obligations" are treated as acquired by a financial institution before August 8, 1986. Interest allocable to such obligations remains subject to the 20% disallowance 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, 2016 have been audited by CliftonLarsonAllen LLP, Minneapolis, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

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

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

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

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

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

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the 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	2014/15	2015/16	2016/17
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 $1,900,000 - 0.50% [2] Over $1,900,000 - 1.00% [2]	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]
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 $100,000 - .75% Over $100,000 - .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 $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%
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 $5,980,883,873[1]

	2016/17 Assessor's Estimated Market Value	2016/17 Net Tax Capacity
Real Estate	$5,711,040,600	$ 67,194,708
Personal Property	49,648,100	972,678
Total Valuation	$5,760,688,700	$ 68,167,386
Less: Captured Tax Increment Tax Capacity[2]		(1,430,888)
Fiscal Disparities Contribution[3]		(7,954,476)
Taxable Net Tax Capacity		$ 58,782,022
Plus: Fiscal Disparities Distribution[3]		7,349,115
Adjusted Taxable Net Tax Capacity		$ 66,131,137

1 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for Independent School District No. 623 (Roseville Area Schools) is about 96.37% 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 $5,980,883,873.

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

3 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.

2016/17 NET TAX CAPACITY BY CLASSIFICATION

	2016/17 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$32,480,211	47.65%
Agricultural	2,716	0.00%
Commercial/industrial	22,557,340	33.09%
Public utility	418,252	0.61%
Railroad operating property	157,946	0.23%
Non-homestead residential	11,547,606	16.94%
Commercial & residential seasonal/rec.	30,637	0.04%
Personal property	972,678	1.43%
Total	$68,167,386	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
2012/13	$5,007,261,500	$4,682,891,000	$59,594,024	$56,704,132	-5.29%
2013/14	5,063,918,000	4,751,730,700	60,321,598	57,150,218	+1.13%
2014/15	5,382,654,300	5,098,508,100	63,717,937	60,425,378	+6.29%
2015/16	5,475,973,900	5,189,837,900	64,656,899	62,019,316	+1.73%
2016/17	5,760,688,700	5,481,984,000	68,167,386	66,131,137	+5.20%

[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	2016/17 Net Tax Capacity	Percent of District's Total Net Tax Capacity
PPF RTL Rosedale Shopping Ctr LLC	Commercial	$ 4,597,250	6.74%
Xcel Energy	Utility	2,281,538	3.35%
Gateway Washington Inc & Co	Commercial	1,579,326	2.32%
PPF RTL Rosedale Shopping Cntr & C/O Morgan Stanley Re Advisor	Commercial	1,368,424	2.01%
Wilcal Crossroads LLC	Commercial	1,207,058	1.77%
St Jude Medical Inc.	Commercial	811,596	1.19%
Rosedale Commons LP	Commercial	795,206	1.17%
Rosedale Marketplace Associate & C/O Tanurb Developments Inc.	Commercial	709,356	1.04%
Roseville Properties	Commercial	679,684	1.00%
Target Corporation	Commercial	658,042	0.97%
Total		$14,687,480	21.55%

District's Total 2016/17 Net Tax Capacity $68,167,386

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Ramsey 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)*	$ 46,610,000

Lease Purchase Obligations (see schedule following)[3]

Total lease purchase obligations paid by annual appropriations[4]	$ 110,762

*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 (such as the 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. The District's $17,825,000 General Obligation Taxable OPEB Bonds, Series 2009A and the bonds that refund those bonds, do **not** qualify for equalization pursuant to Minnesota Statutes.

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. 623 (ROSEVILLE), MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Taxes
(As of 12/28/17)

	Taxable OPEB Series 2009A		Refunding 1) Series 2010B		Refunding 2) Series 2013B		Refunding 3) Series 2017A		Facilities Maintainance Series 2017B							
Dated Amount	1/07/09 $17,825,000		11/10/10 $21,450,000		11/5/13 $6,850,000		10/5/17 $18,420,000		12/28/17 $10,000,000*							
Maturity	2/01		2/01		2/01		2/01		2/01							
Fiscal Year Ending	**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	155,000	1,191,047	1,665,000	497,000	525,000	198,200	415,000	428,646			2,760,000	2,314,893	5,074,893	43,850,000	5.92%	**2018**
2019	150,000	1,181,903	1,745,000	430,400	535,000	187,700	225,000	516,963	0	337,148	2,655,000	2,654,113	5,309,113	41,195,000	11.62%	**2019**
2020			1,820,000	360,600	550,000	166,300	390,000	510,813	0	308,838	2,760,000	1,346,550	4,106,550	38,435,000	17.54%	**2020**
2021			1,895,000	287,800	570,000	144,300	405,000	502,863	0	308,838	2,870,000	1,243,800	4,113,800	35,565,000	23.70%	**2021**
2022			2,005,000	212,000	610,000	121,500	360,000	494,988	0	308,838	2,975,000	1,137,325	4,112,325	32,590,000	30.08%	**2022**
2023			1,585,000	131,800	650,000	97,100	690,000	482,969	0	308,838	2,925,000	1,020,706	3,945,706	29,665,000	36.35%	**2023**
2024			1,125,000	68,400	660,000	77,600	1,245,000	459,213	0	308,838	3,030,000	914,050	3,944,050	26,635,000	42.86%	**2024**
2025			585,000	23,400	660,000	57,800	1,880,000	415,450	0	308,838	3,125,000	805,488	3,930,488	23,510,000	49.56%	**2025**
2026					700,000	29,750	2,860,000	344,350	0	308,838	3,560,000	682,938	4,242,938	19,950,000	57.20%	**2026**
2027							3,740,000	245,350	1,545,000	308,838	5,285,000	554,188	5,839,188	14,665,000	68.54%	**2027**
2028							3,850,000	131,500	1,590,000	262,488	5,440,000	393,988	5,833,988	9,225,000	80.21%	**2028**
2029							2,360,000	36,875	1,640,000	214,788	4,000,000	251,663	4,251,663	5,225,000	88.79%	**2029**
2030									1,690,000	165,588	1,690,000	165,588	1,855,588	3,535,000	92.42%	**2030**
2031									1,740,000	114,888	1,740,000	114,888	1,854,888	1,795,000	96.15%	**2031**
2032									1,795,000	58,338	1,795,000	58,338	1,853,338	0	100.00%	**2032**
	305,000	2,372,950	12,425,000	2,011,400	5,460,000	1,080,250	18,420,000	4,569,978	10,000,000	3,623,935	46,610,000	13,658,512	60,268,512			

*Preliminary, subject to change.

1) This issue refunded the 2012 through 2025 maturities of the District's $31,355,000 General Obligation School Building Refunding Bonds, Series 2001A, dated March 1, 2001.

2) This issue refunded the 2015 through 2026 maturities of the District's $10,320,000 General Obligation School Building Refunding Bonds, Series 2004, dated November 15, 2004.

3) This issue provided for advance refunding of the 2020 through 2029 maturities of the District's $17,825,000 General Obligation Taxable OPEB Bonds, Series 2009A, dated January 7, 2009. The series 2009A Bonds will be called on February 1, 2019.

INDEPENDENT SCHOOL DISTRICT NO. 623 (ROSEVILLE), MINNESOTA
Schedule of Bonded Indebtedness
Non-General Obligation Debt Being Paid From Annual Appropriations
(As of 12/28/17)

	Falcon Heights Elem Lease-Purchase								
Dated	9/9/14								
Amount	$420,098								
Maturity	9/10								
Fiscal Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2019	110,762	4,058	110,762	4,058	114,820	0	100.00%	**2019**
	110,762	4,058	110,762	4,058	114,820			

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:

2016/17 Economic Market Value	$5,980,883,873
Multiply by 15%	0.15
Statutory Debt Limit	$ 897,132,581
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes[1] (includes the Bonds)*	(27,885,000)
Unused Debt Limit*	$ 869,247,581

*Preliminary, subject to change.

[1] Does not include the District's $17,825,000 General Obligation Taxable OPEB Bonds, Series 2009A or the District's $18,420,000 General Obligation Taxable OPEB Refunding Bonds, Series 2017A, as they are not subject to the debt limit calculation.

OVERLAPPING DEBT[1]

Taxing District	2016/17 Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Ramsey County	$541,767,472	12.2066%	$169,790,000	$20,725,586
City of Falcon Heights	4,868,774	100.0000%	1,625,000	1,625,000
City of Little Canada	10,418,547	92.1910%	6,885,000	6,347,350
City of Maplewood	43,144,555	12.9272%	53,950,000	6,974,224
City of Roseville	49,475,356	82.2606%	26,510,000	21,807,285
City of Shoreview	32,227,175	7.4175%	22,575,000	1,674,501
Metropolitan Council	3,295,889,335	2.0065%	186,185,000 [3]	3,735,802
District's Share of Total Overlapping Debt				$62,889,749

DEBT PAYMENT HISTORY

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

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

[2] Outstanding debt is based on information in official statements obtained on EMMA and the Municipal Advisor's records.

[3] The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation sewer revenue, wastewater revenue, and radio revenue bonds and lease obligations outstanding all of which are supported entirely by revenues and have not been included in the Overlapping Debt or Debt Ratios sections.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value ($5,980,883,873)	Debt/ Current Population Estimate (56,426)
Direct G.O. Debt Being Paid From Taxes and State Aids*	$ 46,610,000	0.78%	$826.04
District's Share of Total Overlapping Debt	$ 62,889,749	1.05%	$1,114.55
Total*	$109,499,749	1.83%	$1,940.59

*Preliminary, subject to change.

FUTURE FINANCING

The District may issue up to $144 million in General Obligation School Building Bonds in 2018, as authorized by voters in an election held on November 7, 2017.

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
2012/13	$22,409,299	$22,230,838	$22,381,157	99.87%
2013/14	23,698,366	23,533,336	23,675,474	99.90%
2014/15	25,664,530	25,456,717	25,628,770	99.86%
2015/16	25,777,328	25,599,345	25,694,586	99.68%
2016/17	25,165,270	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 May 31, 2017.

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

TAX CAPACITY RATES[1]

	2012/13	2013/14	2014/15	2015/16	2016/17
I.S.D. No. 623 (Roseville)	15.464%	16.251%	17.180%	20.958%	18.894%
Ramsey County	60.638%	59.105%	54.462%	54.012%	51.173%
Ramsey County Library	4.602%	4.630%	4.460%	4.873%	4.677%
City of Arden Hills	27.931%	27.950%	27.294%	26.539%	27.211%
City of Falcon Heights	27.884%	24.819%	23.470%	25.855%	26.342%
City of Lauderdale	31.851%	30.039%	28.856%	29.042%	28.678%
City of Little Canada	30.935%	31.407%	30.696%	30.331%	28.903%
City of Maplewood	48.659%	48.378%	46.353%	48.507%	47.248%
City of Roseville	38.899%	40.121%	38.909%	39.324%	38.552%
City of Shoreview	36.970%	37.490%	34.873%	35.357%	34.302%
Metro Watershed	3.643%	4.499%	4.259%	4.214%	3.813%
Rice Creek Watershed	2.322%	2.346%	2.205%	2.108%	1.985%
Metropolitan Council	2.776%	2.729%	2.524%	2.379%	2.243%
Metropolitan Mosquito	0.573%	0.554%	0.511%	0.475%	0.455%
Regional Rail	4.528%	4.196%	3.938%	4.091%	3.875%
Referendum Market Value Rates:					
City of Maplewood	0.0223%	0.0197%	0.0087%	0.0091%	0.0077%
City of Roseville	0.0221%	0.0216%	0.0190%	0.0188%	0.0178%
I.S.D. No. 623 (Roseville)	0.2455%	0.2583%	0.2593%	0.2104%	0.1935%

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

[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.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 1,159, including 521 non-licensed employees and 638 licensed employees (602 of whom are teachers). The District provides education for 7,611 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

Public Employees' Retirement Association (PERA)

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

Recognized and Certified Bargaining Units

Bargaining Unit	**Expiration Date of Current Contract**
Education Minnesota - Roseville	June 30, 2017
Roseville Principals Association	June 30, 2017
IUOE Local No. 70 AFL-CIO	June 30, 2018
Roseville Nutrition Services Association	June 30, 2018
AFSCME Council 5 Local 1129 - Clerical	June 30, 2018
AFSCME Council 5 Local 1129 - Teachers Assistants	June 30, 2018

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 for 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 $11,958,610 as of July 1, 2014. The District has been funding these obligations on a pay-as-you-go basis, but in January of 2009 they issued $17,825,000 in OPEB Bonds to fund an irrevocable trust. Future OPEB costs will be paid partially from the trust and partially from operating funds.

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	583	3,576	3,312	7,471
2014/15	578	3,524	3,329	7,431
2015/16	564	3,555	3,387	7,506
2016/17	578	3,520	3,454	7,552
2017/18	580	3,568	3,463	7,611

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2018/19	612	3,534	3,552	7,698
2019/20	605	3,602	3,627	7,834
2020/21	606	3,648	3,681	7,935

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Brimhall Elementary	1957	1957, 1958, 1959, 1972, 1994
Central Park Elementary	1966	1968, 1996
Edgerton Elementary	1952	1955, 1961, 1967, 1969, 1996, 2004
Falcon Heights Elementary	1951	1952, 1961, 1969, 1995, 1998, 2015
Harambee Elementary	1996	--
Little Canada Elementary	1968	1989, 1995
Emmett D. Williams	1963	1966, 1969, 1997
Parkview School	1967	1969, 1975, 1997
Roseville Area Middle School	1963	1966, 1970, 1972, 1975, 1990, 2004
Roseville Area High School	1952	1962, 1969, 1970, 1975, 1985, 1993-1996, 2003-2005

FUNDS ON HAND (as of October 31, 2017)

Fund	Total Cash and Investments
General	$ 5,442,301
Food Service	143,466
Community Service	1,490,129
Debt Service	3,061,671
Escrow Account	18,147,128
Building/Construction	112,695
Trust & Agency	354,807
Internal Service	102,904
Total Funds on Hand	$28,855,101

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 2016 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30 2014 Audited	2015 Audited	2016 Audited	2016-17 Revised Budget[1]	2017-18 Adopted Budget[2]
Revenues					
Property taxes	$11,285,958	$17,223,642	$19,965,934	$ 20,465,396	$ 20,088,032
Earnings on investments	7,150	4,052	6,310	0	0
Other	6,175,834	2,857,933	2,667,522	1,533,899	1,537,329
State sources	68,016,105	70,303,291	73,636,347	74,712,283	78,110,168
Federal Sources	2,741,033	3,126,418	2,462,850	3,821,253	3,326,431
Total Revenues	$88,226,080	$93,515,336	$98,738,963	$100,532,831	$103,061,960
Expenditures					
Administration	$ 4,491,136	$ 4,876,865	$ 5,176,243	$ 5,046,057	$ 5,148,418
District support services	2,609,928	3,034,400	3,048,934	3,845,426	4,013,131
Elementary & secondary regular instruction	41,102,939	42,288,193	42,727,091	44,013,436	43,046,106
Vocational education instruction	1,362,393	1,116,633	1,214,382	1,422,838	1,602,440
Special education instruction	16,997,532	18,414,938	18,397,284	20,466,101	20,776,410
Instructional support services	6,050,378	8,159,483	8,501,344	8,358,000	8,870,319
Pupil support services	8,553,768	8,939,811	8,897,544	8,927,881	9,194,184
Sites and buildings	6,708,539	6,678,180	6,686,092	9,000,343	10,392,820
Fiscal and other fixed cost programs	213,642	227,700	231,433	260,000	265,000
Capital Outlay	1,570,726	2,003,673	1,643,653	0	0
Debt Service	12,198	(1,098)	73,063	0	0
Total Expenditures	$89,673,179	$95,738,778	$96,597,063	$101,340,082	$103,308,828
Excess of revenues over (under) expenditures	$ (1,447,099)	$ (2,223,442)	$ 2,141,900		
Other Financing Sources (Uses)					
Sale of Equipment Proceeds	$ 0	$ 0	$2,393,240		
Insurance Recovery Proceeds	2,303	5,703	16,879		
Total Other Financing Sources (Uses)	$ 2,303	$ 5,703	$ 2,410,119		
Net Change in Fund Balances	$ (1,444,796)	$ (2,217,739)	$ 4,552,019		
General Fund Balance July 1	4,373,441	2,928,645	710,906		
Prior Period Adjustment	0	0	0		
Residual Equity Transfer in (out)	0	0	0		
General Fund Balance June 30	$ 2,928,645	$ 710,906	$ 5,262,925		
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$ 231,631	$ 541,338	$ 734,087		
Restricted	(7,362)	(881,704)	1,546,741		
Committed	0	0	0		
Assigned	0	0	0		
Unassigned	2,704,376	1,051,272	2,982,097		
Total	$ 2,928,645	$ 710,906	$ 5,262,925		

1 The 2016-17 revised budget was adopted on January 24, 2017.

2 The 2017-18 budget was adopted on June 27, 2017.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 54,723 and a current population estimate of 56,426, and comprising an area of 21.65 square miles, is located approximately 10 miles northwest 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
University of Minnesota (St Paul Campus)	Post secondary education	6,882
Minnesota State Fair	State fair grounds	2,877 [2]
ISD No 623 (Roseville Area Schools)	Elementary and secondary education	1,159
Abbott-St. Jude Medical	Medical device and supplies manufacturer	1,126
Minnesota Department of Transportation	State government transportation programs	800
TSI	Design & production of precision measurement instruments	450
Slumberland Inc	Furniture dealers-retail	400
Minnesota Department of Education	State government education services	392
Lunds & Byerlys	Grocers-retail	377
Old Dutch Foods	Snack foods	250

Source: *ReferenceUSA, written and telephone survey (August 2017), and the Minnesota Department of Employment and Economic Development.*

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

2 Includes seasonal employees.

U.S. CENSUS DATA

Population Trend: Independent School District No. 623 (Roseville School District), Minnesota

2000 U.S. Census population	54,927
2010 U.S. Census population	54,723
2015 Population Estimate	56,426
Percent of Change 2000 - 2010	-0.37%

Income and Age Statistics

	Roseville School District	Ramsey County	State of Minnesota	United States
2015 per capita income	$33,411	$30,333	$32,157	$28,930
2015 median household income	$60,746	$56,104	$61,492	$53,889
2015 median family income	$80,079	$73,598	$77,055	$66,011
2015 median gross rent	$881	$865	$848	$928
2015 median value owner occupied units	$220,600	$193,700	$186,200	$178,600
2015 median age	38.9 yrs.	34.6 yrs.	37.7 yrs.	37.6 yrs.

	State of Minnesota	United States
District % of 2015 per capita income	103.90%	115.49%
District % of 2015 median family income	103.92%	121.31%

Source: *2000 and 2010 Census of Population and Housing, and 2015 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	Ramsey County	Ramsey County	State of Minnesota
2013	261,439	4.9%	4.9%
2014	265,141	4.0%	4.2%
2015	267,618	3.6%	3.7%
2016	270,438	3.6%	3.8%
2017, September	281,537	3.0%	2.9%

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.

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2016

INDEPENDENT AUDITORS' REPORT

School Board
Independent School District No. 623
Roseville Area Schools
Roseville, 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 Roseville Area Schools Independent School District No. 623 (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison for the General Fund, Food Service Fund, and Community Service Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the District's 2015 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and we expressed unmodified audit opinions on those audited financial statements in our report dated December 10, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for other postemployment benefits, schedules of District's proportionate share of net pension liability and schedules of District's pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund financial statements and Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by the Uniform Guidance, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

School Board
Independent School District No. 623
Roseville Area Schools

Supplementary Information (Continued)
The individual fund financial statements, Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 5, 2016

This section of Roseville Area Schools – Independent School District No. 623's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section. The Management's Discussion and Analysis (MD&A) is a required element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year (2015-2016) and the prior year (2014-2015) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015-2016 fiscal year include the following:

- Net position increased by $3,470,174 or 10.7% in 2016.
- Overall General Fund revenues were $98,738,963 as compared to $96,597,063 of expenditures.
- The total fund balance of the General Fund increased overall by $4,552,019 from the prior year. The fund balance in the unassigned fund balance category increased by $1,886,370, having begun the year with a balance of $169,568 and ending with a balance of $2,055,938. The increase in fund balance from the prior year was projected in the revised budgets adopted by the Board.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

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

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the District's assets and liabilities. 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.

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

The two district-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets, 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 an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

- The District uses an internal service fund to report activities that provide supplies and services for the District's other programs and activities. The District currently has an internal service fund for self-insurance of dental benefits.

- *Fiduciary Funds* – The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship funds and the Suburban Ramsey Family Collaborative. The District has also established an irrevocable trust fund for other postemployment benefits (OPEB). This trust was funded with the proceeds from General Obligation OPEB Bonds issued in 2009. 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 district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position was $(29,111,473) on June 30, 2016, an increase of $3,470,174, or 10.7%, from the prior year (see Table A-1).

Table A-1
The District's Net Position

	Governmental Activities as of June 30, 2016	Governmental Activities as of June 30, 2015	Percentage Change
Current and Other Assets	$ 34,578,079	$ 42,575,942	(18.8)%
Capital Assets	50,598,481	52,416,651	(3.5)
Non-Current Assets	10,553,925	11,192,697	(5.7)
Total Assets	95,730,485	106,185,290	(9.8)
Deferred Outflows of Resources	15,143,946	13,022,570	16.3
Current Liabilities	4,154,546	16,568,991	(74.9)
Long-Term Liabilities	106,296,332	96,075,791	10.6
Total Liabilities	110,450,878	112,644,782	(1.9)
Deferred Inflows of Resources	29,535,026	39,144,725	(24.5)
Net Position:			
Net Investment in Capital Assets	29,788,218	29,454,388	1.1
Restricted	14,755,133	12,897,412	14.4
Unrestricted	(73,654,824)	(74,933,447)	(1.7)
Total Net Position	$ (29,111,473)	$ (32,581,647)	(10.7)

The District's financial position is the product of many factors. For example, the determination of the District's net investments 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 calculated amounts.

The other major factor in determining net position as compared to fund balances is the liability for long-term severance, pension, and other post-employment benefits (OPEB), which impacts the unrestricted portion of net position.

Decreases in both the current assets and current liabilities were due to the fact the District did not cash-flow borrow in the current year compared to cash-flow borrowing totaling $12,000,000 in the previous fiscal year. Long-term liabilities increased by $10,220,541, or 10.6%, mainly due to increases in the Districts long-term liabilities for pensions and other-employment benefits. The largest positive portion of the District's net position represents its investment in capital assets (land, buildings, equipment, etc.) less any related debt used to acquire those assets that is still outstanding. The District is able to report positive balances in the Capital Assets portion of its net position.

Another portion of the District's net position, restricted net position represents resources that are subject to external restrictions on how they may be used. The restricted portion of the District's net position increased by $1,857,721 during the current year. The remaining unrestricted portion is that which may be used to meet the District's ongoing obligations. This portion of net position increased by $1,278,628, to a year-end balance of ($73,654,824). The overall deficit balance is due to the District's long-term liabilities for pensions and other post-employment benefits.

Changes in Net Position

In Table A-2, Change in Net Position, operations are reported on a governmental-wide basis with no reference to funds. This format is similar to the fund financial statements, except it is presented on an accrual basis of accounting.

Total revenues for all governmental activities were $117,615,220 for the year ended June 30, 2016. Property taxes and state formula aid accounted for 71% of total revenue for the year (see Figure A-1). Another 3% came from other general revenues combined with investment earnings, 6% from charges for services, and the remaining 20% from operating grants and contributions.

Total revenues for fiscal year 2016 were $5,663,947 higher than the prior year. Increases include the general education formula allowance, special education aid, federal grants, and other local sources (i.e. fees, rental, and donations). Additionally, the District sold a parcel of land for approximately $2.4 million.

Expenses increased $3,826,207 compared to fiscal year 2015 levels. The increase in expense is due to general fund regular instruction and instructional support services salaries and benefits. We also experienced increased food and equipment costs within our food service fund, which were below the District's capitalization threshold.

Total revenues were $117,615,220, while total expenses were $114,145,046 increasing net position by $3,470,174 for fiscal year 2016.

Table A-2
Change in Net Position

	Governmental Activities for the Fiscal Year Ended June 30, 2016	2015	Total % Change
Revenues			
Program Revenues			
Charges for Services	$ 7,375,493	$ 7,333,898	0.6 %
Operating Grants and Contributions	21,306,839	18,621,151	14.4
Capital Grants and Contributions	1,931,813	1,806,308	6.9
General Revenues			
Property Taxes	25,769,114	23,607,526	9.2
Unrestricted State Aid	57,322,680	57,049,466	0.5
Investment Earnings	6,310	4,052	55.7
Other	3,928,275	3,528,872	11.3
Total Revenues	117,640,524	111,951,273	5.1
Expenses			
Administration	5,302,720	4,926,467	7.6
District Support Services	3,101,677	3,537,993	(12.3)
Regular Instruction	46,210,131	44,469,287	3.9
Vocational Education Instruction	1,229,949	1,157,265	6.3
Special Education Instruction	18,513,528	18,486,701	0.1
Instructional Support Services	9,216,623	8,453,869	9.0
Pupil Support Services	8,943,604	9,076,026	(1.5)
Sites and Buildings	7,458,334	7,058,049	5.7
Fiscal and Other Fixed Cost Programs	231,433	227,700	1.6
Food Service	4,937,762	4,362,884	13.2
Community Service	7,064,253	6,598,502	7.1
Interest and Fiscal Charges on Long-Term Liabilities	1,960,336	1,964,096	(0.2)
Total Expenses	114,170,350	110,318,839	3.5
Change in Net Position	3,470,174	1,632,434	
Beginning Net Position	(32,581,647)	(34,214,081)	
Ending Net Position	$ (29,111,473)	$ (32,581,647)	

The cost of all *governmental* activities this year was $114,145,046.

- Some of the cost was paid by the users of the District's programs (Table A-2, Charges for Services, $7,375,493). The majority of this category, approximately $5.7 million, comes from food service meals and community education class tuition.
- The federal and state governments subsidized specific programs with grants and contributions ($21,306,839).
- Most of the District's costs ($88,932,888), however, were paid for by District taxpayers, taxpayers of our state, and other miscellaneous general revenues.
- Of the amount paid for by taxpayers of the District and the state, $25,769,114 came in the form of property taxes, $57,322,680 in unrestricted state aid based primarily on the statewide education aid formula, and with investment earnings and other general revenues.

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

Figure A-1
Sources of District's Revenues for Fiscal 2016

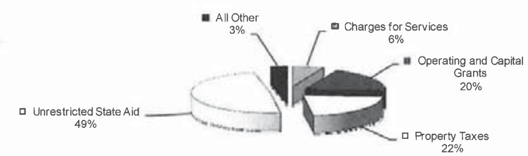
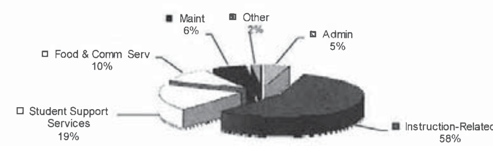


Figure A-2
District Expenses for Fiscal 2016



All governmental activities includes not only funds received for the general operation of the District, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction.

Table A-3
Program Services and Net Cost of Services

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2016	2015	Change	2016	2015	Change
Administration	$ 5,302,720	$ 4,926,467	7.6 %	$ 5,294,954	$ 4,917,629	7.7 %
District Support Services	3,101,677	3,537,993	(12.3)	225,337	1,891,446	(88.1)
Regular Instruction	46,210,131	44,469,287	3.9	42,896,757	40,952,125	4.7
Vocational Education Instruction	1,229,949	1,157,265	6.3	1,202,986	1,143,932	5.2
Special Education Instruction	18,513,528	18,486,701	0.1	6,874,996	7,052,788	(2.5)
Instructional Support Services	9,216,623	8,453,869	9.0	8,621,056	8,100,301	6.4
Pupil Support Services	8,943,604	9,076,026	(1.5)	7,881,183	7,462,644	5.6
Sites and Buildings	7,458,334	7,058,049	5.7	6,989,200	6,418,996	8.9
Fiscal and Other Fixed Cost Programs	231,433	227,700	1.6	231,433	227,700	1.6
Food Service	4,937,762	4,362,884	13.2	453,450	(84,469)	(636.8)
Community Service	7,064,253	6,598,502	7.1	924,517	996,206	(7.2)
Interest and Fiscal Charges on Long-Term Liabilities	1,960,336	1,964,096	(0.2)	1,960,336	1,964,096	(0.2)
Total	$ 114,170,350	$ 110,318,839	3.5	$ 83,556,205	$ 81,043,394	3.1

The cost of all governmental activities this year was $114,145,046, an increase of $3,826,207 over the prior year. After applying program specific revenue, the net cost of all governmental activities this year was $83,530,901 or an increase of $2,487,507 from the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a *combined* fund balance of $7,805,060 which is $4,553,548 more than last year's ending fund balance of $3,251,512.

Revenues for the District's governmental funds were $115,420,116, an increase of $5,593,999 compared to fiscal year 2015. Expenditures in all governmental funds totaled $113,279,477, an increase of $1,325,981 from the prior year.

GENERAL FUND

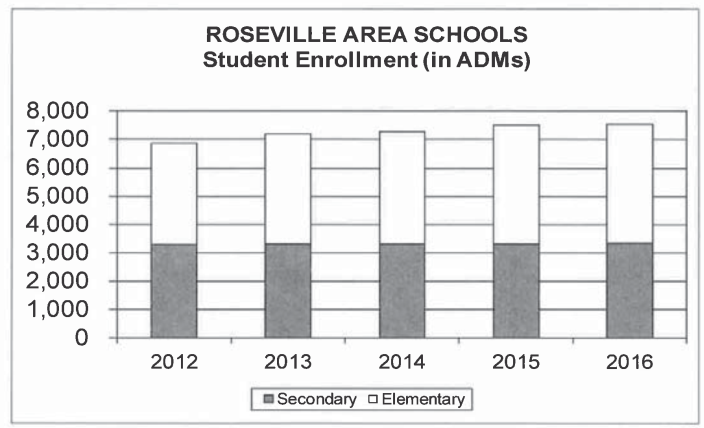
The General Fund reflects the primary operations of the District that provide educational services to students from kindergarten through grade 12. This includes K-12 educational activities, district instructional support and student support programs, expenditures for the superintendent, district administration, normal operations and maintenance, pupil transportation, capital outlay projects, and other legal school district expenditures not specifically designated to be accounted for in any other fund.

Approximately 90% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources available to the District. This includes special education state aid that is based upon a cost reimbursement model providing approximately 68% of personnel expenditures. The revenue is later prorated to a lesser amount dependent on the total revenue appropriated by the Legislature for this purpose. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid. The state further controls the timing of payments made to school districts, which affects the cash balances available to meet ongoing costs.

ENROLLMENT

Enrollment is a critical factor in determining revenue with approximately 90% of General Fund revenue being determined by enrollment. The following chart shows that the number of students has been steadily increasing over the last five years.

Table A-4
Enrollment Trend
Average Daily Membership (ADM)



Since 2005, the District has experienced increases between .75% and 2% in average daily membership served. The numbers of students enrolling from neighboring districts through the options programs has continued to increase, and in 2015-2016 we served 1,450 students from other districts, while about 507 of our District's residents attended other school districts, and approximately 433 resident students attended public charter schools. The students we serve plus our resident students served by other districts under tuition agreements, all generate revenue, mostly through the General Education Aid formula. We expect the pre-school population to remain steady or increase slightly and provide approximately 565 kindergarten students per year as compared to approximately 550 students graduating annually, picking up additional students throughout all grade levels. We expect that the District will continue to enroll steady or slightly increasing numbers of both resident students as well as those from other districts as space permits in our classrooms and programs.

The following schedule presents a summary of General Fund Revenues.

Table A-5
General Fund Revenues

Fund	Year Ended June 30, 2016	Year Ended June 30, 2015	Change Increase (Decrease)	Change Percent
Local Sources:				
Property Taxes	$ 19,965,934	$ 17,223,642	$ 2,742,292	15.9 %
Earnings on Investments	6,310	4,052	2,258	55.7
Other	2,667,522	2,857,933	(190,411)	(6.7)
State Sources	73,636,347	70,303,291	3,333,056	4.7
Federal Sources	2,462,850	3,126,418	(663,568)	(21.2)
Total General Fund Revenue	$ 98,738,963	$ 93,515,336	$ 5,223,627	5.6

General Fund Revenue increased by $5,223,627 or 5.6% from the previous year. Property tax revenue shows an increase of $2,742,292. This increase is due to an adjustment for a back levy from a prior period. Property tax revenue is determined by the amount approved by the school board to levy each year.

Other revenue decreased by $190,411. State aid increased $3,333,056, due to increased student enrollment, an increase in the funding formula for 2015-16, and increased special education aid to offset the District's increased costs for those same services.

Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of mostly state aid revenue. Other state-authorized revenues, which include the operating levy referendum, operating capital revenue, and the property tax shift involve an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change in total revenue, and is dependent on legislative action.

State Special Education aid is calculated based on data provided by the State at year-end. Fiscal year 2015 marked the final year of a special education funding formula that used current year data and left much speculation at year end as final data did not become available until February of the following year. The final aid entitlement for 2015 was $330,000 higher than had been estimated as of 6/30/15. In addition, in April 2016, we were made aware that with the implementation of the new funding formula, which uses prior year data, the District would be receiving an additional $680,000 in special education aid for fiscal year 2016.

Federal revenue decreased by $663,568, or 21.2%, much of which was a result of decreased funding in special education program funding.

The following schedule presents a summary of General Fund Expenditures.

Table A-6
General Fund Expenditures

	Year Ended June 30, 2016	Year Ended June 30, 2015	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 56,043,519	$ 55,046,376	$ 997,143	1.8 %
Employee Benefits	24,355,821	22,892,527	1,463,294	6.4
Purchased Services	11,128,060	12,187,919	(1,059,859)	(8.7)
Supplies and Materials	3,165,187	3,416,384	(251,197)	(7.4)
Capital Expenditures	1,643,653	2,003,673	(360,020)	(18.0)
Other Expenditures	260,823	191,899	68,924	35.9
Total Expenditures	$ 96,597,063	$ 95,738,778	$ 858,285	0.9

Total General Fund Expenditures increased just $858,285 or .9% over the previous year. The majority of this increase was related to step and lane increases for staffing as well as the related benefit costs.

In fiscal 2016, salary and benefit costs increased primarily, due to approved increases in salary of the various bargaining groups. Other factors impacting salaries and benefits were longevity, education, pay rates, other items included in bargaining agreements, and other increased benefit costs. Most other benefits, such as FICA, tax sheltered annuities and Workers' Compensation, are tied to percentages of salaries paid, and account for the balance of the increase.

Purchased Services and Supplies and Materials consist of expenditures for fees for service, postage, utilities, diesel and gasoline, property insurance, maintenance repairs, leases, travel, tuition, transportation, instructional supplies and textbooks.

Payments for all purchased services decreased by $1,059,859 from those in 2014-2015. The majority of the decreased cost was due to a reduction in the amount of tuition and other payments paid by the District for educational services provided to our resident students.

Spending for supplies and materials decreased by $251,197. The mild winter and the resulting reduced cost of heating District buildings accounted for much of this decrease. Spending for instructional supplies and general supplies were similar to spending in the previous year.

Spending for capital expenditures decreased by $360,020 from the prior year. Much of this decrease was due to deferring the acquisition of some of the budgeted curriculum review materials from the 2015-16 school year to the 2016-17 school year.

In 2015-16, total General Fund revenues and other financing sources exceeded expenditures by $4,552,019. Therefore, the total fund balance increased from a balance of $710,906 at June 30, 2015, to a balance of $5,262,925 at June 30, 2016. After deducting statutory restrictions and non-spendable balances, the general unassigned fund balance increased from $169,568 at June 30, 2015, to $2,055,938 at June 30, 2016, – an increase of $1,886,370.

The unassigned fund balance is the single best measure of overall financial health of a school district. The unassigned general fund balance totals $2,055,938. The Minnesota Department of Education divides this balance by the expenditures related to these balances to calculate the fund balance as a percentage of expenditures. The District's fund balance at June 30, 2016, represents 2.1% of applicable annual expenditures. The School Board has set a goal to maintain a minimum target fund balance of 3%. The current fund balance of 2.1% falls below the target set by the District. This fund balance has been fluctuating both above and below the set target in recent years, and the School Board and District administration are taking appropriate actions to maintain the fund balance to the 3% goal in the upcoming years through the budget development process.

GENERAL FUND BUDGETARY HIGHLIGHTS

Following approval of the budget prior to the beginning of the fiscal year, the District revises the annual operating budget in mid-year. These budget adjustments typically fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over.
- Legislation passed subsequent to budget adoption, changes necessitated by collective bargaining agreements, and increases in appropriations for significant unbudgeted costs.

Actual revenues were $958,824, or .98% more than budgeted, approximately $500,000 of the variance is due to unbudgeted student activities related revenue.

Actual General Fund expenditures were $262,281, or 0.3% less than budgeted. Student activities related expenses are those funded through fund-raising, gifts and the sale of spirit wear and other items. Expenditures in these categories are limited to the actual revenue generated. Once unbudgeted student activities expenditures of about $500,000, are taken into account, the variance is equal to approximately .01% over the final budget. Elementary, Secondary, Vocational, and Special Education Instruction costs combined were $1,049,726 less than budgeted. This was offset by increased spending in the Instructional Support Services Program of $824,661 more in expenditures than budgeted, as a result of shifting the costs of much of the Alternative Teacher Pay Performance System (ATPPS) from the instructional programs to district support services. Finally, Site and Building Costs were $259,540 less than budgeted due to lower than projected utility costs and a reduction in contracted services at the school sites.

While the District's final budget for the General Fund anticipated that revenues and other financing sources would exceed expenditures by $3,311,515, the actual results for the year show revenues and other financing sources exceeded expenditures by $4,552,019, a positive difference of $1,240,504. The combined unassigned and non-spendable fund balance accounts for $612,439 of this positive difference, while the remaining $628,065 is reflected in the restricted operating capital and health and safety funds, and a result of lower than anticipated expenditures. Those expenditures will be deferred until the 2016-2017 fiscal year.

OTHER MAJOR FUNDS

The Food Service Fund revenue for 2015-2016 totaled $4,484,312 and expenditures were $4,614,140. The June 30, 2016, fund balance is $428,520, a decrease of $129,828 from fiscal year 2015. Actual revenues and other sources were $83,884 lower than budgeted due to lower than anticipated meal sales proceeds and reduced federal revenue. Actual expenditures were $99,677 higher than budgeted mainly due to higher than anticipated food and equipment costs. These variances resulted in the change in fund balance being $183,561 lower than expected.

The Community Service Fund revenue for 2015-2016 totaled $7,169,513 and expenditures were $6,990,238. The June 30, 2016, fund balance is $1,283,792, an increase of $182,065. The increase in fund balance is primarily due to increased programming with revenues being greater than expenditures, especially within the childcare programming. From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, the Community Service Fund operates on a sound financial basis, and ended the year with a fund balance of $1,283,792, or 18.3% of expenditures. Many of the accounts that make up the Community Service Fund are reported under specific reserve accounts.

CONSTRUCTION AND DEBT SERVICE FUNDS

The Construction Fund records revenue and expenses for the Alternative Facilities Levy program. Because of the age of its buildings and their total square footage, the District is eligible to levy for funds to finance specific projects to maintain the structural integrity of the buildings. These projects are submitted to the state Department of Education and must be approved prior to authorizing the levy. This fund is permitted to go into deficit to the extent of approved and anticipated revenues.

The Combined Debt Service Funds are comprised of a regular debt service account and an account for Other Postemployment Benefit Bonds. Combined Debt Service Funds expenditures exceeded revenues by $46,394. Revenues in the Regular Debt Service Fund Account are used to pay off the principal and interest of bonds issued in past years for building construction and improvements. The total balance of the regular debt service account at June 30, 2016 is $486,191, and will be used to meet the debt service obligations of refunding bonds issued in 2010 and 2013. The Other Postemployment Benefits Bond Fund records the expenditures and revenues related to repayment of the bonded debt issued to create the Other Postemployment Benefits Trust. The OPEB fund balance of $227,889, combined with revenues generated by levies on future property taxes, will be used to pay the obligation on the debt as it comes due.

INTERNAL SERVICE FUND

The District changed to a self-insured plan for dental benefits for District employees effective July 1, 2011, and an Internal Service Fund was created to record related revenues and expenses. The plan is administered by a third party. Revenues continue to exceed expenses. In 2015-2016, revenues exceeded expenses by $71,488. Total net position for the plan is now $360,919 or 41.3% of total claims and expenses. The efficiency in the administration of this funding model and the positive claims experience has allowed the District to maintain the same monthly dental premium amount for five consecutive years.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016, the District had invested more than $125 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table A-7). (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total net depreciation expense for the year was $2,659,760.

Table A-7
The District's Capital Assets

	2016	2015	Percentage Change
Land	$ 1,746,318	$ 1,746,318	- %
Land Improvements	6,642,399	6,605,954	0.6
Buildings and Improvements	111,473,421	110,947,669	0.5
Equipment	5,431,570	5,152,177	5.4
Less: Accumulated Depreciation	(74,695,227)	(72,035,467)	3.7
Total	$ 50,598,481	$ 52,416,651	(3.5)

Long-Term Liabilities

At year-end, the District had $37,255,000 in general obligation bonds – a decrease of 5.6% from last year – as detailed in Note 6 to the financial statements. The decrease was due to the payment of principal on its bonded debt. The District also had an estimated $618,126 in vacation payable at June 30, 2016, an increase of $47,550 since June 30, 2015. Other compensated absences totaled $855,709 as of June 30, 2016, which is the amount estimated to be paid in severance to current employees in the future, a decrease of $112,046 from the 2015 level of $967,755.

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

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

	2016	2015	Percentage Change
General Obligation Bonds	$ 37,255,000	$ 39,470,000	(5.6)%
Net Bond Premium and Discount	921,006	1,017,320	(9.5)
Accrued Vacation	618,126	570,576	8.3
Other Compensated Absences	855,709	967,755	(11.6)
Net Pension Liability	66,646,491	54,050,140	23.3
Total	$ 106,296,332	$ 96,075,791	10.6
Long-Term Liabilities:			
Due within One Year	$ 2,374,073	$ 2,214,922	
Due in More than One Year	103,922,259	93,860,869	
	$ 106,296,332	$ 96,075,791	

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for most of its revenue authority. School districts experienced many years without revenue increases which adequately met instructional program needs and increased costs due to inflation.

For the 2016 fiscal year, the Legislature added $117, or 2.0 percent, per pupil to the basic formula and an additional $119, or 2.0%, per pupil to the formula for fiscal year 2017. The additional revenue is essential to help bridge the funding gap brought on by many years of underfunding. The ongoing demands on limited resources continue to present challenges in funding education for Minnesota schools. The District will continue to seek all available sources of funding, respond to changes in enrollment, maintain systems that ensure financial stability, and adopt budgets that will allow the District to increase all components of the General Fund Balance in the upcoming years.

The District's facilities and infrastructure are aging. Facilities and technology needs are of concern, not only to Roseville Area Schools but many districts throughout the state. The District is in need of long-term revenue streams that are both equitable and sustainable and that will support the facility, equipment, and digital tools needed to support learners.

The District is currently working on developing an updated 10-year facilities plan. Goals of the plan are to support the learning environment, safety and security needs, and initiatives for students, staff and community; address backlog of deferred maintenance in buildings; improve energy efficiency, and support strategic plan initiatives.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District 623, District Center, 1251 West County Road B-2, Roseville, Minnesota 55113.

Bond Ratings
The District's bonds presently carry a Moody's "A3" rating.

Limitations on Debt
The state limits the amount of general obligation debt the District can issue to 15% of the assessed value of all taxable property within the District's corporate limits. Our outstanding debt is significantly below this limit – which is currently $765 million.

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
STATEMENT OF NET POSITION
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)

	Governmental Activities	
	2016	2015
ASSETS		
Cash and Investments	$ 7,973,618	$ 16,595,922
Receivables:		
Property Taxes	14,094,699	14,492,478
Other Governments	10,630,047	9,736,696
Other	1,077,358	1,123,114
Prepaid Items	697,684	507,151
Inventories	104,673	120,581
Other Postemployment Benefits	10,553,925	11,192,697
Capital Assets:		
Land and Construction in Process	1,746,318	1,746,318
Other Capital Assets, Net of Depreciation	48,852,163	50,670,333
Total Assets	95,730,485	106,185,290
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	15,143,946	13,022,570
LIABILITIES		
Short-Term Borrowing	-	12,000,000
Salaries and Compensated Absences Payable	554,370	456,653
Accounts and Contracts Payable	1,303,162	1,396,244
Claims Payable	21,103	40,136
Accrued Interest	814,076	911,148
Due to Other Governmental Units	621,893	914,255
Unearned Revenue:		
Local Sources	839,942	850,555
Long-Term Liabilities:		
Portion Due Within One Year	2,374,073	2,214,922
Portion Due in More Than One Year	103,922,259	93,860,869
Total Liabilities	110,450,878	112,644,782
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	22,657,041	22,715,919
Pension Related	6,877,985	16,428,806
Total Deferred Inflows of Resources	29,535,026	39,144,725
NET POSITION		
Net Investment in Capital Assets	29,788,218	29,454,388
Restricted for:		
General Fund Operating Capital Purposes	2,472,900	-
Food Service	428,520	558,348
Community Service	1,299,788	1,125,350
Debt Service	-	21,017
Other Postemployment Benefits	10,553,925	11,192,697
Unrestricted	(73,654,824)	(74,933,447)
Total Net Position	$ (29,111,473)	$ (32,581,647)

See accompanying Notes to Basic Financial Statements.

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)

	2016					2015
		Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
Governmental Activities						
Administration	$ 5,302,720	$ -	$ -	$ 7,766	$ (5,294,954)	$ (4,917,629)
District Support Services	3,101,677	75	2,398,795	477,470	(225,337)	(1,891,446)
Regular Instruction	46,210,131	1,004,708	1,869,066	439,600	(42,896,757)	(40,952,125)
Vocational Education Instruction	1,229,949	-	26,963	-	(1,202,986)	(1,143,932)
Special Education Instruction	18,513,528	651,906	10,986,626	-	(6,874,996)	(7,052,788)
Instructional Support Services	9,216,623	3,803	46,197	545,567	(8,621,056)	(8,100,301)
Pupil Support Services	8,943,604	54,892	1,007,529	-	(7,881,183)	(7,462,644)
Sites and Buildings	7,458,334	7,724	-	461,410	(6,989,200)	(6,418,996)
Fiscal and Other Fixed Cost Programs	231,433	-	-	-	(231,433)	(227,700)
Food Service	4,937,762	1,401,588	3,082,724	-	(453,450)	84,469
Community Service	7,064,253	4,250,797	1,888,939	-	(924,517)	(996,206)
Interest and Fiscal Charges on Long-Term Liabilities	1,960,336	-	-	-	(1,960,336)	(1,964,096)
Total School District	$ 114,170,350	$ 7,375,493	$ 21,306,839	$ 1,931,813	(83,556,205)	(81,043,394)
	General Revenues					
	Property Taxes Levied for:					
	General Purposes				19,820,020	17,358,263
	Community Service				958,531	907,044
	Debt Service				4,161,665	4,341,458
	Capital Projects				828,898	1,000,761
	State Aid Not Restricted to Specific Purposes				57,322,680	55,535,378
	Earnings on Investments				6,310	4,052
	Gain on Sale of Land				2,393,240	-
	Miscellaneous				1,535,035	1,579,078
	Special Item - Transfer of Operations				-	1,949,794
	Total General Revenues and Special Item				87,026,379	82,675,828
	Change in Net Position				3,470,174	1,632,434
	Net Position - Beginning				(32,581,647)	(34,214,081)
	Net Position - Ending				$ (29,111,473)	$ (32,581,647)

See accompanying Notes to Basic Financial Statements.

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Projects	Debt Service	2016	2015
ASSETS							
Cash and Investments	$ 2,686,746	$ 318,244	$ 1,526,218	$ 230,787	$ 2,829,601	$ 7,591,596	$ 16,261,584
Receivables:							
Current Property Taxes	10,783,442	-	517,237	-	2,395,016	13,695,695	14,143,244
Delinquent Property Taxes	331,048	-	16,335	-	51,621	399,004	349,234
Due from Other Minnesota School Districts	29,002	-	374,144	-	-	403,146	481,258
Due from Minnesota Department of Education	7,989,499	-	64,320	-	2	8,053,821	7,137,905
Due from Federal through Minnesota Department of Education	1,414,201	166,875	37,000	-	-	1,618,076	1,860,276
Due from Other Governmental Units	531,330	-	23,674	-	-	555,004	257,257
Other Receivables	11,105	-	44,190	-	-	55,295	150,901
Due from OPEB Trust Fund	948,392	27,079	46,592	-	-	1,022,063	972,213
Prepaid Items	675,551	19,655	2,478	-	-	697,684	507,151
Inventory	58,536	46,137	-	-	-	104,673	120,581
Total Assets	$ 25,458,852	$ 577,990	$ 2,652,188	$ 230,787	$ 5,276,240	$ 34,196,057	$ 42,241,604
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
Liabilities:							
Short-Term Borrowing	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,000,000
Salaries and Compensated Absences Payable	382,030	18,503	153,289	1,524	-	555,346	457,227
Payroll Deductions Payable	(1,557)	525	56	-	-	(976)	(574)
Accounts and Contracts Payable	1,017,143	59,753	112,746	113,520	-	1,303,162	1,391,473
Due to Other Governmental Units	602,569	-	19,324	-	-	621,893	914,255
Accrued Interest Payable	-	-	-	-	-	-	56,937
Unearned Revenue:							
Local Sources	681,148	70,689	88,105	-	-	839,942	850,555
Total Liabilities	2,681,333	149,470	373,520	115,044	-	3,319,367	15,669,873
Deferred Inflows of Resources:							
Property Taxes Levied for Subsequent Year	17,191,590	-	978,880	-	4,486,571	22,657,041	22,715,919
Unavailable Revenue - Delinquent Taxes	323,004	-	15,996	-	75,589	414,589	604,300
Total Deferred Inflows of Resources	17,514,594	-	994,876	-	4,562,160	23,071,630	23,320,219
Fund Balance:							
Nonspendable:							
Inventory	58,536	46,137	-	-	-	104,673	120,581
Prepaid Items	675,551	19,655	2,478	-	-	697,684	507,151
Restricted for:							
Alternative Facilities	-	-	-	115,743	-	115,743	120,057
Operating Capital	2,472,900	-	-	-	-	2,472,900	-
Community Education Programs	-	-	801,334	-	-	801,334	618,171
Early Childhood and Family Educations Programs	-	-	110,088	-	-	110,088	83,186
School Readiness	-	-	48,464	-	-	48,464	37,766
Adult Basic Education	-	-	262,759	-	-	262,759	299,087
Other Purposes	-	362,728	58,669	-	714,080	1,135,477	1,295,945
Unassigned	2,055,938	-	-	-	-	2,055,938	169,568
Total Fund Balance	5,262,925	428,520	1,283,792	115,743	714,080	7,805,060	3,251,512
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 25,458,852	$ 577,990	$ 2,652,188	$ 230,787	$ 5,276,240	$ 34,196,057	$ 42,241,604

See accompanying Notes to Basic Financial Statements.

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO.623
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)

	2016	2015
Total Fund Balance for Governmental Funds	$ 7,805,060	$ 3,251,512
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	1,746,318	1,746,318
Land Improvements, Net of Accumulated Depreciation	2,875,846	3,087,249
Buildings and Improvements, Net of Accumulated Depreciation	44,626,235	46,273,004
Equipment, Net of Accumulated Depreciation	1,350,082	1,310,080
Long-term assets related to funded OPEB plans are not financial resources and, therefore, are not reported in the funds.	10,553,925	11,192,697
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows in the funds.	414,589	604,300
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(814,076)	(854,211)
The District's Net Pension Liability and related deferred inflows and outflows are recorded only on the Statement of Net Position. Balances at year-end are:		
Net Pension Liability	(66,646,491)	(54,050,140)
Deferred Inflows of Resources - Pensions	(6,877,985)	(16,428,806)
Deferred Outflows of Resources - Pensions	15,143,946	13,022,570
Internal service funds are used by management to charge the costs of health and dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position at year-end are:	360,919	289,431
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:		
Bonds Payable	(37,255,000)	(39,470,000)
Unamortized Premiums	(1,344,060)	(1,484,926)
Unamortized Discounts	423,054	467,606
Other Compensated Absences	(855,709)	(967,755)
Accrued Vacation	(618,126)	(570,576)
Total Net Position of Governmental Activities	$ (29,111,473)	$ (32,581,647)

See accompanying Notes to Basic Financial Statements.

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Projects	Debt Service	2016	2015
REVENUES							
Local Sources:							
Property Taxes	$ 19,965,934	$ -	$ 965,588	$ 835,000	$ 4,192,303	$ 25,958,825	$ 23,424,439
Earnings on Investments	6,310	-	-	-	-	6,310	4,052
Other	2,667,522	1,401,588	4,824,539	-	-	8,893,649	8,921,401
State Sources	73,636,347	228,486	867,091	-	25	74,731,949	71,227,671
Federal Sources	2,462,850	2,854,238	512,295	-	-	5,829,383	6,249,254
Total Revenues	98,738,963	4,484,312	7,169,513	835,000	4,192,328	115,420,116	109,826,817
EXPENDITURES							
Current:							
Administration	5,176,243	-	-	-	-	5,176,243	4,876,865
District Support Services	3,048,934	-	-	-	-	3,048,934	3,034,400
Regular Instruction	42,727,091	-	-	-	-	42,727,091	42,288,193
Vocational Education Instruction	1,214,382	-	-	-	-	1,214,382	1,116,633
Special Education Instruction	18,397,284	-	-	-	-	18,397,284	18,414,938
Instructional Support Services	8,501,344	-	-	-	-	8,501,344	8,159,483
Pupil Support Services	8,897,544	-	-	-	-	8,897,544	8,939,811
Sites and Buildings	6,686,092	-	-	-	-	6,686,092	6,678,180
Fiscal and Other Fixed Cost Programs	231,433	-	-	-	-	231,433	227,700
Food Service	-	4,564,590	-	-	-	4,564,590	4,366,088
Community Service	-	-	6,933,921	-	-	6,933,921	6,392,397
Capital Outlay	1,643,653	49,550	56,317	839,314	-	2,588,834	3,225,049
Debt Service:							
Principal	-	-	-	-	2,215,000	2,215,000	2,115,000
Interest and Fiscal Charges	73,063	-	-	-	2,023,722	2,096,785	2,118,759
Total Expenditures	96,597,063	4,614,140	6,990,238	839,314	4,238,722	113,279,477	111,953,496
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,141,900	(129,828)	179,275	(4,314)	(46,394)	2,140,639	(2,126,679)
OTHER FINANCING SOURCES							
Proceeds from Sale of Equipment	-	-	2,790	-	-	2,790	-
Proceeds from Sale of Real Property	2,393,240	-	-	-	-	2,393,240	-
Insurance Recovery Proceeds	16,879	-	-	-	-	16,879	5,703
Total Other Financing Sources	2,410,119	-	2,790	-	-	2,412,909	5,703
Net Change in Fund Balances	4,552,019	(129,828)	182,065	(4,314)	(46,394)	4,553,548	(2,120,976)
Fund Balances - Beginning	710,906	558,348	1,101,727	120,057	760,474	3,251,512	5,372,488
Fund Balances - Ending	$ 5,262,925	$ 428,520	$ 1,283,792	$ 115,743	$ 714,080	$ 7,805,060	$ 3,251,512

See accompanying Notes to Basic Financial Statements.

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)

	2016	2015
Net Change in Fund Balance - Total Governmental Funds	$ 4,553,548	$ (2,120,976)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital Outlays	849,202	1,928,777
Gain (Loss) on Disposal of Capital Assets	(4,822)	(9,258)
Proceeds from Sales of Capital Assets	(2,790)	(14,128)
Depreciation Expense	(2,659,760)	(2,618,799)
Net Addition to Capital Assets due to transfer of operations of Harambee School	-	1,949,794
Other postemployment benefits are reported in the government funds when amounts are paid. The statement of activities reports the values of benefits earned during the year.	(638,772)	(617,144)
Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the Statement of Activities are measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources.	(924,154)	690,468
The governmental funds report debt proceeds as financing sources, while repayment of debt principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of discounts and premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:		
Repayment of Bond Principal	2,215,000	2,115,000
Change in Accrued Interest Expense - General Obligation Bonds	40,135	58,400
Amortization of Bond Premium	140,866	140,815
Amortization of Bond Discount	(44,552)	(44,552)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.	(189,711)	183,087
In the statement of activities, certain operating expenses - vacations, special termination benefits (early retirement) and other compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	64,496	(80,597)
Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities.	71,488	71,547
Change in Net Position of Governmental Activities	$ 3,470,174	$ 1,632,434

See accompanying Notes to Basic Financial Statements.

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources:				
Property Taxes	$ 19,870,854	$ 19,773,101	$ 19,965,934	$ 192,833
Earnings on Investments	5,000	4,000	6,310	2,310
Other	1,677,134	1,526,898	2,667,522	1,140,624
State Sources	70,117,365	73,428,607	73,636,347	207,740
Federal Sources	3,028,974	3,047,533	2,462,850	(584,683)
Total Revenues	94,699,327	97,780,139	98,738,963	958,824
EXPENDITURES				
Current:				
Administration	4,997,961	4,882,783	5,176,243	293,460
District Support Services	3,149,570	3,136,388	3,048,934	(87,454)
Elementary and Secondary Regular Instruction	43,089,046	42,789,144	42,727,091	(62,053)
Vocational Education Instruction	1,236,612	1,288,033	1,214,382	(73,651)
Special Education Instruction	17,706,789	19,308,111	18,397,284	(910,827)
Instructional Support Services	7,408,658	7,579,430	8,501,344	921,914
Pupil Support Services	8,647,611	8,754,974	8,897,544	142,570
Sites and Buildings	6,581,304	6,868,129	6,686,092	(182,037)
Fiscal and Other Fixed Cost Programs	260,000	260,000	231,433	(28,567)
Capital Outlay	1,720,069	1,957,352	1,643,653	(313,699)
Debt Service:				
Interest and Fiscal Charges	35,000	35,000	73,063	38,063
Total Expenditures	94,832,620	96,859,344	96,597,063	(262,281)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(133,293)	920,795	2,141,900	1,221,105
OTHER FINANCING SOURCES				
Proceeds from Sale of Real Property	-	2,390,720	2,393,240	2,520
Insurance Recovery Proceeds	-	-	16,879	16,879
Total Other Financing Sources	-	2,390,720	2,410,119	19,399
Net Change in Fund Balance	$ (133,293)	$ 3,311,515	4,552,019	$ 1,240,504
FUND BALANCE				
Beginning of Year			710,906	
End of Year			$ 5,262,925	

See accompanying Notes to Basic Financial Statements.

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	$ 1,583,675	$ 1,441,150	$ 1,401,588	$ (39,562)
State Sources	205,750	212,500	228,486	15,986
Federal Sources	2,759,546	2,914,546	2,854,238	(60,308)
Total Revenues	4,548,971	4,568,196	4,484,312	(83,884)
EXPENDITURES				
Current:				
Food Service	4,485,532	4,424,748	4,564,590	139,842
Capital Outlay	25,000	89,715	49,550	(40,165)
Total Expenditures	4,510,532	4,514,463	4,614,140	99,677
Net Change in Fund Balance	$ 38,439	$ 53,733	(129,828)	$ (183,561)
FUND BALANCE				
Beginning of Year			558,348	
End of Year			$ 428,520	

See accompanying Notes to Basic Financial Statements.

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources:				
Property Taxes	$ 819,114	$ 827,975	$ 965,588	$ 137,613
Other - Primarily Tuition and Fees	4,559,465	4,678,425	4,824,539	146,114
State Sources	418,603	539,313	867,091	327,778
Federal Sources	514,869	541,751	512,295	(29,456)
Total Revenues	6,312,051	6,587,464	7,169,513	582,049
EXPENDITURES				
Current:				
Community Service	6,829,203	6,990,786	6,933,921	(56,865)
Capital Outlay	50,549	54,899	56,317	1,418
Total Expenditures	6,879,752	7,045,685	6,990,238	(55,447)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(567,701)	(458,221)	179,275	637,496
OTHER FINANCING SOURCES				
Proceeds from Sale of Equipment	-	3,000	2,790	(210)
Net Change in Fund Balance	$ (567,701)	$ (455,221)	182,065	$ 637,286
FUND BALANCE				
Beginning of Year			1,101,727	
End of Year			$ 1,283,792	

See accompanying Notes to Basic Financial Statements.

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
PROPRIETARY FUND
INTERNAL SERVICE FUND
STATEMENT OF NET POSITION
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)

	2016	2015
ASSETS		
Cash and Investments	$ 382,022	$ 334,338
LIABILITIES AND NET POSITION		
Liabilities:		
Accounts Payable	$ -	$ 4,771
Claims Payable	21,103	40,136
Total Liabilities	21,103	44,907
Net Position:		
Unrestricted	360,919	289,431
Total Liabilities and Net Position	$ 382,022	$ 334,338

See accompanying Notes to Basic Financial Statements.

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
PROPRIETARY FUND
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)

	2016	2015
OPERATING REVENUES		
Charges for Services:		
Dental Insurance Premiums	$ 944,039	$ 952,157
OPERATING EXPENSES		
Dental Insurance Claim Payments	815,561	823,280
General Administration Fees	56,990	57,330
Total Operating Expenses	872,551	880,610
Change in Net Position	71,488	71,547
Net Position - Beginning	289,431	217,884
Net Position - Ending	$ 360,919	$ 289,431

See accompanying Notes to Basic Financial Statements.

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
PROPRIETARY FUND
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Interfund Services Provided	$ 944,039	$ 952,157
Payments for Administrative Costs	(61,761)	(57,212)
Payments for Medical Fees and Insurance Claims	(834,594)	(813,484)
Net Cash Provided by Operating Activities	47,684	81,461
Cash and Cash Equivalents - Beginning	334,338	252,877
Cash and Cash Equivalents - Ending	$ 382,022	$ 334,338
Displayed on Combining Statement of Net Position as:		
Cash and Investments	$ 382,022	$ 334,338
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 71,488	$ 71,547
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Increase (Decrease) in Accounts Payable	(4,771)	118
Increase (Decrease) in Claims Payable	(19,033)	9,796
Total Adjustments	(23,804)	9,914
Net Cash Provided by Operating Activities	$ 47,684	$ 81,461

See accompanying Notes to Basic Financial Statements.

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	Private-Purpose Trust	Other Postemployment Benefits Trust	Agency Funds
ASSETS			
Cash and Investments	$ 17,763	$ 11,537,403	$ 417,307
Accounts Receivable	-	-	80,429
Due from Other Governments	-	-	233,534
Total Assets	17,763	11,537,403	$ 731,270
LIABILITIES			
Accounts and Contracts Payable	4,011	-	$ 71,000
Due to Other Funds	-	1,022,063	-
Accrued Liabilities	-	-	5,059
Assets Held for Collaborative	-	-	655,211
Total Liabilities	4,011	1,022,063	$ 731,270
NET POSITION			
Held in Trust	$ 13,752	$ 10,515,340	

See accompanying Notes to Basic Financial Statements.

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust	Other Postemployment Benefits Trust
ADDITIONS		
Gifts and Donations	$ 34,657	$ -
Earnings on Investments	-	630,766
Total Additions	34,657	630,766
DEDUCTIONS		
Other Postemployment Benefits Expense	-	1,022,063
Miscellaneous	30,286	-
Total Deductions	30,286	1,022,063
Change in Net Position	4,371	(391,297)
Net Position - Beginning of Year	9,381	10,906,637
Net Position - End of Year	$ 13,752	$ 10,515,340

See accompanying Notes to Basic Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 623 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This financial report has been prepared in conformity with GASB Statement No. 34.

B. Financial Reporting Entity

The District is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

U.S. Generally Accepted Accounting Principles (GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

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

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

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

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

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

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

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. 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 District-wide statements.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

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

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

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

2. Recording of Expenditures

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

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

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

Major Governmental Funds

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

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

Community Service Special Revenue Fund
The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes and state aids.

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

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

Proprietary Funds

Internal Service Fund
The Internal Service Fund is established to account for the District's self-insured dental insurance plan for its employees.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Fiduciary Funds

Private-Purpose Trust
The Private-Purpose Trust Fund is used to account for money held by the District in the capacity of trustee or others. The fund is used for the activity of the District's scholarship fund.

Other Postemployment Benefit Trust
The Other Postemployment Benefit Trust Fund is used to account for resources set aside and held in an irrevocable trust arrangement for postemployment benefits.

Agency Fund
The Agency Fund is established to account for cash and other assets held by the District as the agent for others. This fund is used to account for a local collaborative time study grant.

E. Budgeting

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

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

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

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

Budget amounts include mid-year budget amendments as follows:

Revenues	Original Budget	Amendments	Amended Budget
General Fund	$ 94,699,327	$ 3,080,812	$ 97,780,139
Special Revenue Funds:			
Food Service Fund	4,548,971	19,225	4,568,196
Community Service Fund	6,312,051	275,413	6,587,464
Expenditures			
General Fund	$ 94,832,620	$ 2,026,724	$ 96,859,344
Special Revenue Funds:			
Food Service Fund	4,510,532	3,931	4,514,463
Community Service Fund	6,879,752	165,933	7,045,685

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

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain restricted balances specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

F. Cash and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations.

G. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventories

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Expense is allocated over the periods benefitted.

J. Deferred Inflows of Resources

In addition to assets, the statement of financial position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item in this category, related to pensions. See Note 9 for detail.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three types of deferred inflows, two of which are related to revenue recognition. The first is property taxes levied for subsequent year. As an imposed non-exchange revenue transaction, property taxes received or reported as a receivable before the period for which the property taxes are levied are reported as a deferred inflow of resources in the government-wide financial statements and in the governmental fund financial statements. The second type of deferred inflow of resources is delinquent property taxes. Governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. Delinquent taxes not collected within 60 days after the District's year-end are considered unavailable and reported as a deferred inflow of resources in the governmental fund financial statements. The third type of deferred inflow is related to pensions. See Note 9 for detail.

K. Property Taxes

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Property Taxes (Continued)

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

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 deferred because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2016, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

L. Capital Assets

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

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

Capital assets not being depreciated include land.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-Term Obligations

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

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

N. Pensions

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

O. Accrued Employee Benefits

Vacation Pay
The District's twelve-month employees are entitled to annual vacations. These benefits are reported as liabilities in the government-wide financial statements and as expenditures when taken in the fund financial statements.

Sick Pay
Substantially all district employees are entitled to sick leave at various rates. For certain employees, unused sick leave is a factor in the calculation of an employee's severance pay upon retirement.

Severance and Health Benefits
Severance and health benefits consist of lump sum early retirement incentive payments and postemployment health care benefits. Accounting policies for severance and health benefits are described below.

ROSEVILLE AREA SCHOOLS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Accrued Employee Benefits (Continued)

1. Early Retirement Incentive and Convertible Sick Leave

The District maintains various early retirement incentive payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. No employee can receive early retirement incentive payments exceeding one year's salary. For substantially all employees, early retirement incentive benefits are eliminated if employment with the District occurred subsequent to July 1, 1994. In addition, certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination subject to certain conditions. If retirement occurs by year-end, the related benefits are included with salaries and other compensated absences as a current liability. See Note 6 for further information.

2. Postemployment Health Care Benefits

Under the terms of certain collectively bargained employment contracts, including the teachers' and administrators' contracts, the District is required to pay the health and dental insurance premiums for retired employees until they reach specified age requirements such as Medicare eligibility. These plans are no longer available to employees hired subsequent to July 1, 1994. The long-term portion of the postemployment health care benefits liability is included as Other Postemployment Benefits of long-term debt. See Note 10 for further information.

P. Fund Balance

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

Nonspendable – portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund.

Restricted – funds are constrained from outside parties (statute, grantors, bond agreements, etc.).

Committed – funds are established and modified by a resolution approved by the Board of Education.

Assigned – consists of internally imposed constraints. The Board of Education passed a resolution authorizing the Superintendent or the Superintendent's designee to assign fund balances and its intended uses.

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Balance (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance.

When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

The District formally adopted a fund balance policy for the General Fund. The policy established a year-end target unassigned fund balance of 3% of the annual budget.

Q. Risk Management

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

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

R. Net Position

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

S. Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

ROSEVILLE AREA SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following fund at June 30, 2016.

	Budget	Expenditures	Excess
Special Revenue Funds:			
Food Service Fund	$ 4,514,463	$ 4,614,140	$ 99,677
Construction Fund	835,000	839,314	4,314
Debt Service Fund	4,082,508	4,238,722	156,214

The overages were considered by District management to be the result of necessary expenditures critical to operations and were approved by the Board.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The carrying value and bank balance of the District's deposits in banks at June 30, 2016 is $6,396,007 and $8,738,701, respectively, and were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

At June 30, 2016, the District's petty cash fund totaled $1,620.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rate "A" or better
- Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

At June 30, 2016, the District's investment balances were as follows:

Investments Held at Amortized Cost –

Money Market Mutual Fund	$ 2,011,061

Minnesota State Board of Investments –

S.B.I. Internal Fixed Pool	$ 11,537,403

The School has funds invested in a variety of mutual funds with the State Board of Investments (S.B.I.) at June 30, 2016. These investments are valued at fair market value. The average years to maturity for mutual funds are less than one year. The S.B.I. investments are unrated.

Investments Held with Broker –

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Custodial Credit Risk – For an investment, custodial risk is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes year-end ratings for the School District's investments as rated by Standard and Poor:

Type	Credit Quality Rating	Amount
Money Market Mutual Fund	AAAm	$ 2,011,061

Concentration of Credit Risk

The District places no limit on the amount that the District may invest in any one issuer. The District had no investments with the issuers that individually comprised more than 5% of the District's total investments:

The deposits and investments are presented in the financial statements as follows:

Cash and Investments - Statement of Net Position	$ 7,973,618
Cash and Investments - Statement of Fiduciary Net Position	11,972,473
Total Cash and Investments	$ 19,946,091

C. Fair Value Measurements

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

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

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Fair Value Measurements (Continued)

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

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

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

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

Assets measured at fair valued on a recurring basis:

	Level 1	Level 2	Level 3	Total
	$ -	$ -	$ -	$ -
Investments Measured at Net Asset Value (NAV)				-
Investments Measured at Fair Value Per Share, not subject to leveling				11,537,403
				$ 11,537,403

ROSEVILLE AREA SCHOOLS
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NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 1,746,318	$ -	$ -	$ 1,746,318
Capital Assets, Being Depreciated:				
Land Improvements	6,605,954	36,445	-	6,642,399
Buildings and Improvements	110,947,669	525,752	-	111,473,421
Equipment	5,152,177	287,005	(7,612)	5,431,570
Total Capital Assets, Being Depreciated	122,705,800	849,202	(7,612)	123,547,390
Accumulated Depreciation for:				
Land Improvements	(3,518,705)	(247,848)	-	(3,766,553)
Buildings and Improvements	(64,669,152)	(2,178,034)	-	(66,847,186)
Equipment	(3,847,610)	(233,878)	-	(4,081,488)
Total Accumulated Depreciation	(72,035,467)	(2,659,760)	-	(74,695,227)
Total Capital Assets, Being Depreciated, Net	50,670,333	(1,810,558)	(7,612)	48,852,163
Governmental Activities Capital Assets, Net	$ 52,416,651	$ (1,810,558)	$ (7,612)	$ 50,598,481

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

Governmental Activities	
District Support Services	$ 59,227
Regular Instruction	2,386,713
Special Education Instruction	5,905
Instructional Support Services	36,331
Pupil Support Services	30,543
Sites and Buildings	137,686
Community Service	3,355
Total Depreciation Expense, Governmental Activities	$ 2,659,760

NOTE 5 AID AND TAX ANTICIPATION CERTIFICATES

In fiscal year 2015, the District issued General Obligation Tax Anticipation Certificates of Indebtedness, Series 2015A, dated January 8, 2015 with a face value of $12,000,000. These certificates bore interest at a rate of 1.0% and matured on February 8, 2016. Interest on aid anticipation certificates for the year ended June 30, 2016 in the General Fund totaled $73,063.

Changes in short-term borrowing are as follows:

Balance - June 30, 2015	$ 12,000,000
Additions	-
Payments	(12,000,000)
Balance - June 30, 2016	$ -

NOTE 6 LONG-TERM LIABILITIES

A. Components of Long-Term Debt

Bond Issuance	Issue Date	Net Interest Rate	Original Issue	Final Maturity	Balance Outstanding Due Within One Year	Balance Outstanding Total
2009 OPEB Bonds	1-7-2009	7.04%	$ 17,825,000	2-1-2029	$ 155,000	$ 17,250,000
2010A Refunding Bonds	11-1-2010	2.66%	21,450,000	2-1-2025	1,630,000	14,055,000
2013B Refunding Bonds	11-5-2013	2.71%	6,850,000	2-1-2026	490,000	5,950,000
Total General Obligation Bonds					2,275,000	37,255,000
Bond Premium - Net					-	1,344,060
Bond Discounts - Net					-	(423,054)
Accrued Vacation					-	618,126
Other Compensated Absences					99,073	855,709
Net Pension Liability					-	66,646,491
					$ 2,374,073	$ 106,296,332

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, not including severance, health benefits payable, or other compensated absences are as follows:

Year Ending June 30,	General Obligation Bonds Payable Principal	General Obligation Bonds Payable Interest
2017	$ 2,275,000	$ 1,953,783
2018	2,345,000	1,886,247
2019	2,430,000	1,800,002
2020	2,530,000	1,699,802
2021	2,640,000	1,595,082
2022 - 2026	14,660,000	6,213,427
2027 - 2031	10,375,000	1,426,390
Total	$ 37,255,000	$ 16,574,733

C. Description of Long-Term Debt

General Obligation School Building Bonds

These bonds were issued to finance acquisition, construction, and/or improvement of capital facilities or to refinance (refund) previous 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% of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

General Obligation Taxable OPEB Bonds

These bonds were issued for funding actuarial liabilities to pay other postemployment benefits. Assets of the OPEB 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% of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

General Obligation Refunding Bonds

On November 5, 2013, the District issued $6,850,000 of General Obligation School Building Refunding Bonds, Series 2013B. A total of $7,185,000 of the proceeds (including bond premium of $434,145) were used to refund, in advance of their stated maturities, the remaining maturities of the District's Series 2004 General Obligation School Building Refunding Bonds.

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

Severance and Other Postemployment Benefits Payable

Severance and other postemployment benefits payable consist of early retirement incentive payments, administrator experience benefits and postemployment health insurance benefits payable to employees upon retirement.

D. Changes in Long-Term Debt

	June 30, 2015	Additions	Retirements	June 30, 2016
Bonds Payable	$ 39,470,000	$ -	$ 2,215,000	$ 37,255,000
Bond Premium	1,484,926	-	140,866	1,344,060
Bond Discounts	(467,606)	-	(44,552)	(423,054)
Vacation Payable	570,576	47,550	-	618,126
Other Compensated Absences	967,755	-	112,046	855,709
Total	$ 42,025,651	$ 47,550	$ 2,423,360	$ 39,649,841

Governmental compensated absences and retirement benefits are typically liquidated (paid) by the operating funds.

NOTE 7 FUND BALANCES

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. A description of deficit balance restrictions is included herein since the District has specific statutory authority to levy taxes for such deficits.

Restricted fund balances at June 30, 2016 are as follows:

a. Restricted for Health and Safety

The District levies taxes and receives state aid to be used for health and safety projects in accordance with a plan approved by the State. The balance in the account represents approved expenditures incurred by the District for which it has future levy authority.

b. Restricted for Operating Capital

The District levies taxes and receives state aid to be used for the purchase of equipment or facilities. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a reservation of fund balance in the General Fund.

NOTE 7 FUND BALANCES (CONTINUED)

c. Restricted for School Readiness

The fund balance restriction represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

d. Restricted for Adult Basic Education

The fund balance restriction represents the balance of carryover monies for all activity involving Adult Basic Education.

e. Restricted for Community Education Programs

The fund balance restriction represents accumulated resources available to provide general community education programming.

f. Restricted for Early Childhood and Family Education Programs

This fund balance restriction represents accumulated resources available to provide services for early childhood and family education programming.

g. Restricted for Alternative Facilities

This fund balance represents available for approved expenditures based on the ten-year plan for capital projects.

h. Restricted for Other Purposes

This fund balance represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

NOTE 8 GYMNASTICS GYMNASIUM AGREEMENT

In 1996, the City of Roseville (the City) paid $920,000 to the District to construct a gymnastics gymnasium. Under the terms of the agreement, the City will allow the District to utilize the gymnasium in turn for the City's ability to use the High School. In addition, the District has borne the costs of constructing a parking lot in proximity to the gymnasium. The agreement is cancelable by either party with 90 days' written notice. In the event of termination, the City will be entitled to the depreciated value of its investment, based on a 50-year life depreciated on a straight-line basis.

NOTE 9 DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

1. General Employees Retirement Plan (GERF)

   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 School other than teachers are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Teachers Retirement Fund (TRA)

   TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

   Teachers employed in Minnesota's public elementary and secondary 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 Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

B. Benefits Provided

PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

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% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

TRA: Postretirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0%. After the TRA funded ratio exceeds 90% for two consecutive years, the annual postretirement benefit will increase to 2.5%.

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

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 PERA's Coordinated and Basic 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 Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% 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 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

2. TRA Benefits

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

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

   Tier 1 Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years of Service are Up to July 1, 2006	1.2% per Year
	First Ten Years, if Service Years are July 1, 2006 or After	1.4% per Year
	All Other Years of Service if Service Years are Up to July 1, 2006	1.7% per Year
	All Other Years of Service if Service Years are July 1, 2006 or After	1.9% per Year

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

With these provisions:

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

(b) 3.0% per year early retirement reduction factor for all years under normal retirement age.

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

or

Tier II Benefits

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

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

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

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions (Continued)

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in fiscal year 2016. In fiscal year 2016, the District was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2016, were $1,159,445. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

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

	Ending June 30, 2015		Ending June 30, 2016	
	Employee	Employer	Employee	Employer
Basic	11.00%	11.50%	11.00%	11.50%
Coordinated	7.5	7.5	7.5	7.5

The District's contributions to TRA for the plan's fiscal year ended June 30, 2016 were $3,351,965. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At June 30, 2016, the District reported a liability of $13,137,686 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the District's proportion was 0.2535%. The District's proportion share at June 30, 2015 was 0.2717%.

For the year ended June 30, 2016, the District recognized pension expense of $1,170,651 for its proportionate share of GERF's pension expense.

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

At June 30, 2016, the District reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 121,836	$ 662,363
Changes in Actuarial Assumptions	818,170	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,169,497
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	-	738,539
District Contributions Subsequent to the Measurement Date	1,159,445	-
Total	$ 2,099,451	$ 2,570,399

A total of $1,159,445 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2017	$ (490,437)
2018	(490,437)
2019	(960,440)
2020	310,921
2021	-
Thereafter	-

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs

At June 30, 2016, the District reported a liability of $53,508,805 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.865% at the end of the measurement period and 0.896% for the beginning of the period.

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

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	$ 53,508,805
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	6,563,362

A change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date was an increase of the contribution rates for both the member and employer.

For the year ended June 30, 2016, the District recognized pension expense of $4,268,014. It also recognized $1,160,318 as pension expense for the support provided by direct aid.

At June 30, 2016, 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:

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 2,741,783	$ -
Changes in Actuarial Assumptions	4,113,407	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	4,092,468
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	2,837,340	215,118
District Contributions Subsequent to the Measurement Date	3,351,965	-
Total	$ 13,044,495	$ 4,307,586

A total of $3,351,965 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2017	$ 478,951
2018	478,951
2019	478,951
2020	3,305,414
2021	642,677
Thereafter	-

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Merger of Duluth Teacher's Retirement Fund Association

Legislation enacted in 2014 merged the Duluth Teachers Retirement Fund Association (DTRFA) with TRA effective June 30, 2015. The beginning balances of total pension liability and fiduciary net position were adjusted to reflect the merger of DTRFA.

	6/30/14 CAFR	Restated
Total Pension Liability (A)	$ 24,901,612,000	$ 25,299,564,000
Plan Fiduciary Net Position (B)	20,293,684,000	20,519,756,000
Net Pension Liability (A-B)	$ 4,607,928,000	$ 4,779,808,000

F. Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.75% per Year	3.50%
Active Member Payroll Growth	3.50% per Year	3.5% Based on Years of Service
Investment Rate of Return	7.90%	8.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the actuarial experience study for the period of July 1, 2004, to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation.

The following changes in actuarial assumptions for GERF occurred in 2015: The discount rate was changed from 8.0% through June 30, 2017 and 8.5% thereafter to 8.0% for all years, the inflation assumption was changed from 3.0% to 2.75%, the payroll growth assumption was changed from 3.75% to 3.5%, assumed increases in member salaries were decreased by .25% at all ages and the assumed postretirement benefit increase rate was changed from 1.0% per year through 2026 and 2.5% thereafter to 1.0% per year through 2034 and 2.5% per year thereafter..

There was a change in actuarial assumptions that affected the measurement of the total liability for TRA since the prior measurement date. Postretirement benefit adjustments are now assumed to be 2.0% annually with no increase to 2.5% projected. The prior year valuation assumed a 2.5% increase commencing July 1, 2034.

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.9% for GERF and 8.00% for TRA. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

G. Discount Rate

The discount rate used to measure the total pension liability was 7.9% for GERF and 8.00% for TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability..

ROSEVILLE AREA SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

H. Pension Liability Sensitivity

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

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
GERF Discount Rate	6.90%	7.90%	8.90%
District's Proportionate Share of the GERF Net Pension Liability	$ 20,657,112	$ 13,137,686	$ 6,927,795
TRA Discount Rate	7.00%	8.00%	9.00%
District's Proportionate Share of the TRA Net Pension Liability	$ 81,447,327	$ 53,508,805	$ 30,193,301

I. Pension Plan Fiduciary Net Position

Detailed information about GERF's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-652-9026.

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLAN

The District follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The District engaged an actuary to determine the District's liability for postemployment healthcare benefits other than pensions as of July 1, 2014.

A. Plan Description

The District operates a single-employer retiree benefit plan (the Plan) that provides health, dental, and life insurance to eligible employees and their spouses. The plan includes 952 active participants, 291 retired participants and 112 spouses. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period.

B. Funding Policy

Contribution requirements are also negotiated between the District and union representatives. The District contributes the same amount as active employees toward single or family medical coverage for eligible retired plan members and their spouses. For fiscal year 2016, the District made no contributions to the plan.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District's net OPEB obligation.

Annual Required Contribution	$ 419,836
Interest on Net OPEB Obligation	(447,708)
Adjustment to Annual Required Contribution	666,644
Annual OPEB Cost	638,772
Contributions Made	-
Decrease in Net OPEB Obligation	638,772
Net OPEB Obligation (Benefit) - Beginning of Year	(11,192,697)
Net OPEB Obligation (Benefit) - End of Year	$ (10,553,925)

NOTE 10 POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016 and two preceding years, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Benefit)
6/30/2016	$ 638,772	0.0%	$ (10,553,925)
6/30/2015	617,144	0.0%	(11,192,697)
6/30/2014	688,779	0.0%	(11,809,841)

D. Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability was $11,958,610, the value of plan assets in the irrevocable trust totaled $11,570,373, which is 96.8% of the actuarially accrued liability. The District's unfunded actuarial accrued liability (UAAL) was $388,237. The annual payroll for active employees covered by the plan in the actuarial valuation was $49,970,396 for a ratio of UAAL to covered payroll of 0.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the 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 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.

NOTE 10 POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 7.50%, reduced by decrements to an ultimate rate of 5% after ten years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2016 was not to exceed 30 years.

NOTE 11 FLEXIBLE BENEFIT PLAN

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

Before the beginning of the plan year, which is July 1 to June 30, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the plan, whether or not such contributions have been made.

All assets of the plan are administered by a third-party administrator. Payments are made by the third-party administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the participant. Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies.

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

ROSEVILLE AREA SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 INTERFUND BALANCES

The District had the following interfund receivables and payables at June 30, 2016:

	Due from Other Fund	Due to Other Fund
General Fund	$ 948,392	$ -
Food Service Special Revenue Fund	27,079	-
Community Service Special Revenue Fund	46,592	-
Other Postemployment Benefits Trust	-	1,022,063
	$ 1,022,063	$ 1,022,063

The purpose of these interfund balances is as follows:

The Other Postemployment Benefits Trust owes the General Fund, Food Service Fund, and Community Service Fund for OPEB payments made by those funds.

NOTE 13 COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

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

B. Contingencies

The District is subject to legal proceedings and claims which arise in the ordinary course of business. Management believes the resolution of these matters will not have a material impact on the District.

NOTE 14 DENTAL SELF-INSURANCE PLAN

The District established a self-insured plan for dental benefits for District employees effective July 1, 2011, and an Internal Service Fund was created to record related revenues and expenditures. The plan is administered by a third party. Total premiums paid in the year ended June 30, 2016 were $944,039 while total claims payments and administration fees were $799,271 and $52,177, respectively.

Participants in the program make premium payments to the fund based on the insurance premium. The excess amount received above current year claims is used to establish a reserve for future claims. At June 30, 2016, there is a reserve of $382,022.

District liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

There were no liabilities in excess of claims paid at June 30, 2016. There is a possibility for loss if claims are in excess of the premiums collected. The District does not believe this occurrence would have a material financial effect on the District. The District held $382,022 in cash and investments at June 30, 2016 for payment of claims. Schedule of changes in claims liability is as follows:

	2016	2015
Beginning of Fiscal Year Liability - July 1	$ 40,136	$ 30,340
Current Year Claims, Changes in Estimates and Other Charges	815,561	823,280
Current Year Claims Paid, including an estimate of Claims Incurred but Not Reported (IBNR)	(834,594)	(813,484)
End of Fiscal Year Liability - June 30	$ 21,103	$ 40,136

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN

SCHEDULES OF FUNDING PROGRESS FOR:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	$ 11,570,373	$ 11,958,610	$ 388,237	96.8%	$ 49,970,396	0.8 %
7/1/2012	13,294,087	13,174,363	(119,724)	100.9%	43,173,768	(0.3)%
7/1/2010	15,031,815	13,109,524	(1,922,291)	114.7%	38,811,530	(5.0)%

SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Benefit)
6/30/2016	$ 638,772	0.0%	$ (10,553,925)
6/30/2015	617,144	0.0%	(11,192,697)
6/30/2014	688,779	0.0%	(11,809,841)

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TWO MEASUREMENT DATES

	2016	2015
Measurement Date	June 30, 2015	June 30, 2014
PERA		
District's Proportion of the Net Pension Liability (Asset)	0.2535%	0.2717%
District's Proportionate Share of the Net Pension Liability (Asset)	$ 13,137,686	$ 12,763,105
District's Covered-Employee Payroll	$ 14,916,610	$ 14,186,372
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	88.07%	89.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.20%	78.70%
TRA		
District's Proportion of the Net Pension Liability (Asset)	0.8650%	0.8960%
District's Proportionate Share of the Net Pension Liability (Asset)	$ 53,508,805	$ 41,287,030
State's Proportionate Share of the Net Pension Liability Associated with District	6,563,362	2,904,390
Total	$ 60,072,167	$ 44,191,420
District's Covered-Employee Payroll	$ 44,031,293	$ 40,900,414
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	121.52%	100.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.80%	81.50%

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
LAST TWO FISCAL YEARS

	2016	2015
PERA		
Contractually Required Contribution	$ 1,159,445	$ 1,100,100
Contributions in Relation to the Contractually Required Contribution	(1,159,445)	(1,100,100)
Contribution Deficiency (Excess)	$ -	$ -
District's Covered-Employee Payroll	$ 15,459,267	$ 14,916,610
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.38%
TRA		
Contractually Required Contribution	$ 3,351,965	$ 3,302,347
Contributions in Relation to the Contractually Required Contribution	(3,351,965)	(3,302,347)
Contribution Deficiency (Excess)	$ -	$ -
District's Covered-Employee Payroll	$ 44,692,867	$ 44,031,293
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.50%

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
GENERAL FUND
BALANCE SHEET
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)

	2016	2015
ASSETS		
Cash and Investments	$ 2,686,746	$ 11,320,738
Receivables:		
Current Taxes	10,783,442	11,254,841
Delinquent Taxes	331,048	286,040
Accounts and Interest Receivable	11,105	75,160
Due from Other Funds	948,392	919,618
Due from Other Minnesota School Districts	29,002	329,757
Due from Minnesota Department of Education	7,989,499	7,071,346
Due from Federal through the Minnesota Department of Education	1,414,201	1,667,444
Due from Other Governmental Units	531,330	236,476
Inventory	58,536	56,150
Prepaid Items	675,551	485,188
Total Assets	$ 25,458,852	$ 33,702,758
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Short-Term Borrowing	$ -	$ 12,000,000
Salaries and Compensated Absences Payable	382,030	321,976
Payroll Deductions Payable	(1,557)	(1,274)
Accounts and Contracts Payable	1,017,143	1,169,800
Due to Other Minnesota School Districts	540,747	857,754
Interest Payable	-	56,937
Due to Other Governmental Units	61,822	35,588
Unearned Revenue	681,148	613,928
Total Liabilities	2,681,333	15,054,709
Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	17,191,590	17,471,220
Unavailable Revenue - Delinquent Taxes	323,004	465,923
Total Deferred Inflows of Resources	17,514,594	17,937,143
Fund Balance:		
Nonspendable:		
Inventory	58,536	56,150
Prepaid Items	675,551	485,188
Restricted for:		
Operating Capital	2,472,900	-
Unassigned	2,055,938	169,568
Total Fund Balance	5,262,925	710,906
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 25,458,852	$ 33,702,758

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)

	2016			2015
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	$ 19,773,101	$ 19,965,934	$ 192,833	$ 17,223,642
Earnings on Investments	4,000	6,310	2,310	4,052
Other	1,526,898	2,667,522	1,140,624	2,857,933
State Sources	73,428,607	73,636,347	207,740	70,303,291
Federal Sources	3,047,533	2,462,850	(584,683)	3,126,418
Total Revenues	97,780,139	98,738,963	958,824	93,515,336
EXPENDITURES				
Current:				
Administration:				
Salaries	3,363,193	3,473,861	110,668	3,313,489
Employee Benefits	1,410,750	1,565,848	155,098	1,402,545
Purchased Services	51,340	79,116	27,776	103,596
Supplies and Materials	6,450	5,936	(514)	8,446
Capital Expenditures	-	8,866	8,866	-
Other Expenditures	51,050	51,482	432	48,789
Total Administration	4,882,783	5,185,109	302,326	4,876,865
District Support Services:				
Salaries	1,619,754	1,602,004	(17,750)	1,535,587
Employee Benefits	691,672	707,872	16,200	686,069
Purchased Services	107,112	127,364	20,252	206,383
Supplies and Materials	732,300	575,004	(157,296)	570,154
Capital Expenditures	308,000	208,304	(99,696)	236,887
Other Expenditures	(14,450)	36,690	51,140	36,207
Total District Support Services	3,444,388	3,257,238	(187,150)	3,271,287
Elementary and Secondary Regular Instruction:				
Salaries	28,966,426	28,028,153	(938,273)	28,154,637
Employee Benefits	11,406,526	11,782,036	375,510	11,241,264
Purchased Services	1,335,315	1,735,248	399,933	1,631,297
Supplies and Materials	1,066,518	1,157,285	90,767	1,235,399
Capital Expenditures	200,011	271,870	71,859	260,618
Other Expenditures	14,359	24,369	10,010	25,596
Total Elementary and Secondary Regular Instruction	42,989,155	42,998,961	9,806	42,548,811

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)

	2016			2015
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Vocational Education Instruction:				
Salaries	$ 615,819	$ 621,065	$ 5,246	$ 589,729
Employee Benefits	265,316	263,034	(2,282)	217,546
Purchased Services	398,898	318,997	(79,901)	302,965
Supplies and Materials	8,000	6,331	(1,669)	6,263
Capital Expenditures	5,000	3,985	(1,015)	2,500
Other Expenditures	-	4,955	4,955	130
Total Vocational Education Instruction	1,293,033	1,218,367	(74,666)	1,119,133
Special Education Instruction:				
Salaries	11,894,486	11,826,935	(67,551)	11,184,838
Employee Benefits	5,463,031	5,622,472	159,441	5,134,519
Purchased Services	1,694,526	807,711	(886,815)	1,968,679
Supplies and Materials	237,174	135,007	(102,167)	123,206
Capital Expenditures	102,995	28,956	(74,039)	78,754
Other Expenditures	18,894	5,159	(13,735)	3,696
Total Special Education Instruction	19,411,106	18,426,240	(984,866)	18,493,692
Instructional Support Services:				
Salaries	4,656,399	5,571,408	915,009	5,363,973
Employee Benefits	2,042,728	2,227,386	184,658	2,038,775
Purchased Services	417,207	309,454	(107,753)	417,584
Supplies and Materials	437,666	358,849	(78,817)	312,598
Capital Expenditures	764,185	666,932	(97,253)	505,216
Other Expenditures	25,430	34,247	8,817	26,553
Total Instructional Support Services	8,343,615	9,168,276	824,661	8,664,699
Pupil Support Services:				
Salaries	2,172,136	2,134,195	(37,941)	2,108,912
Employee Benefits	895,211	918,088	22,877	874,150
Purchased Services	5,651,967	5,817,097	165,130	5,920,974
Supplies and Materials	35,560	27,669	(7,891)	35,280
Capital Expenditures	76,164	31,246	(44,918)	76,358
Other Expenditures	100	495	395	495
Total Pupil Support Services	8,831,138	8,928,790	97,652	9,016,169

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)

	2016			2015
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Sites and Buildings:				
Salaries	$ 2,646,981	$ 2,785,898	$ 138,917	$ 2,795,211
Employee Benefits	1,306,548	1,269,085	(37,463)	1,297,659
Purchased Services	1,864,333	1,701,640	(162,693)	1,408,741
Supplies and Materials	1,002,767	899,106	(103,661)	1,125,038
Capital Expenditures	500,997	423,494	(77,503)	843,340
Other Expenditures	47,500	30,363	(17,137)	51,531
Total Sites and Buildings	7,369,126	7,109,586	(259,540)	7,521,520
Fiscal and Other Fixed Cost Programs:				
Employee Benefits	40,000	-	(40,000)	-
Purchased Services	220,000	231,433	11,433	227,700
Total Fiscal and Other Fixed Costs Programs	260,000	231,433	(28,567)	227,700
Debt Service:				
Interest and Fiscal Charges	35,000	73,063	38,063	(1,098)
Total Expenditures	96,859,344	96,597,063	(262,281)	95,738,778
Excess (Deficiency) of Revenues Over (Under) Expenditures	920,795	2,141,900	1,221,105	(2,223,442)
OTHER FINANCING SOURCES				
Proceeds from Sale of Real Property	2,390,720	2,393,240	2,520	-
Insurance Recovery Proceeds	-	16,879	16,879	5,703
Total Other Financing Sources	2,390,720	2,410,119	19,399	5,703
Net Change in Fund Balance	$ 3,311,515	4,552,019	$ 1,240,504	(2,217,739)
FUND BALANCE				
Beginning of Year		710,906		2,928,645
End of Year		$ 5,262,925		$ 710,906

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
FOOD SERVICE SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)

	2016	2015
ASSETS		
Cash and Investments	$ 318,244	$ 413,576
Receivables:		
Accounts and Interest Receivable	-	292
Due from Other Funds	27,079	27,791
Due from Other Minnesota School Districts	-	17,159
Due from Minnesota Department of Education	-	-
Due from Federal through the Minnesota Department of Education	166,875	185,462
Inventory	46,137	64,431
Prepaid Items	19,655	18,888
Total Assets	$ 577,990	$ 727,599
LIABILITIES AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	$ 18,503	$ 10,328
Payroll Deductions and Employer Contributions Payable	525	468
Accounts and Contracts Payable	59,753	50,354
Unearned Revenue	70,689	108,101
Total Liabilities	149,470	169,251
Fund Balance:		
Nonspendable:		
Inventory	46,137	64,431
Prepaid Items	19,655	18,888
Restricted for Food Service	362,728	475,029
Total Fund Balance	428,520	558,348
Total Liabilities and Fund Balance	$ 577,990	$ 727,599

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
FOOD SERVICE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)

	2016			2015
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	$ 1,441,150	$ 1,401,588	$ (39,562)	$ 1,483,473
State Sources	212,500	228,486	15,986	205,331
Federal Sources	2,914,546	2,854,238	(60,308)	2,758,549
Total Revenues	4,568,196	4,484,312	(83,884)	4,447,353
EXPENDITURES				
Current:				
Salaries	1,568,468	1,526,731	(41,737)	1,465,704
Employee Benefits	649,750	718,861	69,111	673,784
Purchased Services	113,786	122,366	8,580	133,374
Supplies and Materials	2,090,096	2,189,449	99,353	2,087,111
Other Expenditures	2,648	7,183	4,535	6,115
Capital Outlay	89,715	49,550	(40,165)	143,052
Total Expenditures	4,514,463	4,614,140	99,677	4,509,140
Net Change in Fund Balance	$ 53,733	(129,828)	$ (183,561)	(61,787)
FUND BALANCE				
Beginning of Year		558,348		620,135
End of Year		$ 428,520		$ 558,348

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
COMMUNITY SERVICE SPECIAL REVENUE FUND
BALANCE SHEET
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)

	2016	2015
ASSETS		
Cash and Investments	$ 1,526,218	$ 1,625,952
Receivables:		
Current Taxes	517,237	536,468
Delinquent Taxes	16,335	14,546
Accounts and Interest Receivable	44,190	75,449
Due from Other Funds	46,592	24,804
Due from Other Minnesota School Districts	374,144	134,342
Due from Minnesota Department of Education	64,320	66,559
Due from Federal Government through the Minnesota Department of Education	37,000	7,370
Due from Other Governmental Units	23,674	20,781
Prepaid Items	2,478	3,075
Total Assets	$ 2,652,188	$ 2,509,346
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	$ 153,289	$ 123,600
Payroll Deductions Payable	56	232
Accounts and Contracts Payable	112,746	129,505
Due to Other School Districts	19,324	20,927
Due to Other Governmental Units	-	(14)
Unearned Revenue	88,105	128,526
Total Liabilities	373,520	402,776
Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	978,880	981,220
Unavailable Revenue - Delinquent Taxes	15,996	23,623
Total Deferred Inflows of Resources	994,876	1,004,843
Fund Balance:		
Nonspendable:		
Prepaid Items	2,478	3,075
Restricted for:		
Community Education Programs	801,334	618,171
Early Childhood and Family Education Programs	110,088	83,186
School Readiness	48,464	37,766
Adult Basic Education	262,759	299,087
Other Purposes	58,669	60,442
Total Fund Balance	1,283,792	1,101,727
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 2,652,188	$ 2,509,346

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
COMMUNITY SERVICE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)

	2016			2015
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	$ 827,975	$ 965,588	$ 137,613	$ 900,009
Other - Primarily Tuition and Fees	4,678,425	4,824,539	146,114	4,579,995
State Sources	539,313	867,091	327,778	719,030
Federal Sources	541,751	512,295	(29,456)	364,287
Total Revenues	6,587,464	7,169,513	582,049	6,563,321
EXPENDITURES				
Current:				
Salaries	4,045,151	4,047,455	2,304	3,705,301
Employee Benefits	1,406,674	1,391,035	(15,639)	1,252,931
Purchased Services	1,140,772	1,102,564	(38,208)	1,058,260
Supplies and Materials	371,817	375,901	4,084	358,521
Other Expenditures	26,372	16,966	(9,406)	17,384
Capital Outlay	54,899	56,317	1,418	81,411
Total Expenditures	7,045,685	6,990,238	(55,447)	6,473,808
Excess (Deficiency) of Revenues Over (Under) Expenditures	(458,221)	179,275	637,496	89,513
OTHER FINANCING SOURCES				
Proceeds from Sale of Equipment	3,000	2,790	(210)	-
Net Change in Fund Balance	$ (455,221)	182,065	$ 637,286	89,513
FUND BALANCE				
Beginning of Year		1,101,727		1,012,214
End of Year		$ 1,283,792		$ 1,101,727

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND
BALANCE SHEET
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)

	2016	2015
ASSETS		
Cash and Investments	$ 230,787	$ 163,194
Total Assets	$ 230,787	$ 163,194
LIABILITIES AND FUND BALANCE		
Liabilities:		
Salaries and Compensated Absences Payable	$ 1,524	$ 1,323
Accounts and Contracts Payable	113,520	41,814
Total Liabilities	115,044	43,137
Fund Balance:		
Reserved for Alternative Facility Program	115,743	120,057
Total Liabilities and Fund Balance	$ 230,787	$ 163,194

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)

	2016			2015
	Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES				
Local Sources:				
Property Taxes	$ 835,000	$ 835,000	$ -	$ 993,000
EXPENDITURES				
Current:				
Salaries	54,500	80,085	25,585	49,979
Employee Benefits	-	14,761	14,761	13,503
Capital Outlay	780,500	744,468	(36,032)	933,431
Total Expenditures	835,000	839,314	4,314	996,913
Net Change in Fund Balance	$ -	(4,314)	$ (4,314)	(3,913)
FUND BALANCE				
Beginning of Year		120,057		123,970
End of Year		$ 115,743		$ 120,057

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
DEBT SERVICE FUND
BALANCE SHEET
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)

	Regular Debt Service	Other Postemployment Benefits Bonds	Total 2016	Total 2015
ASSETS				
Cash and Investments	$ 1,937,380	$ 892,221	$ 2,829,601	$ 2,738,124
Receivables:				
Current Taxes	1,650,653	744,363	2,395,016	2,351,935
Delinquent Taxes	27,297	24,324	51,621	48,648
Due from Minnesota Department of Education	-	2	2	-
Total Assets	$ 3,615,330	$ 1,660,910	$ 5,276,240	$ 5,138,707
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Deferred Inflows of Resources:				
Property Taxes Levied for Subsequent Year	$ 3,077,853	$ 1,408,718	$ 4,486,571	$ 4,263,479
Unavailable Revenue - Delinquent Taxes	51,286	24,303	75,589	114,754
Total Deferred Inflows of Resources	3,129,139	1,433,021	4,562,160	4,378,233
Fund Balance:				
Restricted for Debt Service	486,191	227,889	714,080	760,474
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 3,615,330	$ 1,660,910	$ 5,276,240	$ 5,138,707

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)

	2016					2015
		Actual				
	Final Budgeted Amounts	Regular Debt Service	Other Postemployment Benefit Bonds	Total Actual Amounts	Over (Under) Final Budget	Actual Amounts
REVENUES						
Local Sources:						
Property Tax	$ 4,261,478	$ 2,840,560	$ 1,351,743	$ 4,192,303	$ (69,175)	$ 4,307,788
State Sources	-	18	7	25	25	19
Total Revenues	4,261,478	2,840,578	1,351,750	4,192,328	(69,150)	4,307,807
EXPENDITURES						
Debt Service:						
Bond Principal	2,060,000	2,060,000	155,000	2,215,000	155,000	2,115,000
Bond Interest	2,018,808	810,900	1,208,407	2,019,307	499	2,115,432
Paying Agent Fees and Other	3,700	3,965	450	4,415	715	4,425
Total Expenditures	4,082,508	2,874,865	1,363,857	4,238,722	156,214	4,234,857
Net Change in Fund Balance	$ 178,970	(34,287)	(12,107)	(46,394)	$ (225,364)	72,950
FUND BALANCE						
Beginning of Year		520,478	239,996	760,474		687,524
End of Year		$ 486,191	$ 227,889	$ 714,080		$ 760,474

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2016

	AUDIT	UFARS	AUDIT-UFARS
01 GENERAL FUND			
Total Revenue	$ 98,755,842	$ 98,755,842	$ -
Total Expenditures	96,597,063	96,597,063	-
Nonspendable:			
460 Nonspendable Fund Balance	734,087	734,086	1
Restricted/Reserved:			
403 Staff Development	-	-	-
405 Deferred Maintenance	-	-	-
406 Health & Safety	(926,159)	(926,159)	-
407 Capital Project Levy	-	-	-
408 Cooperative Programs	-	-	-
411 Severance Pay	-	-	-
413 Project Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maint	-	-	-
423 Certain Teacher Programs	-	-	-
424 Operating Capital	2,472,900	2,472,900	-
426 $25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 State Approved Alt. Program	-	-	-
438 Gifted & Talented	-	-	-
441 Basic Skills Programs	-	-	-
445 Career and Technical Programs	-	-	-
446 First Grade Preparedness	-	-	-
449 Safe Schools Crime	-	-	-
450 Prekindergarten	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liab Not In Trust	-	-	-
453 Unfunded Sev & Retirement Levy	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Committed:			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
Assigned:			
462 Assigned Fund Balance	-	-	-
Unassigned:			
422 Unassigned Fund Balance	2,982,097	2,982,101	(4)
02 FOOD SERVICE			
Total Revenue	4,484,312	4,484,311	1
Total Expenditures	4,614,140	4,614,139	1
Non-Spendable:			
460 Nonspendable Fund Balance	65,792	65,791	1
Restricted:			
452 OPEB Liab Not In Trust	-	-	-
464 Restricted Fund Balance	362,728	362,728	-
Unassigned			
463 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE			
Total Revenue	7,169,513	7,169,515	(2)
Total Expenditures	6,990,238	6,990,240	(2)
Nonspendable:			
460 Nonspendable Fund Balance	2,478	2,478	-
Restricted/Reserved:			
426 $25 Taconite	-	-	-
431 Community Education	801,334	801,334	-
432 E.C.F.E.	110,088	110,088	-
444 School Readiness	48,464	48,464	-
447 Adult Basic Education	262,759	262,759	-
452 OPEB Liab Not In Trust	-	-	-
Restricted:			
464 Restricted Fund Balance	58,669	58,671	(2)
Unassigned:			
463 Unassigned Fund Balance	-	-	-

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE (CONTINUED)
JUNE 30, 2016

	AUDIT	UFARS	AUDIT-UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$ 835,000	$ 835,000	$ -
Total Expenditures	839,314	839,313	1
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserved:			
407 Capital Projects Levy	-	-	-
409 Alternative Facility Program	115,743	115,744	(1)
413 Project Funded by COP	-	-	-
Restricted			
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-
07 DEBT SERVICE			
Total Revenue	2,840,578	2,840,578	-
Total Expenditures	2,874,865	2,874,865	-
Nonspendable			
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserved:			
425 Bond Refundings	-	-	-
451 QZAB Payments	-	-	-
Restricted:			
464 Restricted Fund Balance	486,191	486,191	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-
08 TRUST			
Total Revenue	34,657	34,657	-
Total Expenditures	30,286	30,286	-
422 Net Position	13,752	13,752	-
20 INTERNAL SERVICE			
Total Revenue	944,039	944,039	-
Total Expenditures	872,551	872,551	-
422 Net Position	360,919	360,919	-
25 OPEB REVOCABLE TRUST			
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Unreserved/Undesignated	-	-	-
45 OPEB IRREVOCABLE TRUST			
Total Revenue	630,766	630,766	-
Total Expenditures	1,022,063	1,022,063	-
422 Net Position	10,515,340	10,515,340	-
47 OPEB DEBT SERVICE			
Total Revenue	1,351,750	1,351,750	-
Total Expenditures	1,363,857	1,363,858	(1)
Non-Spendable			
460 Nonspendable Fund Balance	-	-	-
Reserved:			
425 Bond Refundings	-	-	-
464 Restricted Fund Balance	227,889	227,889	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Federal Agency/Pass-Through Grantor/Program Title		Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Minnesota Department of Education:			
School Breakfast Program	{a}	10.553	$ 568,602
National School Lunch Program	{a}	10.555	1,990,731
Special Milk Program	{a}	10.556	1,982
Summer Food Service Program	{a}	10.559	160,008
Fresh Fruit and Vegetable Grant Program		10.582	92,038
Passed Through Minnesota Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):	{a}	10.555	36,640
Total Child Nutrition Cluster			2,850,001
U.S. DEPARTMENT OF EDUCATION			
Passed Through Minnesota Department of Education:			
ESEA Title I Grants to Local Educational Agencies		84.010	1,017,463
IDEA, Part B - Special Education Grants to States	{b}	84.027	1,441,559
IDEA, Preschool Grants	{b}	84.173	31,852
Special Education - Grants for Infants and Families		84.181	31,018
21st Century Community Learning Centers		84.287	386,023
Improving Teacher Quality Grants		84.367	163,406
English Language Acquisition Grants		84.365	110,780
Race-to-the-Top - Early Learning Challenge - Title I Prekindergarten		84.412	37,000
Adult Basic Education - Civics Competitive Allocation		84.002	52,365
Passed Through Intermediate School District No. 916			
Career and Technical Education - Carl Perkins		84.048	24,502
Total U. S. Department of Education			3,295,968
Total Federal Awards			$ 6,145,969

{a} = Child Nutrition Cluster Total Expenditures = $2,757,963

{b} = Special Education Cluster Total Expenditures = $1,473,411

ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Roseville Area Schools (the District) under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State and Local Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 NONMONETARY ASSISTANCE

Nonmonetary assistance is reported in this schedule at the fair market value of commodities received and disbursed for the USDA Commodities Program (CFDA #10.555).

NOTE 4 PASS-THROUGH ENTITY

The pass-through entity identifying number is unknown.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Independent School District No. 623
Roseville Area Schools
Roseville, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 623 (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Education
Independent School District No. 623
Roseville Area Schools

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 5, 2016

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Education
Independent School District No. 623
Roseville Area Schools
Roseville, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 623's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, laws, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Board of Education
Independent School District No. 623
Roseville Area Schools

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on the major federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001, which we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Education
Independent School District No. 623
Roseville Area Schools

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 5, 2016

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Independent School District No. 623
Roseville Area Schools
Roseville, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 623 (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2016.

The *Minnesota Legal Compliance Audit Guide for School Districts* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our study included all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*, except as described in the Schedule of Findings and Questioned Costs as items 2016-002, 2016-003 and 2016-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions.

The District's written responses to the legal compliance findings identified in our audit are described in the Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 5, 2016

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ROSEVILLE AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 623
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
   a. Material weakness(es) identified? ______ yes __x__ no
   b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? ______ yes __x__ no
3. Noncompliance material to financial statements noted? ______ yes __x__ no

Federal Awards

1. Internal control over major federal programs:
   a. Material weakness(es) identified? ______ yes __x__ no
   b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? __x__ yes ______ no
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ______ yes __x__ no
4. Identification of major federal programs:

U.S. Department of Agriculture
Passed Through the Minnesota Department of Education
Child Nutrition Cluster:

School Breakfast Program	CFDA # 10.553
National School Lunch Program	CFDA # 10.555
Summer Food Program	CFDA # 10.559

A. FINDINGS – SUMMARY OF AUDITORS' RESULTS (CONTINUED)

5. Dollar threshold used to distinguish between Type A and Type B Programs: $750,000

6. Auditee qualified as low-risk auditee? __x__ yes _____ no

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

CURRENT YEAR

Finding 2016-001: Eligibility
Federal Agency: U.S. Department of Agriculture
Federal Program Title: Child Nutrition Cluster
CFDA Numbers: 10.553, 10.555, 10.556 & 10.559
Pass-Through Agency: Minnesota Department of Education
Award Period: Fiscal year 2016
Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: For a NSLP and SBP, children belonging to households meeting nationwide income eligibility requirements may receive meals at no charge or at reduced price. A child's eligibility for free or reduced price meals under a Child Nutrition Cluster program may be established by the submission of an annual application or statement which furnishes such information as family income and family size. Local educational agencies (LEAs), determine eligibility by comparing data reported by the child's household to published income eligibility guidelines.

Condition: In our testing sample of free and reduced price meal applications, we noted two applications that received free or reduced price meals that did not meet the eligibility requirements based on their household income.

Context: Two out of the forty applications in our testing sample had an improper eligibility determination.

Cause: District staff entered the applicant's income incorrectly, resulting in an incorrect eligibility determination.

Effect: These two households received free and reduced price meals during the 2015-16 school year, when they were only eligible for reduced price and full price meals, respectively, based on their household income.

Recommendation: We recommend that the District review its policies and procedures for manual entry of paper applications to ensure application and income information is properly entered into the system.

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT (CONTINUED)

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:
There is no disagreement with the audit finding.

Actions Planned in Response to Finding:
The District will review their controls and procedures over the verification process, and ensure that all verifications are properly documented.

Official Responsible for Ensuring CAP:
The Coordinator of Nutrition Services is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:
The planned completion date is June 30, 2015.

PRIOR YEAR

Finding 2015-001: Special Provisions

Significant Deficiency – Child Nutrition Cluster (CFDA 10.553, 10.555, 10.556, and 10.559)

Condition: In our testing sample of free or reduced applications that had been verified, we noted that one verification was processed using the incorrect income figure. The eligibility status should have been changed from reduced to paid, but request was never returned, and when the eligibility status should have been changed to full pay, it remained at free.

Recommendation: We recommend that the District have another Child Nutrition personnel (other than the person performing verifications) review the verifications so that there is a "second set of eyes" on these calculations.

Current Status: Verifications are now reviewed by the District's Nutrition Services Supervisor.

Finding 2015-002: Allowable Costs

Significant Deficiency – Title I, Part A (CFDA 84.010) & Special Education (CFDA 84.027, 84.173) - U.S. Department of Education – Passed through Minnesota Department of Education

Condition: In our payroll testing for Title I, we found that one employee had payroll costs that were incorrectly charged to the Title I program.

Recommendation: We recommend the District review their policies and procedures related to the coding of payroll and benefits expenditures to federal awards to ensure all payroll costs are appropriate.

Current Status: The Title I program manager now reviews payroll costs charged to the grant with the District's Director of Business Services.

D. FINDINGS – MN LEGAL COMPLIANCE FINDINGS

Finding 2016-002: Contract with no bids required

Criteria or specific requirement: Per *Minnesota Statute §471.88, Subd. 21.* A local school board may contract with a class of school district employees such as teachers or custodians where the spouse of a school board member is a member of the class of employees contracting with the school board and the employee spouse receives no special monetary or other benefit that is substantially different from the benefits that other members of the class receive under the employment contract. A school board invoking this exception must have a majority of disinterested school board members vote to approve the contract, direct the school board member spouse to abstain from voting to approve the contract, and publicly set out the essential facts of the contract at the meeting where the contract is approved.

Condition: We noted a District board member did not abstain from voting on an employment contract with a collective bargaining unit of which his spouse was a member

Cause: District personnel were aware of the statute, however, forgot to remind the board member to abstain from voting at the school board meeting.

Effect: The District was not in compliance with state statutes related to potential conflicts of interest.

Recommendation: We recommend that the District ensure that state statutes are followed relating to potential conflicts of interest and required voting abstentions followed.

Management Response: There is no disagreement with this finding.

Finding 2016-003: Timely Payment of Local Government Bills

Criteria or specific requirement: Minnesota Statute §471.425, requires municipalities to pay each vendor obligation according to the terms of the contract, or if no contract terms apply, within the standard payment period, which is defined as within 35 days from the date of receipt for municipalities which have regularly scheduled board meetings at least once a month.

Condition: We noted one invoice in our sample that was not paid by the District within the standard payment period, as defined by Minnesota statutes.

Context: One of the twenty-five disbursements we selected for testing was not in compliance with Minnesota statutes.

Cause: An invoice from one of the District's food-service vendors was not routed to the District's Business Office, and processed, in time to be paid within the required period.

Effect: The District was not in compliance with state statutes related to payment of local government bills.

D. FINDINGS – MN LEGAL COMPLIANCE FINDINGS (CONTINUED)

Finding 2016-003: Timely Payment of Local Government Bills (Continued)

Recommendation: We recommend that the District make every effort possible to ensure that invoices are sent to the District's Business Office and processed in a timely manner.

Management Response: There is no disagreement with this finding.

Finding 2016-004: Collateral

Criteria or specific requirement: Minnesota Statute §118A.03, requires that municipalities obtain collateral to the extent that funds on deposit at the close of the banking day exceed available federal deposit insurance. The total amount of the collateral computed at its market value shall be at least ten percent more than the amount on deposit, exceeding federal deposit insurance.

Condition: At June 30, 2016, the District did not have adequate collateral for its deposits, as required by Minnesota statutes.

Cause: The amount of collateral pledged by the District's bank was not increased in correspondence with the increase in the District's deposits.

Effect: The District did not have adequate collateral for its deposits, as required by Minnesota statutes. This puts the District's deposits at risk in the case of a default by the financial institution.

Recommendation: We recommend that the District monitor the amount of collateral required and notify the bank of any substantial increase in deposit balances.

Management Response: There is no disagreement with this finding.

APPENDIX B

FORM OF LEGAL OPINION

(See following page)

Kennedy & Graven
CHARTERED

Offices in
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Affirmative Action, Equal Opportunity Employer

$_____________
Independent School District No. 623
(Roseville Area Schools)
Ramsey County, Minnesota
General Obligation Facilities Maintenance Bonds
Series 2017B

We have acted as bond counsel to Independent School District No. 623 (Roseville Area Schools), Ramsey County, Minnesota (the "Issuer") in connection with the issuance by the Issuer of its General Obligation Facilities Maintenance Bonds, Series 2017B (the "Bonds"), originally dated December 28, 2017, and issued in the original aggregate principal amount of $________. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed, and are valid and binding general obligations of the Issuer, enforceable in accordance with their terms.

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

3. Interest on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax, or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts and estates. However, such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations and is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

4. 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 creditor's rights generally and by equitable principles, whether considered at law or in equity.

5. The resolution adopted by the Board of Education of the Issuer on November 14, 2017, obligates the Issuer to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of that law against the State of Minnesota (the "State") in the absence of appropiated and available funds to pay the obligations of the State thereunder.

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

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated December ___, 2017 at Minneapolis, Minnesota.

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)

$____________
Independent School District No. 623
(Roseville Area Schools)
Ramsey County, Minnesota
General Obligation Facilities Maintenance Bonds
Series 2017B

CONTINUING DISCLOSURE CERTIFICATE

December ___, 2017

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 623 (Roseville Area Schools), Ramsey County, Minnesota (the "Issuer") in connection with the issuance of its General Obligation Facilities Maintenance Bonds, Series 2017B (the "Bonds"), in the original aggregate principal amount of $___________. The Bonds are being issued pursuant to resolutions adopted by the Board of Education of the Issuer (the "Resolutions"). The Bonds are being delivered to _________________ (the "Purchaser") on the date hereof. Pursuant to the Resolutions, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders (as defined herein) of the Bonds in order to provide for the public availability of such information and assist the Participating Underwriter(s) (as defined herein) in complying with the Rule (as defined herein). This Disclosure Certificate, together with the Resolutions, constitutes the written agreement or contract for the benefit of the Holders of the Bonds that is required by the Rule.

Section 2. Definitions. In addition to the defined terms set forth in the Resolutions, 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" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means annual financial statements of the Issuer, prepared in accordance with GAAP as prescribed by GASB.

"Bonds" means the General Obligation Facilities Maintenance Bonds, Series 2017B, issued by the Issuer in the original aggregate principal amount of $___________.

"Disclosure Certificate" means this Continuing Disclosure Certificate.

"EMMA" means the Electronic Municipal Market Access system operated by the MSRB and designated as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule.

"Final Official Statement" means the deemed final Preliminary Official Statement, dated November 22, 2017, as supplemented by the Addendum, dated __________, 2017, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

"Fiscal Year" means the fiscal year of the Issuer.

"GAAP" means generally accepted accounting principles for governmental units as prescribed by GASB.

"GASB" means the Governmental Accounting Standards Board.

"Holder" means the person in whose name a Bond is registered or a beneficial owner of such a Bond.

"Issuer" means Independent School District No. 623 (Roseville Area Schools), Ramsey County, Minnesota, which is the obligated person with respect to the Bonds.

"Material Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

"Participating Underwriter" means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

"Purchaser" means __________________.

"Repository" means EMMA, or any successor thereto designated by the SEC.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by 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 SEC.

"SEC" means Securities and Exchange Commission, and any successor thereto.

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) The Issuer shall provide to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends June 30, 2017, 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; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice of that fact to the Repository and the MSRB.

(c) The Issuer shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. Current Property Valuations
2. Direct Debt

3. Tax Levies and Collections
4. Student Body
5. Employment/Unemployment Data

In addition to the items listed above, the Annual Report shall include Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events ("Material 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 actions, other than pursuant to its terms, if material; and

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

(b) The Issuer shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

Section 6. EMMA. The SEC has designated EMMA as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the Issuer shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the redemption in full of all Bonds or payment in full of all Bonds.

Section 8. Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of the Resolutions or this Disclosure Certificate, the Issuer 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 nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the Issuer delivers to the Repository an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolutions and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the Issuer to the Repository of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance with the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer 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 Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer 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 Material Event.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

INDEPENDENT SCHOOL DISTRICT NO. 623 (ROSEVILLE AREA SCHOOLS), RAMSEY COUNTY, MINNESOTA

____

Chair

____

District Clerk

APPENDIX E

TERMS OF PROPOSAL

$10,000,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2017B INDEPENDENT SCHOOL DISTRICT NO. 623 (ROSEVILLE SCHOOL DISTRICT), MINNESOTA

Proposals for the purchase of $10,000,000* General Obligation Facilities Maintenance Bonds, Series 2017B (the "Bonds") of the Independent School District No. 623 (Roseville School District), 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 December 6, 2017, at which time they will be opened, read and tabulated. On November 14, 2017 , the School Board adopted a resolution which authorizes designated officials of the District to accept proposals on the Bonds on December 6, 2017. The Board will meet on December 19, 2017 at 6:30 P.M. to ratify and approve the sale of the Bonds. 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.

DATES AND MATURITIES

The Bonds will be dated December 28, 2017, 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*
2027	$1,545,000	2029	$1,640,000	2031	$1,740,000
2028	1,590,000	2030	1,690,000	2032	1,795,000

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 August 1, 2018, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

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

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2028 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 December 28, 2017, 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 Kennedy & Graven, Chartered, Minneapolis, 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 $9,900,000 plus accrued interest on the principal sum of $10,000,000 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 $200,000 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.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

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) <u>If all of the requirements of a "competitive sale" are not satisifed and the Underwriter selects the hold-the-offering-price rule</u>, 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 underwrier 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. 623 (Roseville School District), Minnesota

PROPOSAL FORM

The Board of Education **December 6, 2017**
Independent School District No. 623 (Roseville School District), Minnesota

RE: $10,000,000* General Obligation Facilities Maintenance Bonds, Series 2017B
DATED: December 28, 2017

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 $9,900,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

________	% due	2027	________	% due	2029	________	% due	2031
________	% due	2028	________	% due	2030	________	% due	2032

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

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our Deposit in the amount of $200,000, 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 December 28, 2017.

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 December 28, 2017 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 the Independent School District No. 623 (Roseville School District), Minnesota, on December 6, 2017.

By: ______________________ By: ______________________

Title: ______________________ Title: ______________________