PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 17, 2019

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

The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

New Issue — **Rating Application Made: S&P Global Ratings**

INDEPENDENT SCHOOL DISTRICT NO. 2143 (WATERVILLE-ELYSIAN-MORRISTOWN), MINNESOTA

(Le Sueur, Blue Earth, Rice, and Waseca Counties)

(Minnesota School District Credit Enhancement Program)

$19,130,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2019A

PROPOSAL OPENING: January 30, 2019, 10:00 A.M., C.T. **CONSIDERATION**: January 30, 2019, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $19,130,000* General Obligation School Building Bonds, Series 2019A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, and a special election held November 6, 2018 by Independent School District No. 2143 (Waterville-Elysian-Morristown), Minnesota (the "District") for the purpose of financing the construction and equipping of improvements to school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Knutson, Flynn & Deans, P.A., Mendota Heights, Minnesota.

DATE OF BONDS: February 21, 2019

MATURITY: February 1 as follows:

Year	Amount	Year	Amount	Year	Amount
2020	$650,000	2027	$865,000	2034	$1,105,000
2021	635,000	2028	900,000	2035	1,150,000
2022	660,000	2029	925,000	2036	1,195,000
2023	740,000	2030	955,000	2037	1,240,000
2024	770,000	2031	990,000	2038	1,290,000
2025	800,000	2032	1,025,000	2039	1,345,000
2026	830,000	2033	1,060,000		

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2019 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: $18,938,700.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $382,600 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

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

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

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

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

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

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

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

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

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

		Term Expires
Pam Baker	Chairperson	January 2023
Dan Houlian	Vice Chair	January 2021
Jay Schneider	Clerk	January 2021
Gary Michael	Treasurer	January 2023
Jon Velishek	Member	January 2023
Travis Bowman	Member	January 2023
Jeff Stangler	Member	January 2021

ADMINISTRATION

Joel Whitehurst, Superintendent of Schools

Margaret Jewison, Business Manager

PROFESSIONAL SERVICES

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

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 2143 (Waterville-Elysian-Morristown), Minnesota (the "District") and the issuance of its $19,130,000* General Obligation School Building Bonds, Series 2019A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the Board of Education on January 30, 2019.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the District's Municipal Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the link to the Bond Sales 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 February 21, 2019. 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, 2019, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **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 2020 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.

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 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the District. If only part of the Bonds having a common maturity date are called for redemption, then the District or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

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

AUTHORITY; PURPOSE

The Bonds are being issued by the District pursuant to Minnesota Statutes, Chapter 475, and a special election held November 6, 2018, at which voters approved a building program by a vote of 1,955 - 1,154. Proceeds of the Bonds will be used to provide financing for the construction and equipping of improvements to school sites and facilities in the District, including security, health and safety, fire protection, and accessability improvements; mechanical, HVAC, and electrical infrastructure improvements; various improvements at the elementary school, including a classroom addition; and various improvements at the high school, including the renovation, repair, remodeling, refurbishing, and upgrading of science, career and tech classrooms.

ESTIMATED SOURCES AND USES*

Sources			
	Par Amount	$19,130,000	
	Original Issue Premium	361,778	
	Total Sources		**$19,491,778**
Uses			
	Total Underwriter's Discount (1.000%)	$191,300	
	Costs of Issuance	85,975	
	Deposit to Project Construction Fund	19,214,025	
	Deposit to Debt Service Fund	478	
	Total Uses		**$19,491,778**

*Preliminary, subject to change.

SECURITY

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

RATING

The District will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a rating from S&P Global Ratings. The "AAA" rating is based on the State of Minnesota's current "AA" rating from S&P Global Ratings. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM" for further details.

The District does not currently have an underlying rating, however, has requested an underlying rating on this issue from S&P Global Ratings. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgement of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the District nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on December 17, 2018 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

The Law also requires the Paying Agent for this issue to notify the Commissioner of Education if it becomes aware of a potential default in the payment of principal and interest on these obligations, or if, on the day two business days prior to the payment date, there are insufficient funds to make the payment or deposit with the Paying Agent.

The Law also requires, after receipt of a notice which requests a payment pursuant to the Law, after consultation with the Paying Agent and District, and after verifying the accuracy of the information provided, the Commissioner of Education shall notify the Commissioner of Management and Budget of the potential default. The State Payment Law provides that "upon receipt of this notice . . . the Commissioner of Management and Budget shall issue a warrant and authorize the Commissioner of Education to pay to the Paying Agent for the debt obligation the specified amount on or before the date due. The amounts needed for purposes of subdivision are annually appropriated to the Department of Education from the state general fund."

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

In its Official Statement dated August 7, 2018, for General Obligation State Bonds, Series 2018A, 2018B, and 2018C, the State of Minnesota disclosed the following information about the State Credit Enhancement Program for School Districts.

> "As the date of this Official Statement, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2046, is approximately $13.1 billion. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of the date of this Official Statement is $901.2 million, with the maximum amount of principal and interest payable in any one month being $833.5 million. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.
>
> The State has not had to make any debt service payments on behalf of school districts or intermediate school districts under the program and does not expect to make any payments in the future. If such payments are made the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the school districts and intermediate school districts."

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (hereinafter the "Rule"), the District shall covenant to take certain actions pursuant to a Resolution adopted by the Board of Education by entering into a Continuing Disclosure Undertaking (the "Disclosure Undertaking") for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the District to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for this issue are set forth in Appendix D to be executed and delivered by the District at the time of delivery of the Bonds. Such Disclosure Undertaking will be in substantially the form attached hereto.

In the previous five years, the District has not had any undertakings under the Rule.

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

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

LEGAL OPINION

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

TAX EXEMPTION AND RELATED CONSIDERATIONS

In the opinion of Knutson, Flynn & Deans, P.A., as Bond Counsel, on the basis of laws in effect on the date of issuance of the Bonds, interest on the Bonds is not includible in gross income for federal income tax purposes or in taxable net income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is includible in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax. Certain provisions of the Internal Revenue Code of 1986, as amended (the Code), however, impose continuing requirements that must be met after the issuance of the Bonds in order for interest thereon to be and remain not includible in federal gross income and in Minnesota taxable net income. Noncompliance with such requirements by the Issuer may cause the interest on the Bonds to be includible in federal gross income and in Minnesota taxable net income, retroactive to the date of issuance of the Bonds, irrespective in some cases of the date on which such noncompliance occurs or is ascertained. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds becomes includible in federal gross income or Minnesota taxable net income.

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

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

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a Municipal Advisor.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2018 have been audited by Abdo, Eick & Meyers, LLP, Mankato, 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 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.

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

VALUATIONS

OVERVIEW

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

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

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

Type of Property	2015/16	2016/17	2017/18
Residential homestead[1]	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead[1]	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,140,000 - 0.50% [2] Over \$2,140,000 - 1.00% [2]	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,050,000 - 0.50% [2] Over \$2,050,000 - 1.00% [2]	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,940,000 - 0.50% [2] Over \$1,940,000 - 1.00% [2]
Agricultural non-homestead	Land - 1.00% [2]	Land - 1.00% [2]	Land - 1.00% [2]
Seasonal recreational residential	First \$500,000 - 1.00% [3] Over \$500,000 - 1.25% [3]	First \$500,000 - 1.00% [3] Over \$500,000 - 1.25% [3]	First \$500,000 - 1.00% [3] Over \$500,000 - 1.25% [3]
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First \$106,000 - .75% Over \$106,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First \$115,000 - .75% Over \$115,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First \$121,000 - .75% Over \$121,000 - .25%
Industrial/Commercial/Utility[5]	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

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

2017/18 Economic Market Value $1,092,127,568[1]

2017/18 Assessor's Estimated Market Value

	Le Sueur County	Blue Earth County	Rice County	Waseca County	Total
Real Estate	$690,670,600	$ 4,460,700	$273,541,000	$ 80,683,200	$ 1,049,355,500
Personal Property	4,650,700	13,700	4,390,400	3,349,900	12,404,700
Total Valuation	$695,321,300	$ 4,474,400	$277,931,400	$ 84,033,100	$ 1,061,760,200

2017/18 Net Tax Capacity

	Le Sueur County	Blue Earth County	Rice County	Waseca County	Total
Real Estate	$ 5,970,500	$ 37,032	$ 2,221,066	$ 670,426	$ 8,899,024
Personal Property	91,179	274	86,999	66,834	245,286
Net Tax Capacity	$ 6,061,679	$ 37,306	$ 2,308,065	$ 737,260	$ 9,144,310
Less: Captured Tax Increment Tax Capacity[2]	(19,175)	0	0	0	(19,175)
Taxable Net Tax Capacity	$ 6,042,504	$ 37,306	$ 2,308,065	$ 737,260	$ 9,125,135

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1 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for Independent School District No. 2143 (Waterville-Elysian-Morristown) is about 96.52% 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 $1,092,127,568.

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

2017/18 NET TAX CAPACITY BY CLASSIFICATION

	2017/18 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$ 3,210,571	35.11%
Agricultural	3,360,421	36.75%
Commercial/industrial	339,324	3.71%
Public utility	79,288	0.87%
Non-homestead residential	603,232	6.60%
Commercial & residential seasonal/rec.	1,306,188	14.28%
Personal property	245,286	2.68%
Total	$ 9,144,310	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Taxable Net Tax Capacity[2]	Percent +/- in Estimated Market Value
2013/14	$1,008,630,900	$ 953,344,200	$ 8,632,020	$ 8,604,388	+3.80%
2014/15	1,034,018,900	979,216,700	8,788,276	8,760,644	+2.52%
2015/16	1,033,433,700	979,231,100	8,773,663	8,746,031	-0.06%
2016/17	1,045,034,000	989,446,300	8,894,340	8,874,277	+1.12%
2017/18	1,061,760,200	1,006,886,450	9,144,310	9,125,135	+1.60%

1 Net Tax Capacity includes tax increment and power line values.

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

LARGER TAXPAYERS

Taxpayer	Type of Property	2017/18 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Individual	Agricultural	$100,277	1.10%
Xcel Energy Electric	Utility	92,168	1.01%
Centerpoint Energy Resource	Utility	90,818	0.99%
Individual	Agricultural	51,561	0.56%
Minnegasco, Inc.	Utility	48,392	0.53%
Individual	Agricultural	42,839	0.47%
Individual	Agricultural	40,251	0.44%
Individual	Agricultural	33,315	0.36%
Hwy AG Services	Utility	30,974	0.34%
Individual	Agricultural	28,977	0.32%
Total		$559,572	6.12%

District's Total 2017/18 Net Tax Capacity $9,144,310

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Le Sueur, Blue Earth, Rice and Waseca Counties.

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total g.o. debt being paid from taxes (includes the Bonds)*	$19,130,000

*Preliminary, subject to change.

STATE AID FOR DEBT SERVICE

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 2143 (WATERVILLE-ELYSIAN-MORRISTOWN), MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Taxes
(As of 2/21/19)

	School Building Series 2019A								
Dated	2/21/19								
Amount	$19,130,000*								
Maturity	2/01								
Fiscal Year Ending	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2020	650,000	695,737	650,000	695,737	1,345,737	18,480,000	3.40%	**2020**
2021	635,000	710,663	635,000	710,663	1,345,663	17,845,000	6.72%	**2021**
2022	660,000	685,263	660,000	685,263	1,345,263	17,185,000	10.17%	**2022**
2023	740,000	658,863	740,000	658,863	1,398,863	16,445,000	14.04%	**2023**
2024	770,000	629,263	770,000	629,263	1,399,263	15,675,000	18.06%	**2024**
2025	800,000	598,463	800,000	598,463	1,398,463	14,875,000	22.24%	**2025**
2026	830,000	566,463	830,000	566,463	1,396,463	14,045,000	26.58%	**2026**
2027	865,000	533,263	865,000	533,263	1,398,263	13,180,000	31.10%	**2027**
2028	900,000	498,663	900,000	498,663	1,398,663	12,280,000	35.81%	**2028**
2029	925,000	469,413	925,000	469,413	1,394,413	11,355,000	40.64%	**2029**
2030	955,000	439,350	955,000	439,350	1,394,350	10,400,000	45.64%	**2030**
2031	990,000	405,925	990,000	405,925	1,395,925	9,410,000	50.81%	**2031**
2032	1,025,000	371,275	1,025,000	371,275	1,396,275	8,385,000	56.17%	**2032**
2033	1,060,000	335,400	1,060,000	335,400	1,395,400	7,325,000	61.71%	**2033**
2034	1,105,000	293,000	1,105,000	293,000	1,398,000	6,220,000	67.49%	**2034**
2035	1,150,000	248,800	1,150,000	248,800	1,398,800	5,070,000	73.50%	**2035**
2036	1,195,000	202,800	1,195,000	202,800	1,397,800	3,875,000	79.74%	**2036**
2037	1,240,000	155,000	1,240,000	155,000	1,395,000	2,635,000	86.23%	**2037**
2038	1,290,000	105,400	1,290,000	105,400	1,395,400	1,345,000	92.97%	**2038**
2039	1,345,000	53,800	1,345,000	53,800	1,398,800	0	100.00%	**2039**
	19,130,000	8,656,799	19,130,000	8,656,799	27,786,799			

*Preliminary, subject to change.

BONDED DEBT LIMIT

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

2017/18 Economic Market Value	$1,092,127,568
Multiply by 15%	0.15
Statutory Debt Limit	$ 163,819,135
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	(19,130,000)
Unused Debt Limit*	$ 144,689,135

*Preliminary, subject to change.

OVERLAPPING DEBT[1]

Taxing District	2017/18 Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Le Sueur County	$ 36,389,532	16.6051%	$ 45,900,000[3]	$ 7,621,741
Blue Earth County	86,900,489	100.0000%	26,864,000	26,864,000
Rice County	61,326,774	100.0000%	22,870,000	22,870,000
Waseca County	24,145,776	3.0534%	2,015,000	61,526
City of Elysian	920,806	100.0000%	4,500,000	4,500,000
City of Morristown	425,337	100.0000%	1,100,000	1,100,000
City of Waterville	1,213,371	100.0000%	400,000	400,000
District's Share of Total Overlapping Debt				$63,417,267

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 Total debt for Le Sueur County includes its upcoming General Obligation Capital Improvement Bonds, Series 2019A ($13,700,000 estimated principal outstanding), which are scheduled to close on February 14, 2019.

DEBT PAYMENT HISTORY

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value ($1,092,127,568)	Debt/ Current Population Estimate (6,661)
Direct G.O. Debt Being Paid From Taxes (includes the Bonds)*	$ 19,130,000	1.75%	$2,871.94
District's Share of Total Overlapping Debt	$ 63,417,267	5.81%	$9,520.68
Total*	$ 82,547,267	7.56%	$12,392.62

*Preliminary, subject to change.

FUTURE FINANCING

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

LEVY LIMITS

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

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

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[1]	Total Collected Following Year	Collected to Date[2]	% Collected
2013/14	$ 1,654,617	$ 1,623,092	$ 1,650,606	99.76%
2014/15	1,533,000	1,510,929	1,530,542	99.84%
2015/16	2,072,359	2,042,563	2,065,178	99.65%
2016/17	1,907,129	1,880,793	1,899,179	99.58%
2017/18	1,974,485	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.

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

2 Collections are through October 15, 2018 for Le Sueur County, through May 31, 2018 for Blue Earth County, through November 30, 2018 for Rice County, and through May 16, 2018 for Waseca County.

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

TAX CAPACITY RATES[1]

	2013/14	2014/15	2015/16	2016/17	2017/18
I.S.D. No. 2143 (Waterville-Elysian-Morristown)	4.502%	4.571%	5.778%	5.328%	6.193%
Le Sueur County	44.572%	46.086%	48.160%	49.819%	52.501%
Blue Earth County	38.834%	37.249%	38.148%	39.105%	39.990%
Rice County	40.179%	40.545%	42.535%	41.566%	41.810%
Waseca County	49.941%	50.169%	58.877%	59.942%	63.384%
City of Elysian	60.123%	56.895%	59.809%	61.989%	61.297%
City of Kilkenny	79.000%	77.510%	77.691%	80.572%	78.352%
City of Morristown	86.332%	77.261%	91.056%	89.130%	90.421%
City of Waterville	66.520%	68.700%	70.071%	68.893%	64.964%
Town of Waterville[2]	11.943%	12.585%	13.072%	13.000%	23.897%
Region 9	0.166%	0.154%	0.177%	0.166%	0.177%
Rice County HRA	0.601%	0.223%	0.219%	0.109%	0.124%
Waseca-Le Sueur Reg Library	1.462%	1.567%	1.695%	1.733%	1.781%
Referendum Market Value Rates:					
I.S.D. No. 2143 (Waterville-Elysian-Morristown)	0.27763%	0.24726%	0.33630%	0.30338%	0.28593%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Le Sueur, Blue Earth, Rice and Waseca Counties.

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

2 Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 147, including 66 non-licensed employees and 81 licensed employees (73 of whom are teachers). The District provides education for 785 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

Public Employees' Retirement Association (PERA)

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

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Teachers	June 30, 2019
Paraprofessionals	June 30, 2019
Custodial	June 30, 2017
Food Service	June 30, 2017

Status of contracts
Contracts which expired 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. 75 (GASB 75). The District's most recent actuarial study of its OPEB obligations shows a total OPEB liability of $1,772,385 as of July 1, 2017. The District has been funding these obligations on a pay-as-you-go basis.

Source: The District's most recent actuarial study.

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
2014/15	59	404	374	837
2015/16	51	394	348	793
2016/17	56	384	330	770
2017/18	55	378	327	760
2018/19	59	382	344	785

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2019/20	54	358	370	782
2020/21	51	329	389	769
2021/22	55	315	393	763

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Morristown Building	1954	1961, 1979
Elysian Building	1962	--
Waterville Building	1932	1954, 1971

FUNDS ON HAND (as of November 30, 2018)

Fund	Total Cash and Investments
General	$ 2,443,537
Food Service	(278)
Community Service	124,724
Trust & Agency	23,804
Total Funds on Hand	$ 2,591,787

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 2018 audited financial statements.

	FISCAL YEAR ENDING JUNE 30				
COMBINED STATEMENT	**2015 Audited**	**2016 Audited**	**2017 Audited**	**2018 Audited**	**2018-19 Adopted Budget[1]**
Revenues					
Local property taxes	$ 1,642,985	$ 1,548,713	$2,038,091	$ 1,903,325	$ 1,945,883
Earnings on Investments	1,328	6,170	18,191	583,283	0
Other local and county revenues	427,872	365,985	467,213	29,054	592,312
Revenues from state sources	7,081,517	7,037,408	6,779,529	6,808,914	6,774,903
Revenues from federal sources	415,165	380,101	368,260	336,718	350,307
Sales and other conversion of assets	0	14,640	13,132	9,645	0
Total Revenues	$ 9,568,867	$ 9,353,017	$ 9,684,416	$ 9,670,939	$ 9,663,405
Expenditures					
Current					
Administration	$ 583,306	$ 602,637	$ 621,451	$ 687,750	$ 715,596
District support services	304,220	328,219	327,816	340,997	356,759
Elementary & secondary regular instruction	4,492,555	4,388,588	4,673,037	4,359,666	4,671,688
Vocational education instruction	137,012	142,587	174,918	115,030	131,413
Special education instruction	1,683,036	1,665,290	1,696,552	1,612,588	1,795,667
Instructional support services	396,542	378,197	389,024	421,489	483,216
Pupil support services	666,490	678,416	657,026	729,132	840,712
Sites and buildings	819,447	887,289	974,624	1,165,471	1,212,814
Fiscal and other fixed cost programs	47,129	53,832	57,112	64,968	57,122
Community Service	511,846	0	0	0	0
Capital Outlay	12,249	412,699	232,135	297,782	0
Debt Service	0	10,855	6,671	6,670	0
Total Expenditures	$ 9,653,832	$ 9,548,609	$ 9,810,366	$ 9,801,543	$ 10,264,987
Excess of revenues over (under) expenditures	$ (84,965)	$ (195,592)	$ (125,950)	$ (130,604)	$ (601,582)
Other Financing Sources (Uses)					
Transfers out	$ 0	$ 0	$ (10,270)	$ (10,919)	
Debt issued	0	28,821	0	0	
Sale of equipment proceeds	7,250	0	0	0	
Insurance recovery proceeds	2,187	0	0	0	
Total Other Financing Sources (Uses)	$ 9,437	$ 28,821	$ (10,270)	$ (10,919)	
Net Change in Fund Balances	$ (75,528)	$ (166,771)	$ (136,220)	$ (141,523)	
General Fund Balance July 1	2,791,139	2,715,611	2,548,840	2,412,620	
Prior Period Adjustment	0	0	0		
Residual Equity Transfer in (out)	0	0	0		
General Fund Balance June 30	$ 2,715,611	$ 2,548,840	$ 2,412,620	$ 2,271,097	
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$ 15,032	$ 14,089	$ 11,475	$ 37,082	
Restricted	22,358	53,252	88,597	110,776	
Assigned	113,000	123,000	129,000	114,000	
Unassigned	2,565,221	2,358,499	2,183,548	2,009,239	
Total	$ 2,715,611	$ 2,548,840	$ 2,412,620	$ 2,271,097	

[1] The 2017-18 budget was adopted on June 25, 2018. The current enrollment of the district is approximately 40 students higher than the estimates used to prepare the 2018-19 adopted budget. As a result, the District expects that revenues will exceed the budgeted total by approximately $300,000. The District also expects that total expenditures will be less than budgeted, resulting in an actual reduction in fund balance of $200,000 to $250,000.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 6,685 and a current population estimate of 6,661, and comprising an area of 144,313 acres, is located approximately 60 miles southwest of the Minneapolis-St/ Paul metropolitan area. The District is comprised of the Cities of Waterville, Elysian and Morristown, and all or a portion of ten townships.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 2143 (Waterville-Elysian-Morristown)	Elementary and secondary education	147
Camp Omega	Lutheran camp and retreat center	70
Gear & Broach, Inc.	Gear cutting and broaching	50
LCS Precision Molding	Plastics-mold-manufacturers	50
Knotty Bar & Grill	Restaurant and supper club	43
Waterville Auto Center	Automobile repair & service	36
Potential Unlimited	Non-profit employer of disabled persons	35
Xcel Energy	Electric companies	30
Traditions of Waterville	Residential care homes	30
Tuckers Tavern	Full service restaurant	25

Source: *ReferenceUSA*, *written and telephone survey (December 2018), and the Minnesota Department of Employment and Economic Development.*

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

U.S. CENSUS DATA

Population Trend: Independent School District No. 2143 (Waterville-Elysian-Morristown), Minnesota

2000 U.S. Census population	6,433
2010 U.S. Census population	6,685
2017 Population Estimate	6,661
Percent of Change 2000 - 2010	+ 3.92%

Income and Age Statistics

	Waterville-Elysian-Morristown School District	Le Sueur County	State of Minnesota	United States
2017 per capita income	$30,595	$31,135	$34,712	$31,177
2017 median household income	$62,219	$65,500	$65,699	$57,652
2017 median family income	$74,698	$79,734	$82,785	$70,850
2017 median gross rent	$723	$779	$906	$982
2017 median value owner occupied units	$181,900	$190,700	$199,700	$193,500
2017 median age	45.3	41.4	37.9 yrs.	37.8 yrs.

	State of Minnesota	United States
District % of 2017 per capita income	88.14%	98.13%
District % of 2017 median family income	90.23%	105.43%

Source: *2000 and 2010 Census of Population and Housing, and 2017 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	Le Sueur County	Le Sueur County	State of Minnesota
2014	14,590	5.4%	4.2%
2015	14,672	4.9%	3.7%
2016	14,803	4.9%	3.9%
2017	15,096	4.8%	3.5%
2018, November	15,343	2.7%	2.2%

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.

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2018

ABDO
EICK &
MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2143
Waterville, 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 the Independent School District No. 2143, Waterville, Minnesota, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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, 2018, and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

100 Warren Street, Suite 600
P.O. Box 3166
Mankato, MN 56002-3166
507.625.2727 | Fax 507.388.9139

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and the Changes in the District's OPEB Liability and Related Ratios starting on page 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and combining and individual fund financial statements and schedules and table are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and table 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. The 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 combining and individual fund financial statements and schedules and table are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
December 18, 2018

People
+Process.
Going
Beyond the
Numbers

Management's Discussion and Analysis

As management of the Independent School District No. 2143, Waterville, Minnesota (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $8,822,458 (*net position deficit*). Of this amount, a deficit of $10,253,051 (*unrestricted net position*) now exists due to the recognition of long-term pension liabilities and other postemployment benefits liability in accordance with GASB Statements No. 68 and No. 75.

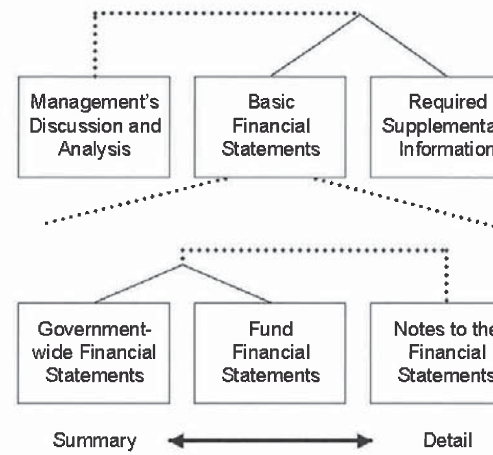
- The District's total net position decreased by $2,171,596, compared to the prior year's decrease of $2,661,957. The change is due primarily to the District's share of TRA and PERA net pension liability of $3,887,323. This is due to a change in the TRA and PERA discount rate.

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $2,384,723, a decrease of $182,636 in comparison with the prior year. Expenditures continue to rise at a greater rate than state aid increases. The District plans to continue to use the available fund balance to maintain the integrity of District programs as long as it remains above the minimum fund balance as established in the District's board policy. Unassigned fund balance represents amounts that are available for spending at the District's discretion. Of the total fund balance, $1,992,293 is *available for spending* at the District's discretion (*unassigned fund balance*).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of Independent School District No. 2143
Annual Financial Report



The following chart summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements:

Major Features of the District-wide and Fund Financial Statements

		Fund Financial Statements	
	District-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balance	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Financial Statements. The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial indicators such as changes in the District's property tax base and condition of school buildings and other facilities.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the district-wide financial statements, the District activities are shown in one category titled "governmental activities":

- *Governmental activities*: The District's basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and State aids finance most of these activities.

The District-wide financial statements can be found starting on page 28 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact by the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, which is considered to be a major fund. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 32 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of student activities within the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those whom the assets belong. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 37 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found starting on page 39 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Independent School District No. 2143's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 68 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements and schedules and table can be found starting on page 74 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $8,822,458 at the close of the most recent fiscal year.

A portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. These funds are to be used for the construction of school facilities. Another large portion of the District's net position reflects amounts restricted for specific purposes. These restrictions consist of $219,729 for educational purposes and $6,302 for food service. The remaining deficit of $10,253,051 is unrestricted net position due to the recognition of long-term pension liabilities and other postemployment benefits liability in accordance with GASB Statements No. 68 and No. 75.

Independent School District No. 2143's Net Position

	Governmental Activities		Increase (Decrease)	
	2018	Restated 2017	Amount	Percent
Current and Other Assets	$ 5,405,943	$ 5,632,956	$ (227,013)	(4.0) %
Capital Assets	1,221,468	1,299,028	(77,560)	(6.0)
Total Assets	6,627,411	6,931,984	(304,573)	(4.4)
Deferred Outflows of Resources	9,591,111	13,001,759	(3,410,648)	(26.2)
Long-term Liabilities Outstanding	18,797,078	22,963,012	(4,165,934)	(18.1)
Other Liabilities	1,127,781	1,109,495	18,286	1.6
Total Liabilities	19,924,859	24,072,507	(4,147,648)	(17.2)
Deferred Inflows of Resources	5,116,121	2,512,098	2,604,023	103.7
Net Position				
Net investment in capital assets	1,204,562	1,276,631	(72,069)	(5.6)
Restricted	226,031	245,167	(19,136)	(7.8)
Unrestricted	(10,253,051)	(8,172,660)	(2,080,391)	25.5
Total Net Position	$ (8,822,458)	$ (6,650,862)	$ (2,171,596)	32.7

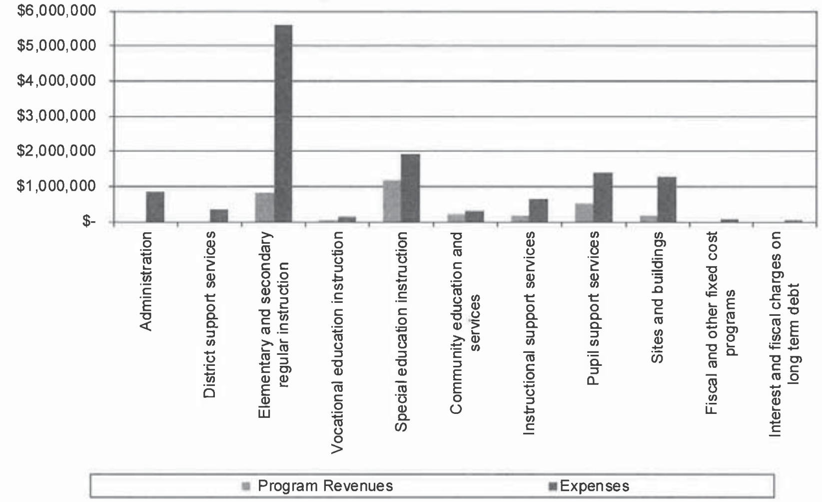
The balance of unrestricted net position is a deficit due to recognition of long-term pension liabilities and other postemployment benefits liability in accordance with GASB Statements No. 68 and No. 75.

Governmental Activities. Governmental activities decreased the District's net position by $2,171,596. Key elements of this decrease are as follows:

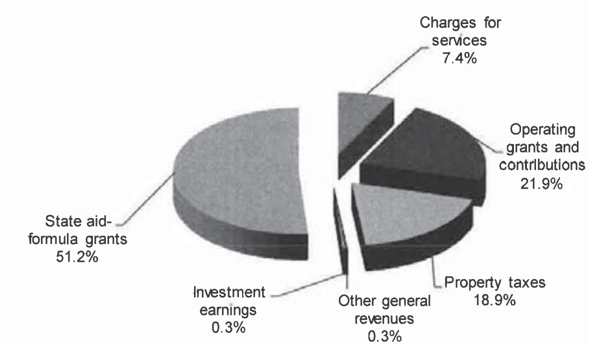
Independent School District No. 2143's Changes in Net Position

	Governmental Activities		Increase (Decrease)	
	2018	2017	Amounts	Percent
Revenues				
Program revenues				
Charges for services	$ 769,888	$ 699,078	$ 70,810	10.1 %
Operating grants and contributions	2,277,883	2,238,133	39,750	1.8
Capital grants and contributions	-	2,375	(2,375)	(100.0)
General revenues				
Property taxes	1,966,509	2,089,463	(122,954)	(5.9)
State aid-formula grants and other contributions	5,313,009	5,293,004	20,005	0.4
Other general revenues	31,425	315,209	(283,784)	(90.0)
Investment earnings	30,580	19,082	11,498	60.3
Gain on sale of assets	463	-	463	100.0
Total Revenues	10,389,757	10,656,344	(266,587)	(2.5)
Expenses				
Administration	856,734	820,153	36,581	4.5
District support services	339,382	341,281	(1,899)	(0.6)
Elementary and secondary regular instruction	5,582,451	6,523,107	(940,656)	(14.4)
Vocational education instruction	154,914	226,774	(71,860)	(31.7)
Special education instruction	1,931,011	2,022,896	(91,885)	(4.5)
Community education and services	316,087	279,045	37,042	13.3
Instructional support services	650,180	592,798	57,382	9.7
Pupil support services	1,395,368	1,352,374	42,994	3.2
Sites and buildings	1,269,079	1,101,266	167,813	15.2
Fiscal and other fixed cost programs	64,968	57,112	7,856	13.8
Interest and fiscal charges on long-term debt	1,179	1,495	(316)	(21.1)
Total Expenses	12,561,353	13,318,301	(756,948)	(5.7)
Change in Net Position	(2,171,596)	(2,661,957)	490,361	(18.4)
Net Position, July 1, as Restated (See Note 7)	(6,650,862)	(3,988,905)	(2,661,957)	66.7
Net Position, June 30	$ (8,822,458)	$ (6,650,862)	$ (2,171,596)	32.7

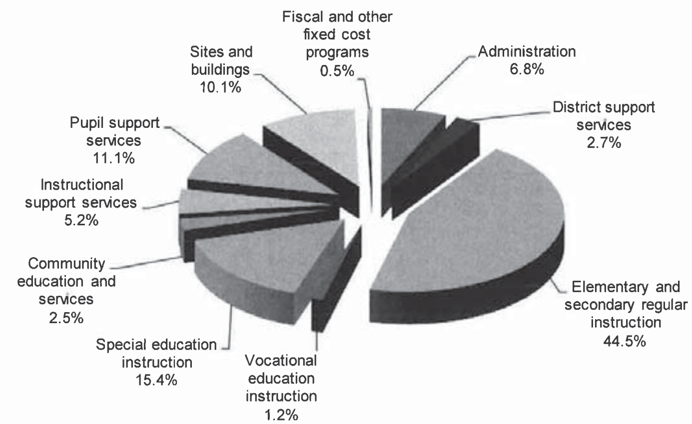
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Expenditures by Program - Governmental Activities



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $2,384,723, a decrease of $182,636 in comparison with the prior year. Unassigned fund balance represents amounts that are available for spending at the District's discretion. Unassigned fund balance at the close of 2018 had a balance of $1,992,293, compared to a balance of $2,183,548 in the prior year.

The General fund is the chief operating fund of the District. At the end of the current year, unassigned fund balance of the General fund had a balance of $2,009,239, while total fund balance reached $2,271,097. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 20.5 percent of total General fund expenditures, while total fund balance represents 23.2 percent of that same amount.

The fund balance of the District's General fund decreased by $141,523 during the current fiscal year. This decrease in the General fund was due to expenditures coming in $96,672 over budget and an unbudgeted transfer out of $10,919. The District had budgeted a decrease in fund balance of $303,015 in comparison to the actual decrease of $141,523 resulting in a positive variance of $161,492.

General Fund Budgetary Highlights

Actual revenues in the General fund exceeded the final budget by $269,083. The primary cause of this positive variance is revenue from State sources exceeding budget by $219,984. This increase was due primarily to actual enrollment exceeding projected enrollment, increases in interest revenue, and medical assistance revenue.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2018, amounts to $1,221,468 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements and machinery and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was 6.0 percent. The total depreciation expense for the year was $213,692. The following is a schedule of capital assets as of June 30, 2018:

Independent School District No. 2143's Capital Assets
(Net of Depreciation)

	Governmental Activities		
	2018	2017	Increase (Decrease)
Land	$ 31,400	$ 31,400	$ -
Buildings	514,040	582,505	(68,465)
Equipment	644,796	651,437	(6,641)
Land Improvements	31,232	33,686	(2,454)
Total	$ 1,221,468	$ 1,299,028	$ (77,560)

Additional information on the District's capital assets can be found in Note 3C on page 49 of this report.

Long-term Debt. At the end of the current fiscal year, the District had total long-term debt outstanding of $16,906. This is related to capital leases for copiers.

Independent School District No. 2143's Outstanding Debt

	Governmental Activities		
	2018	2017	Increase (Decrease)
Capital Lease	$ 16,906	$ 22,397	$ (5,491)

The District's total debt decreased by $5,491 (24.5 percent) during the current fiscal year.

Additional information on the District's long-term debt can be found in Note 3E on page 50 of this report.

Factors Bearing on the District's Future

The declining enrollment experienced by the District in past years has a significant impact on the future financial position, as funding is driven by enrollment. The State of Minnesota has implemented changes to K-12 Education funding with positive impacts to the district, such as funding all-day kindergarten beginning in the 2014-2015 school year and increases to Special Education funding that began in the 2013-2014 school year.

In November of 2015, voters renewed the existing operating referendum at $677 per pupil unit, with the remaining renewal of $300 authorized by the School Board. Taxpayers authorized an additional $450. The operating levy applies to tax levies from 2016-2025. The District must closely monitor expenditures to ensure they will stay in line with revenues.

The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, Independent School District No. 2143, 500 East Paquin Street Waterville, Minnesota 56906.

Independent School District No. 2143
Waterville, Minnesota
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash and temporary investments	$ 3,152,520
Receivables	
Taxes	965,525
Accounts and interest	253
Due from other school districts	105,519
Intergovernmental	1,121,796
Inventories	23,248
Prepaid items	37,082
Capital assets not being depreciated	31,400
Capital assets net of accumulated depreciation	1,190,068
Total Assets	6,627,411
Deferred Outflows of Resources	
Deferred pension resources	9,335,394
Deferred other postemployment benefit resources	255,717
Total Deferred Outflows of Resources	9,591,111
Liabilities	
Salaries and wages payable	454,778
Accounts and other payables	47,302
Due to other school districts	27,852
Due to other governments	18,283
Accrued expenses	530,447
Unearned revenue	9,329
Due within one year	39,790
Due in more than one year	18,797,078
Total Liabilities	19,924,859
Deferred Inflows of Resources	
Property taxes levied for subsequent year	1,900,458
Deferred pension resources	3,215,663
Total Deferred Inflows of Resources	5,116,121
Net Position	
Net investment in capital assets	1,204,562
Restricted for	
Operating capital purposes	24,563
State-mandated reserves	86,213
Community service	108,953
Food service	6,302
Unrestricted	(10,253,051)
Total Net Position	$ (8,822,458)

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
Administration	$ 856,734	$ -	$ -	$ -	$ (856,734)
District support services	339,382	-	-	-	(339,382)
Elementary and secondary regular instruction	5,582,451	178,343	648,776	-	(4,755,332)
Vocational education instruction	154,914	-	3,000	-	(151,914)
Special education instruction	1,931,011	114,754	1,068,458	-	(747,799)
Community education and services	316,087	150,103	44,033	-	(121,951)
Instructional support services	650,180	-	158,810	-	(491,370)
Pupil support services	1,395,368	242,296	257,779	-	(895,293)
Sites and buildings	1,269,079	84,392	97,027	-	(1,087,660)
Fiscal and other fixed cost programs	64,968	-	-	-	(64,968)
Interest and fiscal charges on long term debt	1,179	-	-	-	(1,179)
Total Governmental Activities	$ 12,561,353	$ 769,888	$ 2,277,883	$ -	(9,513,582)

General Revenues	
Taxes	
Property taxes, levied for general purposes	1,905,474
Property taxes, levied for community service	61,035
State aid-formula grants and other contributions	5,313,009
Other general revenues	31,425
Investment earnings	30,580
Gain on sale of assets	463
Total General Revenues	7,341,986
Change in Net Position	(2,171,596)
Net Position, July 1, as Restated (See Note 7)	(6,650,862)
Net Position, June 30	$ (8,822,458)

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143

Waterville, Minnesota

Balance Sheet

Governmental Funds

June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and temporary investments	$ 3,009,941	$ 142,579	$ 3,152,520
Receivables			
Taxes			
Current	900,703	32,051	932,754
Delinquent	31,142	1,629	32,771
Accounts and interest	253	-	253
Due from other school districts	105,519	-	105,519
Intergovernmental	1,091,202	30,594	1,121,796
Inventories	-	23,248	23,248
Prepaid items	37,082	-	37,082
Total Assets	$ 5,175,842	$ 230,101	$ 5,405,943
Liabilities			
Salaries and wages payable	$ 419,286	$ 35,492	$ 454,778
Accounts and other payables	43,069	4,233	47,302
Due to other school districts	27,852	-	27,852
Due to other governments	18,283	-	18,283
Accrued expenses	530,447	-	530,447
Unearned revenue	-	9,329	9,329
Total Liabilities	1,038,937	49,054	1,087,991
Deferred Inflows of Resources			
Property taxes levied for subsequent year	1,834,666	65,792	1,900,458
Unavailable revenue - delinquent property taxes	31,142	1,629	32,771
Total Deferred Inflows of Resources	1,865,808	67,421	1,933,229
Fund Balances			
Nonspendable	37,082	23,248	60,330
Restricted	110,776	107,324	218,100
Assigned	114,000	-	114,000
Unassigned	2,009,239	(16,946)	1,992,293
Total Fund Balances	2,271,097	113,626	2,384,723
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 5,175,842	$ 230,101	$ 5,405,943

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2018

Amounts reported for governmental activities in the statement of net position are different because	
Total Fund Balances - Governmental Funds	$ 2,384,723
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	1,221,468
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Capital lease payable	(16,906)
Other postemployment benefits liability	(1,628,517)
Compensated absences payable	(33,964)
Pension liability	(17,157,481)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	32,771
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	9,335,394
Deferred inflows of pension resources	(3,215,663)
Governmental funds do not report long-term amounts related other postemployment benefits.	
Deferred outflows of other postemployment benefit resources	255,717
Total Net Position - Governmental Activities	$ (8,822,458)

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143

Waterville, Minnesota

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2018

	General	Other Governmental Funds	Total
Revenues			
Local property tax levies	$ 1,903,325	$ 61,237	$ 1,964,562
Other local and county revenue	583,283	155,533	738,816
Interest earned on investments	29,054	1,526	30,580
Revenue from State sources	6,808,914	71,043	6,879,957
Revenue from Federal sources	336,718	195,441	532,159
Sales and other conversion of assets	9,645	233,399	243,044
Total Revenues	9,670,939	718,179	10,389,118
Expenditures			
Current			
Administration	687,750	-	687,750
District support services	340,997	-	340,997
Elementary and secondary regular instruction	4,359,666	-	4,359,666
Vocational education instruction	115,030	-	115,030
Special education instruction	1,612,588	-	1,612,588
Community education and services	-	275,262	275,262
Instructional support services	421,489	-	421,489
Pupil support services	729,132	492,553	1,221,685
Sites and buildings	1,165,471	-	1,165,471
Fiscal and other fixed cost programs	64,968	-	64,968
Capital outlay	297,782	2,396	300,178
Debt service			
Principal	5,491	-	5,491
Interest and other charges	1,179	-	1,179
Total Expenditures	9,801,543	770,211	10,571,754
Excess (Deficiency) of Revenues Over (Under) Expenditures	(130,604)	(52,032)	(182,636)
Other Financing Sources (Uses)			
Transfers in	-	10,919	10,919
Transfers out	(10,919)	-	(10,919)
Total Other Financing Sources (Uses)	(10,919)	10,919	-
Net Change in Fund Balances	(141,523)	(41,113)	(182,636)
Fund Balances, July 1	2,412,620	154,739	2,567,359
Fund Balances, June 30	$ 2,271,097	$ 113,626	$ 2,384,723

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to Statement of Activities
Governmental Funds
For the Year Ended June 30, 2018

Amounts reported for governmental activities in the statement of activities are different because

Total Net Change in Fund Balances - Governmental Funds	$ (182,636)
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	149,882
Depreciation expense	(213,692)
The net effect of various miscellaneous transactions involving cpaital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	
Book value of capital asset disposals	(13,750)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Principal repayments	5,491
Long-term pension activity is not reported in governmental funds.	
Pension expense	(2,317,633)
Direct aid contributions	(1,308)
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.	1,947
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Severance costs	518
Other postemployment benefits costs	399,585
Change in Net Position - Governmental Activities	$ (2,171,596)

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	$ 2,017,727	$ 2,017,727	$ 1,903,325	$ (114,402)
Other local and county revenue	406,342	421,342	583,283	161,941
Interest earned on investments	14,000	14,000	29,054	15,054
Revenue from State sources	6,423,453	6,588,930	6,808,914	219,984
Revenue from Federal sources	376,278	352,807	336,718	(16,089)
Sales and other conversion of assets	7,050	7,050	9,645	2,595
Total Revenues	9,244,850	9,401,856	9,670,939	269,083
Expenditures				
Current				
Administration	662,266	670,243	687,750	(17,507)
District support services	335,109	335,254	340,997	(5,743)
Elementary and secondary regular instruction	4,241,285	4,346,439	4,359,666	(13,227)
Vocational education instruction	158,518	126,323	115,030	11,293
Special education instruction	1,676,233	1,644,141	1,612,588	31,553
Instructional support services	318,969	347,391	421,489	(74,098)
Pupil support services	707,094	688,735	729,132	(40,397)
Sites and buildings	1,069,597	1,180,086	1,165,471	14,615
Fiscal and other fixed cost programs	55,080	57,112	64,968	(7,856)
Capital outlay				
District support services	1,000	1,000	-	1,000
Elementary and secondary regular instruction	32,013	34,813	30,588	4,225
Special education instruction	10,962	10,962	54	10,908
Instructional support services	104,700	104,700	134,178	(29,478)
Pupil support services	137,000	137,000	118,825	18,175
Sites and buildings	14,000	14,000	14,137	(137)
Debt service				
Principal	5,492	5,492	5,491	1
Interest and other charges	1,180	1,180	1,179	1
Total Expenditures	9,530,498	9,704,871	9,801,543	(96,672)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(285,648)	(303,015)	(130,604)	172,411
Other Financing Sources (Uses)				
Transfers out	-	-	(10,919)	(10,919)
Net Change in Fund Balances	(285,648)	(303,015)	(141,523)	161,492
Fund Balances, July 1	2,412,620	2,412,620	2,412,620	-
Fund Balances, June 30	$ 2,126,972	$ 2,109,605	$ 2,271,097	$ 161,492

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143

Waterville, Minnesota

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2018

	Agency	Private Purpose Trust
Assets		
Cash and temporary investments	$ 91,927	$ 24,584
Liabilities		
Accounts payable	31	1,452
Due to student activity groups	91,896	-
Total Liabilities	91,927	1,452
Net Position		
Held in Trust for Scholarships	$ -	$ 23,132

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	Private Purpose Trust
Additions	
Gifts and donations	$ 4,492
Other local and county revenue	1,677
Total Revenues	6,169
Deductions	
Other expenditures	8,352
Change in Net Position	(2,183)
Net Position, July 1	25,315
Net Position, June 30	$ 23,132

The notes to the financial statements are an integral part of this statement.

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 2143, (the District) was incorporated under the laws of the State of Minnesota, (the State). The District operates under a School Board form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected School Board of seven members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

In accordance with Minnesota statutes, the District's School Board has elected to not control nor be financially accountable for extracurricular student activities. Accordingly, the account and transactions are excluded in the financial statements within the General fund.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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.*

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advanced, which are recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized as revenue as soon as 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.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Note 1: Summary of Significant Accounting Policies (Continued)

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have been reported as unavailable revenue.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Description of Funds

The various District funds have been established by the State of Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

The *General fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Non-major Governmental Funds

The *Food Service special revenue fund* is used to account for food service revenue and expenditures.

The *Community Service special revenue fund* accounts for services provided to residents in the areas of recreation, civic activities, non-public pupils, adult or early childhood programs, or other similar services.

Fiduciary Funds

The *Private-Purpose Trust fund* is used to account for resources legally held in trust to be used by various third parties devoted to awarding student scholarships. All resources of the fund, including any earnings on invested resources, may be used to support the activities. A portion of these funds are nonexpendable. Trust funds are accounted for using the accrual basis of accounting.

The *Agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for funds held for the Gopher Valley Conference. This fund is also used to account for assets that the District holds for various student activities in an agency capacity.

Note 1: Summary of Significant Accounting Policies (Continued)

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

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

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. 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.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers acceptances of Unites States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Minnesota School District Liquid Asset Fund (MSDLAF) Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The School Board annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in May and October of each year. The taxes are collected by the County Treasurer and tax settlements are made to the District three or four times throughout the year.

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property 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." The remaining portion of taxes collectible in 2018 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

Taxes payable on qualifying property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credits are paid to the District by the State in lieu of taxes levied against the property.

Current property taxes receivable is the uncollected portion of the taxes levied in 2017 and collectible in 2018. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. No allowance for uncollectible accounts has been recorded. The only receivable not expected to be collected within one year are delinquent property taxes receivable.

Inventories and Prepaid Items

Food Service fund inventories include items purchased by the District and commodities donated by the U.S. Department of Agriculture (USDA). Commodities are valued using a standard price list furnished by the USDA and purchased inventory is valued at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets

Capital assets include property, plant and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than $1,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Note 1: Summary of Significant Accounting Policies (Continued)

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	20 - 50
Land Improvements	20 - 50
Equipment and Machinery	5 - 15

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, 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 two items that qualifies for reporting in this category. Accordingly, the items, deferred pension resources and deferred OPEB resources, are reported only in the statement of net position. The pension resources results from actuarial calculations and current year pension contributions made subsequent to the measurement date. The OPEB resources are current year OPEB contributions made subsequent to the measurement date.

Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for prepaid Community Service fund revenues and school lunch balances for students in the Food Service fund.

Compensated Absences

The District has employee union contracts with several different employee groups. Employee benefits under the contracts vary, but generally include provisions for both sick and vacation leave. The District accounts for the employee benefits as follows:

Vacation Pay- The District compensates administrative and support staff employees for vacation benefits at various rates based on their respective agreements. The expenditures for vacation pay is recognized when payment is made.

Sick Pay- Substantially all District employees are entitled to sick leave at various rates based on length of service to the District. The expenditure for sick leave is recognized when payment is made. Teachers electing to retire on June 30, who have at least 20 years of service and are at least 55 years of age shall be eligible to have 25% of their unused sick leave (not to exceed 20 days) paid out at June 30 with the proper notification to the District in advance.

At June 30, 2018, compensated absences totaling $33,964 are recorded in the financial statements.

Postemployment Benefits Other than Pensions

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during open enrollment period or qualifying life event prior to retirement. All premiums are funded on a pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, at July 1, 2017. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized 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.

Pensions

Teachers Retirement Association (TRA)

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 4.

Public Employees Retirement Association (PERA)

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, 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 one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Furthermore, the District has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statement of net position and results from actuarial calculations.

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the School Board (the Board), which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority. The Board has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Board or the Budget Committee.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made.

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unassigned General fund balance of 45-60 days of operating expenditures.

Net Position

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

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2018

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are prepared for District governmental funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds.

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

1. Prior to July 1, the budget is prepared by the Superintendent to be adopted by the School Board.
2. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year.
3. Budgets for General, Food Service and Community Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
4. Budgeted amounts are as originally adopted, or as amended.
5. Budget appropriations lapse at year end.
6. The legal level of budgetary control is the department level.
7. The District does not use encumbrance accounting.

B. Excess of Actual Expenditures Over Appropriations

For the year ended June 30, 2018, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess
General	$ 9,704,871	$ 9,801,543	$ 96,672
Food Service	494,617	494,949	332
Community Service	272,656	275,262	2,606

The excess expenditures were funded by actual revenues in excess of budget and available fund balance.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the School Board, the District maintains deposits at those depository banks which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Note 3: Detailed Notes on All Funds (Continued)

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the District.

At year end, the District's carrying amount of deposits was $809,674 and the bank balance was $1,020,929. Of the bank balance, $353,341 was covered by federal depository insurance and the remaining amount was covered by bonds or collateral held by the District's agent in the District's name.

Investment Policy

The funds of the District shall be deposited or invested in accordance with Minnesota statutes, chapter 118A and any other applicable law or written administrative procedures. The primary criteria for the investment of the funds of the District, in priority order are as follows:

1. Safety and Security. Safety of principal is the first priority. The investments of the District shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall investment portfolio.
2. Liquidity. The funds shall be invested to assure that funds are available to meet immediate payment requirements, including payroll, accounts payable and debt service.
3. Return and Yield. The investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Limitations on instruments, diversification and maturity scheduling shall depend on whether the funds being invested are considered short-term or long-term funds. All funds shall normally be considered short-term except those reserved for building construction projects or specific future projects and any unreserved funds used to provide financial-related managerial flexibility for future fiscal years. The District shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

Note 3: Detailed Notes on All Funds (Continued)

All investment securities purchased by the District shall be held in third-party safekeeping by an institution designated as custodial agent. The custodial agent may be any Federal Reserve Bank, any bank authorized under the laws of the United States or any state to exercise corporate trust powers, a primary reporting dealer in United States Government securities to the Federal Reserve Bank of New York, or a securities broker-dealer defined in Minnesota statutes 118A.06. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information.

Deposit-type securities shall be collateralized as required by Minnesota statute 118A.03 for any amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage.

Repurchase agreements shall be secured by the physical delivery or transfer against payment of the collateral securities to a third party or custodial agent for safekeeping. The school district may accept a safekeeping receipt instead of requiring physical delivery or third-party safekeeping of collateral on overnight repurchase agreements of less than $1,000,000.

As of June 30, 2018 the District had the following investments:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Balance
Pooled Investments at Amortized Costs			
Minnesota School District Liquid Asset Fund (MSDLAF)	AAAm	Less than 6 months	$ 877,413
Minnesota School District MAX Fund (MSDMAX)	AAAm	Less than 6 months	1,581,944
Total Pooled Investments			$ 2,459,357

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.

The Minnesota School District Liquid Asset Fund (MSDLAF) is a trust organized and existing under the laws of the State of Minnesota and the Minnesota Joint Powers Act, as amended. The trust was established for the purpose of allowing Minnesota school districts to pool their investment funds to obtain a competitive investment yield, while maintaining liquidity and preserving capital. The credit rating for the MSDLAF is AAAm. The weighted average days to maturity are not greater than six months. The District's investment in the MSDLAF is equal to the value of pool shares.

A reconciliation of cash and temporary investments as shown on the statement of net position for the District follows:

Deposits	$ 809,674
Investments	2,459,357
Total	3,269,031
Less Fiduciary Fund Cash and Temporary Investments	(116,511)
Cash and Temporary Investments	$ 3,152,520

Note 3: Detailed Notes on All Funds (Continued)

B. Property Taxes

Current property taxes receivable is recorded for taxes levied in 2017 and payable in 2018. A portion of the current property taxes receivable is recognized as revenue in the fiscal year ended June 30, 2018 in accordance with Minnesota statutes and the remaining balance is recorded as a deferred inflow of resources for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies.

Taxes receivable is comprised of the following components:

	General	Nonmajor Governmental	Total
Current Taxes	$ 900,703	$ 32,051	$ 932,754
Delinquent Taxes	31,142	1,629	32,771
Total Taxes Receivable	$ 931,845	$ 33,680	$ 965,525
Property Taxes Levied for Subsequent Year	$ 1,834,666	$ 65,792	$ 1,900,458

C. Capital Assets

Capital asset activity for the District for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital Assets not Being Depreciated				
Land	$ 31,400	$ -	$ -	$ 31,400
Capital Assets Being Depreciated				
Land improvements	304,084	-	-	304,084
Buildings	5,104,248	-	-	5,104,248
Equipment	2,137,288	149,882	(85,403)	2,201,767
Total Capital Assets Being Depreciated	7,545,620	149,882	(85,403)	7,610,099
Less Accumulated Depreciation				
Land improvements	(270,398)	(2,454)	-	(272,852)
Buildings	(4,521,743)	(68,465)	-	(4,590,208)
Equipment	(1,485,851)	(142,773)	71,653	(1,556,971)
Total Accumulated Depreciation	(6,277,992)	(213,692)	71,653	(6,420,031)
Total Capital Assets Being Depreciated, Net	1,267,628	(63,810)	(13,750)	1,190,068
Governmental Activities Capital Assets, Net	$ 1,299,028	$ (63,810)	$ (13,750)	$ 1,221,468

Note 3: Detailed Notes on All Funds (Continued)

Depreciation expense was charged to governmental activities as follows:

Administration	$ 519
District Support Services	847
Elementary and Secondary Regular Instruction	28,058
Vocational Education Instruction	1,527
Community Education	143
Instructional Support Services	12,899
Pupil Support Services	82,519
Sites, Buildings and Equipment	86,926
Special Education Instruction	254
Total Depreciation Expense	$ 213,692

D. Interfund Receivables, Payables and Transfers

	Transfer In Community Service Fund
Transfer Out	
General Fund	$ 10,919

During the year ended June 30, 2018, the District transferred $10,919 from the General fund to the Community Service fund to cover the deficit.

E. Long-term Debt

Capital Leases

The District had a capital lease for copiers. The copiers had a total cost of $28,820 and accumulated depreciation of $14,410 as of June 30, 2018. The details are as follows:

	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding Due Within One Year	Principal Outstanding Total
Copiers	03/26/16	5.93 %	$ 28,820	03/28/21	$ 5,826	$ 16,906

Note 3: Detailed Notes on All Funds (Continued)

The future minimum lease obligations of these minimum lease payments as of June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 5,826	$ 845	$ 6,671
2020	6,181	490	6,671
2021	4,899	121	5,020
Total	$ 16,906	$ 1,456	$ 18,362

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Beginning Balance As Restated	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Capital Leases Payable	$ 22,397	$ -	$ (5,491)	$ 16,906	$ 5,826
Compensated Absences Payable	34,482	7,860	(8,378)	33,964	33,964
Pension Liability					
TRA	19,177,318	563	(3,507,857)	15,670,024	-
PERA	1,867,486	-	(380,029)	1,487,457	-
Other Postemployment Benefits Liability	1,772,385	119,370	(263,238)	1,628,517	-
Total Long-term Liabilities	$ 22,874,068	$ 127,793	$ (4,164,993)	$ 18,836,868	$ 39,790

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At June 30, 2018, portions of the District's fund balance are not available for appropriation due to legal restrictions (Restricted) and policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Nonmajor Governmental	Total	Reconciling Items	UFARS Balance
Nonspendable For					
Inventories	$ -	$ 23,248	$ 23,248	$ -	$ 23,248
Prepaid items	37,082	-	37,082	-	37,082
Total Nonspendable	$ 37,082	$ 23,248	$ 60,330	$ -	$ 60,330
Restricted for					
Staff development	$ 1,879	$ -	$ 1,879	$ -	$ 1,879
Health and safety	-	-	-	(41,050)	(41,050)
Operating capital	24,563	-	24,563	-	24,563
Safe schools	2,682	-	2,682	-	2,682
Gifted and talented	585	-	585	-	585
Teacher development and evaluation	2,487	-	2,487	-	2,487
Basic skills	26,668	-	26,668	-	26,668
Learning and development	8,225	-	8,225	-	8,225
Long-term facilities maintenance	-	-	-	(12,042)	(12,042)
Medical assistance	43,687	-	43,687	-	43,687
Community education	-	531	531	-	531
Early childhood and family education	-	58,786	58,786	-	58,786
School readiness	-	48,007	48,007	-	48,007
Food service	-	-	-	(16,946)	(16,946)
Total Restricted	$ 110,776	$ 107,324	$ 218,100	$ (70,038)	$ 148,062
Assigned for					
Separation/retirement benefits	$ 114,000	$ -	$ 114,000	$ -	$ 114,000
Unassigned	$ 2,009,239	$ (16,946)	$ 1,992,293	$ 70,038	$ 2,062,331

Restricted for Staff Development - This amount represents available resources for staff development. Revenues are derived from state aids and expenditures are for staff development at each site.

Restricted for Health and Safety - This amount represents available resources dedicated exclusively for capital expenditure health and safety projects. Revenues are derived from tax levies and State aids and expenditures are for necessary corrections for fire safety hazards, life safety hazards, asbestos removal and related repairs and clean-up, removal, disposal and repairs related to storing heating fuel or transportation fuel.

Restricted for Operating Capital - This amount represents available resources dedicated for capital expenditure building projects, equipment purchases, vehicles and computer hardware and software. Revenues are derived from tax levies and State aids and expenditures are for repair and restoration of existing facilities and construction of new facilities, purchase of equipment, computers, software, textbooks and library books.

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Safe Schools - This amount represents resources restricted for crime prevention and making schools safe for students and staff.

Restricted for Gifted and Talented - This amount represents accumulated resources made available through a portion of the District's general education aid for gifted and talented programs.

Restricted for Teacher Development and Evaluation - This amount represents resources available for teacher development and evaluation uses.

Restricted for Basic Skills Programs - This amount represents accumulated resources available to provide for basic skills programming in accordance with funding made available for that purpose.

Restricted for Learning and Development - This amount represents accumulated resources available to provide for learning and development programming in accordance with funding made available for that purpose.

Restricted for Long-Term Facilities Maintenance - This amount represents available resources for larger maintenance projects. Revenues are derived from State aids and expenditures are for maintenance.

Restricted for Medical Assistance - This amount represents available resources for medical assistance expenditures. Revenues are derived from State or Federal aids.

Restricted for Community Education - This amount represents available resources for community education classes. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Restricted for Early Childhood Family Education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Restricted for School Readiness - This amount represents available resources to provide for services for school readiness programs. Revenues are derived from State aids, fees and grants and expenditures are for salaries, benefits and supplies.

Restricted for Food Service - This amount represents available resources available for Food Service. Revenues are derived from state, federal, local and county sources along with sales and other conversion of assets and expenditures are primarily for salaries, benefits, supplies and materials.

Assigned for Separation/Retirement Benefits -This amount represents resources segregated from the unassigned fund balance for retirement benefits, including severance, pensions, other post-employment benefits and termination benefits.

Unassigned amounts represent resources available to meet current and future years' expenditures.

Note 4: Defined Benefit Pension Plans - Statewide

Substantially all employees of the District are required by State Law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

A. Teachers Retirement Association (TRA)

1. Plan Description

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

Teachers employed in Minnesota's public elementary and secondary school, charter schools, and certain educational institutions maintained by the State (except those teachers employed by the cities of Duluth and St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by the Minnesota State 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.

2. Benefits Provided

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

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

Tier I:	Step Rate Formula	Percentage
Basic	1st ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	1st ten years if service years are prior to July 1, 2006	1.2 percent per year
	1st ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are prior to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent per year

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

With these provisions:

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

or

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

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

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 or 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 also eligible for a refund of their employee contributions plus interest.

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

3. Contribution Rate

Per Minnesota statutes, chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

Plan	Employee	Employer
Basic	11.00%	11.50%
Coordinated	7.50%	7.50%

The District's contributions to TRA for the years ending June 30, 2018, 2017 and 2016 were $284,917, $316,892 and $326,429, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The following is a reconciliation of employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in schedule of employer and non-employer pension allocations.

Employer Contributions Reported in TRA'S CAFR, Statement of Changes in Fiduciary Net Position	$ 367,791,000
Add Employer Contributions Not Related to Future Contribution Efforts	810,000
Deduct TRA'S Contributions Not Included in Allocation	(456,000)
Total Employer Contributions	368,145,000
Total Non-employer Contributions	35,588,000
Total Contributions Reported in Schedule of Employer and Non-Employer Pension Allocations	$ 403,733,000

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

4. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation date	July 1, 2017
Experience study	June 5, 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	5.12%, from the Single Equivalent Interest Rate calculation
Price inflation	2.50%
Wage growth rate	2.85% for ten years and 3.25% thereafter
Projected salary increase	2.85 to 8.85% for ten years and 3.25 to 9.25% thereafter
Cost of living adjustment	2.00%
Mortality Assumption	
Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Unallocated Cash	2.00	-
Total	100.00 %	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2017 is 6.00 years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions" and "Changes in Proportion" use the amortization period of 6.00 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is 5.00 years as required by GASB 68.

Changes in actuarial assumptions since the 2016 valuation:

- The cost of living adjustment (COLA) was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5 percent, but remain at 2.0 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4 percent to 0.0 percent, the vested inactive load increased from 4.0 percent to 7.0% and the non-vested inactive load increased from 4.0 percent to 9.0 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

5. Discount Rate

The discount rate used to measure the total pension liability was 5.12 percent. This is an increase from the discount rate at the prior measurement date of 4.66 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2018 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2053 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return (7.50 percent) was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56 percent was applied to periods on and after 2053, resulting in a SEIR of 5.12 percent. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01 percent).

6. Net Pension Liability

At June 30, 2018, Independent School District No. 2143 (the District) reported a liability of $15,670,024 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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 proportionate share was 0.0785 percent at the end of the measurement period and 0.0804 percent for the beginning of the year.

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

District's Proportionate Share of Net Pension Liability	$ 15,670,024
State's Proportionate Share of Net Pension Liability Associated with the District	1,514,976

For the year ended June 30, 2018, the District recognized pension expense of $2,265,056. It also recognized $29,056 as an increase to pension expense for the support provided by direct aid.

On June 30, 2018, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 127,476	$ 110,048
Changes in Actuarial Assumptions	8,509,485	2,195,123
Net Difference Between Projected and Actual Earnings on Plan Investments	-	113,559
Changes in Proportion	-	422,014
Contributions to TRA Subsequent to the Measurement Date	284,917	-
Total	$ 8,921,878	$ 2,840,744

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Deferred outflows of resources totaling $284,917 related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2019	$ 1,468,536
2020	1,781,608
2021	1,638,553
2022	1,368,467
2023	(460,947)

7. *Pension Liability Sensitivity*

The following presents the District's proportionate share of TRA calculated using the discount rate of 5.12 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.12 percent) or one percentage point higher (6.12 percent) than the current rate.

District Proportionate Share of NPL		
1 Percent Decrease (4.12%)	Current (5.12%)	1 Percent Increase (6.12%)
$ 20,681,412	$ 15,670,024	$ 11,444,814

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

8. *Pension Plan Fiduciary Net Position*

Detailed information about the plan'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, Suite 400, St. Paul, MN, 55103-4000; or by calling 651-296-2409 or 800-657-3669.

B. Public Employees Retirement Association (PERA)

1. *Plan Description*

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (GERF)

All full-time and certain part-time employees of the District, 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.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

2. *Benefits Provided*

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

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

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.

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 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

3. *Contributions*

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

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in fiscal year 2018. In calendar year 2018, the District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.50 percent of Coordinated Plan members. The District's contributions to the GERF for the years ending June 30, 2018, 2017 and 2016 were $106,419, $112,034 and $106,165, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

4. *Pension Costs*

At June 30, 2018, the District reported a liability of $1,487,457 or its proportionate share of the GERF's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $18,692. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the District's proportion was 0.0233 percent which was an increase of 0.0003 percent from its proportion measured as of June 30, 2016.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

For the year ended June 30, 2018, the District recognized pension expense of $53,027 for its proportionate share of GERF's pension expense. In addition, the District recognized an additional $1,398 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the GERF.

At June 30, 2018, the District reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 48,685	$ 95,779
Changes in Actuarial Assumptions	244,692	149,118
Net Difference Between Projected and Actual Earnings on Plan Investments	-	60,906
Changes in Proportion	13,720	69,116
Contributions to GERF Subsequent to the Measurement Date	106,419	-
Total	$ 413,516	$ 374,919

Deferred outflows of resources totaling $106,419 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2019	$ (43,593)
2020	62,707
2021	(23,797)
2022	(63,139)

5. *Actuarial Assumptions*

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for the GERF for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for the GERF through 2044 and then 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2016.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2018

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The following changes in actuarial assumptions occurred in 2017:

GERF

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Cash	2.00	-
Total	100.00 %	

6. *Discount Rate*

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. *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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	District Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
GERF	$ 2,307,156	$ 1,487,457	$ 816,384

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

8. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Note 5: Other Information

A. 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; and natural disasters for which the District carries insurance. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

The Southcentral Services Cooperative Gross Self-Insured Health Insurance Plan was formed under a joint powers agreement. This is a public entity risk pool that is currently operating as common risk management and insurance program for member districts. The District pays an annual premium to this plan for its health and insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators to the plan believe assessment to participating districts for future losses sustained is extremely remote.

The District continues to carry commercial insurance for all other risk of loss. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. In addition, there have been no settlements in excess of the District's insurance coverage in any of the prior three years.

B. Commitments and Contingencies

Federal and State Receivables

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

Note 6: Postemployment Benefits Other than Pensions

A. Plan Description

The District operates a single-employer retiree benefit plan ("the Plan") that provides health, life and dental insurance to eligible employees and their families through the District's health insurance plan. The full cost of the benefits is covered by the plan. 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. The Plan does not issue a publicly available report.

At June 30, 2018, the following employees were covered by the benefit terms:

Active Plan Members	98
Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	33
Total Plan Members	131

Note 6: Postemployment Benefits Other than Pensions (Continued)

B. Funding Policy

The District has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives on a per contract basis. At the present time, no retiree benefits are provided except the allowance to continue health insurance that is mandated by Minnesota Law. The District does not contribute any of the cost of current-year premiums for eligible retired plan members or their spouses. For the year ended June 30, 2018, the District's average contribution rate was 6.0 percent of covered-employee payroll. For fiscal year 2018, the District contributed $263,238 to the plan.

C. Actuarial Methods and Assumptions

The District's total OPEB liability of $1,628,517 was measured as of July 1, 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2017.

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.40%
20-Year Municipal Bond Yield	3.40%
Inflation Rate	2.50%
Salary Increases	3.00%
Medical Trend Rate	6.50% as of July 1, 2017 grading to 5.00% over 6 years

The discount rate used to measure the total OPEB liability was 3.40 percent. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2017 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at June 30, 2017	$ 1,772,385
Changes for the Year:	
Service cost	61,457
Interest	57,913
Benefit payments	(263,238)
Net Changes	(143,868)
Balances at June 30, 2018	$ 1,628,517

Note 6: Postemployment Benefits Other than Pensions (Continued)

Since the prior measurement date, the following assumptions changed:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- Based on plan experience, the implicit rate liability is not significant for dental insurance and has not been included in this valuation.
- The discount rate was changed from 3.50% to 3.40%.

Since the prior measurement date, the following benefit terms changed:

- The teacher's subsidized post-retirement benefit was changed to $6,000 per year toward medical coverage for seven years if retiring before the 2020-2021 school year.

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.40 percent) or 1-percentage-point higher (4.40 percent) than the current discount rate:

1 Percent Decrease (2.40%)	Current (3.40%)	1 Percent Increase (4.40%)
$ 1,696,070	$ 1,628,517	$ 1,563,024

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a Healthcare Cost Trent Rates that is 1-percentage point lower (5.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.5 percent increasing to 6.00 percent) than the current discount rate:

1 Percent Decrease (5.50% decreasing to 4.00%)	Healthcare Cost Trend Rates (6.50% decreasing to 5.00%)	1 Percent Increase (7.50% decreasing to 6.00%)
$ 1,559,789	$ 1,628,517	$ 1,707,618

Note 6: Postemployment Benefits Other than Pensions (Continued)

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

For the year ended June 30, 2018, the District recognized OPEB expense of $399,585. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions Subsequent to the Measurement Date	$ 255,717	$ -

Deferred outflows of resources totaling $255,717 related to the OPEB resulting from the District's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019.

Note 7: Change in Accounting Principle

During fiscal year 2018, the District implemented a new accounting pronouncement issued by the Government Accounting Standards Board (GASB), Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the June 30, 2018 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 1.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported June 30, 2017 balances to the June 30, 2018 financial statements:

	June 30, 2018		
Fund	Net Position June 30, 2017 as Previously Reported	Prior Period Restatement (1)	Net Position July 1, 2017 as Restated
Governmental Activities	$ (4,749,560)	$ (1,901,302)	$ (6,650,862)

(1) To restate beginning OPEB liability at June 30, 2017.

Independent School District No. 2143
Waterville, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2018

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c))	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.0785 %	$15,670,024	$ 1,514,976	$ 17,185,000	$ 4,225,227	406.7 %	51.6 %
06/30/16	0.0804	19,177,318	1,925,554	21,102,872	4,352,387	484.9	44.9
06/30/15	0.0840	5,196,231	637,344	5,833,575	4,295,696	135.8	76.8
06/30/14	0.0919	4,234,685	298,010	4,532,695	4,169,560	108.7	81.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's TRA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/18	$ 284,917	$ 284,917	$ -	$ 3,798,893	7.5 %
06/30/17	316,892	316,892	-	4,225,227	7.5
06/30/16	326,429	326,429	-	4,352,387	7.5
06/30/15	322,253	322,253	-	4,295,696	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2017 - There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions.

2016 - The assumed investment return was changed from 8.0 percent to 4.66 percent using the Single Equivalent Interest Rate calculation. The single discount rate was changed from 8.0 percent to 4.66 percent. The assumed future salary increases, payroll growth and inflation were changed by a 0.25 percent decrease for price inflation, a 0.50 percent increase for wage inflation and a 2.50 percent decrease in maximum salary increases based on years of service. Mortality assumptions were updated using the RP-2014 tables.

2015 - The assumed post-retirement benefit increase rate was changed from 2.0 percent per year through 2034 and 2.5 percent per year thereafter to 2.0 percent per year for all future years. The assumed investment return was changed from 8.25 percent to 8.0 percent. The single discount rate was changed from 8.25 percent to 8.0 percent.

Changes in Plan Provisions

2015 - On June 30, 2015, the Duluth Teachers Retirement Fund Association was merged into TRA.

Independent School District No. 2143
Waterville, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2018

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c))	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.0233 %	$ 1,487,457	$ 18,692	$ 1,506,149	$ 1,493,787	100.8 %	75.9 %
06/30/16	0.0230	1,867,486	24,390	1,891,876	1,415,533	133.7	68.9
06/30/15	0.0254	1,316,360	-	1,316,360	1,474,414	89.3	78.2
06/30/14	0.0256	1,202,560	-	1,202,560	1,346,110	89.3	78.7

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/18	$ 106,419	$ 106,419	$ -	$ 1,418,920	7.5 %
06/30/17	112,034	112,034	-	1,493,787	7.5
06/30/16	106,165	106,165	-	1,415,533	7.5
06/30/15	106,895	106,895	-	1,474,414	7.3

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

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

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

	2017
Total OPEB Liability	
Service cost	$ 61,457
Interest	57,913
Benefit payments	(263,238)
Net Change in Total OPEB Liability	(143,868)
Total OPEB Liability - Beginning	1,772,385
Total OPEB Liability - Ending	$ 1,628,517
Covered - Employee Payroll	$ 4,292,693
District's Total OPEB Liability As a Percentage of Covered Employee Payroll	0.38 %

Benefit Changes:
In 2017, the following benefit changes occurred:
The teacher's subsidized post-retirement benefit was changed to $6,000 per year toward medical coverage for seven years if retiring before the 2020-2021 school year.

Changes in Assumptions:
In 2017, the following assumptions changes:
The health care trend rates were changed to better anticipate short term and long term medical increases.
The mortality table was updated from RP-2017 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
The prior valuation assumed an implicit rate subsidy for dental insurance valued to age 85. Based on plan experience, the implicit rate liability is not significant for dental insurance and has not been included in this valuation.
The discount rate was changed from 3.50% to 3.40%

Changes in Method:
The actuarial cost method was changed from projected unit credit entry age as prescribed by GASB 75.

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Independent School District No. 2143
Waterville, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018
(With Comparative Totals for June 30, 2017)

	Special Revenue		Totals	
	Food Service	Community Service	2018	2017
Assets				
Cash and temporary investments	$ (19,972)	$ 162,551	$ 142,579	$ 178,643
Receivables				
Accounts and interest	-	-	-	2,266
Taxes				
Current	-	32,051	32,051	34,526
Delinquent	-	1,629	1,629	1,831
Intergovernmental	26,656	3,938	30,594	4,027
Inventories	23,248	-	23,248	26,995
Prepaid items	-	-	-	450
Total Assets	$ 29,932	$ 200,169	$ 230,101	$ 248,738
Liabilities				
Salaries payable	$ 14,991	$ 20,501	$ 35,492	$ 14,482
Accounts and other payables	360	3,873	4,233	5,205
Due to other governments	-	-	-	2,318
Unearned revenue	8,279	1,050	9,329	4,381
Total Liabilities	23,630	25,424	49,054	26,386
Deferred Inflows of Resources				
Property taxes levied for subsequent year	-	65,792	65,792	65,782
Unavailable revenue - delinquent property taxes	-	1,629	1,629	1,831
Total Deferred Inflows of Resources	-	67,421	67,421	67,613
Fund Balances				
Nonspendable for				
Inventories	23,248	-	23,248	26,995
Prepaid items	-	-	-	450
Restricted for				
Community education	-	531	531	11,902
Early childhood family education	-	58,786	58,786	53,759
School readiness	-	48,007	48,007	43,888
Food service	-	-	-	17,745
Unassigned	(16,946)	-	(16,946)	-
Total Fund Balances	6,302	107,324	113,626	154,739
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 29,932	$ 200,169	$ 230,101	$ 248,738

Independent School District No. 2143
Waterville, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Special Revenue		Totals	
	Food Service	Community Service	2018	2017
Revenues				
Local property tax levies	$ -	$ 61,237	$ 61,237	$ 62,133
Other local and county revenue	1,695	153,838	155,533	155,613
Interest earned on investments	57	1,469	1,526	891
Revenue from State sources	25,469	45,574	71,043	74,540
Revenue from Federal sources	195,441	-	195,441	200,883
Sales and other conversion of assets	233,399	-	233,399	242,476
Total Revenues	456,061	262,118	718,179	736,536
Expenditures				
Current				
Community education and services	-	275,262	275,262	241,180
Pupil support services	492,553	-	492,553	485,363
Capital outlay	2,396	-	2,396	-
Total Expenditures	494,949	275,262	770,211	726,543
Excess (Deficiency) of Revenues Over (Under) Expenditures	(38,888)	(13,144)	(52,032)	9,993
Other Financing Sources				
Transfers in	-	10,919	10,919	10,270
Net Change in Fund Balances	(38,888)	(2,225)	(41,113)	20,263
Fund Balances, July 1	45,190	109,549	154,739	134,476
Fund Balances, June 30	$ 6,302	$ 107,324	$ 113,626	$ 154,739

Independent School District No. 2143
Waterville, Minnesota
General Fund
Comparative Balance Sheets
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and temporary investments	$ 3,009,941	$ 3,226,184
Receivables		
Taxes		
Current	900,703	932,334
Delinquent	31,142	28,993
Accounts	253	2,322
Due from other school districts	105,519	71,988
Intergovernmental	1,091,202	982,005
Prepaid items	37,082	11,475
Total Assets	$ 5,175,842	$ 5,255,301
Liabilities		
Salaries payable	$ 419,286	$ 335,075
Accounts and other payables	43,069	128,968
Due to other school districts	27,852	38,271
Due to other governments	18,283	888
Accrued expenses	530,447	539,934
Total Liabilities	1,038,937	1,043,136
Deferred Inflows of Resources		
Property taxes levied for subsequent year	1,834,666	1,770,552
Unavailable revenue - delinquent property taxes	31,142	28,993
Total Deferred Inflows of Resources	1,865,808	1,799,545
Fund Balances		
Nonspendable for		
Prepaid items	37,082	11,475
Restricted for		
Staff development	1,879	440
Operating capital	24,563	7,595
Learning and development	8,225	4,929
Gifted and talented	585	846
Teacher development and evaluation	2,487	5,658
Basic skills	26,668	13,869
Safe schools	2,682	183
Long-term facilities maintenance	-	43,296
Medical assistance	43,687	11,781
Assigned		
Separation/retirement benefits	114,000	129,000
Unassigned	2,009,239	2,183,548
Total Fund Balances	2,271,097	2,412,620
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 5,175,842	$ 5,255,301

Independent School District No. 2143
Waterville, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018				2017
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	$ 2,017,727	$ 2,017,727	$ 1,903,325	$ (114,402)	$ 2,038,091
Other local and county revenue	406,342	421,342	583,283	161,941	467,213
Interest earned on investments	14,000	14,000	29,054	15,054	18,191
Revenue from State sources	6,423,453	6,588,930	6,808,914	219,984	6,779,529
Revenue from Federal sources	376,278	352,807	336,718	(16,089)	368,260
Sales and other conversion of assets	7,050	7,050	9,645	2,595	13,132
Total Revenues	9,244,850	9,401,856	9,670,939	269,083	9,684,416
Expenditures					
Current					
Administration					
Salaries	493,201	485,705	503,255	(17,550)	442,889
Employee benefits	139,412	151,019	149,017	2,002	144,572
Purchased services	19,117	22,015	20,172	1,843	20,564
Supplies and materials	1,025	1,025	93	932	634
Other expenditures	9,511	10,479	15,213	(4,734)	12,792
Total administration	662,266	670,243	687,750	(17,507)	621,451
District support services					
Salaries	142,590	149,363	145,683	3,680	150,107
Employee benefits	58,578	61,221	61,077	144	60,285
Purchased services	110,696	101,915	118,237	(16,322)	101,915
Supplies and materials	7,975	7,485	4,998	2,487	5,553
Other expenditures	15,270	15,270	11,002	4,268	9,956
Total district support services	335,109	335,254	340,997	(5,743)	327,816
Elementary and secondary regular instruction					
Salaries	2,655,794	2,706,497	2,699,036	7,461	2,881,475
Employee benefits	1,269,744	1,275,186	1,338,269	(63,083)	1,421,415
Purchased services	143,470	181,517	132,589	48,928	179,885
Supplies and materials	160,803	170,145	158,274	11,871	160,431
Other expenditures	11,474	13,094	31,498	(18,404)	29,831
Total elementary and secondary regular instruction	4,241,285	4,346,439	4,359,666	(13,227)	4,673,037
Vocational education instruction					
Salaries	77,351	71,596	72,265	(669)	122,652
Employee benefits	68,797	44,343	38,691	5,652	36,773
Purchased services	3,544	1,558	48	1,510	1,559
Supplies and materials	8,826	8,826	4,026	4,800	13,366
Other expenditures	-	-	-	-	568
Total vocational education instruction	158,518	126,323	115,030	11,293	174,918
Special education instruction					
Salaries	1,039,979	1,002,089	1,023,075	(20,986)	1,076,948
Employee benefits	387,740	394,890	355,361	39,529	381,711
Purchased services	236,356	235,004	223,902	11,102	211,263
Supplies and materials	11,548	11,548	10,250	1,298	22,478
Other expenditures	610	610	-	610	4,152
Total special education instruction	1,676,233	1,644,141	1,612,588	31,553	1,696,552

Independent School District No. 2143
Waterville, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018				2017
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Instructional support services					
Salaries	$ 171,990	$ 195,312	$ 260,802	$ (65,490)	$ 255,338
Employee benefits	67,880	67,749	75,380	(7,631)	61,105
Purchased services	47,591	53,137	46,579	6,558	61,148
Supplies and materials	27,903	27,588	28,897	(1,309)	10,367
Other expenditures	3,605	3,605	9,831	(6,226)	1,066
Total instructional support services	318,969	347,391	421,489	(74,098)	389,024
Pupil support services					
Salaries	459,118	453,787	488,059	(34,272)	444,091
Employee benefits	146,394	133,876	147,498	(13,622)	119,832
Purchased services	3,328	2,818	11,875	(9,057)	9,538
Supplies and materials	98,254	98,254	81,325	16,929	82,292
Other expenditures	-	-	375	(375)	1,273
Total pupil support services	707,094	688,735	729,132	(40,397)	657,026
Sites and buildings					
Salaries	236,977	252,665	263,501	(10,836)	254,021
Employee benefits	86,960	110,223	104,211	6,012	92,965
Purchased services	596,742	669,695	635,089	34,606	478,795
Supplies and materials	148,788	147,373	162,310	(14,937)	148,522
Other expenditures	130	130	360	(230)	321
Total sites, buildings and equipment	1,069,597	1,180,086	1,165,471	14,615	974,624
Fiscal and other fixed cost programs					
Purchased services	55,080	57,112	64,968	(7,856)	57,112
Total current	9,224,151	9,395,724	9,497,091	(101,367)	9,571,560
Capital outlay					
District support services	1,000	1,000	-	1,000	-
Elementary and secondary regular instruction	32,013	34,813	30,588	4,225	36,128
Vocational education instruction	-	-	-	-	80
Special education instruction	10,962	10,962	54	10,908	3,102
Instructional support services	104,700	104,700	134,178	(29,478)	96,672
Pupil support services	137,000	137,000	118,825	18,175	74,158
Sites and buildings	14,000	14,000	14,137	(137)	21,995
Total capital outlay	299,675	302,475	297,782	4,693	232,135
Debt service					
Principal	5,492	5,492	5,491	1	5,176
Interest and other charges	1,180	1,180	1,179	1	1,495
Total debt service	6,672	6,672	6,670	2	6,671
Total Expenditures	9,530,498	9,704,871	9,801,543	(96,672)	9,810,366
Excess (Deficiency) of Revenues Over (Under) Expenditures	(285,648)	(303,015)	(130,604)	172,411	(125,950)
Other Financing Sources (Uses)					
Transfers out	-	-	(10,919)	(10,919)	(10,270)
Net Change in Fund Balances	(285,648)	(303,015)	(141,523)	161,492	(136,220)
Fund Balances, July 1	2,412,620	2,412,620	2,412,620	-	2,548,840
Fund Balances, June 30	$ 2,126,972	$ 2,109,605	$ 2,271,097	$ 161,492	$ 2,412,620

Independent School District No. 2143
Waterville, Minnesota
Food Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018				2017
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Interest earned on investments	$ 70	$ 70	$ 57	$ (13)	$ 122
Other local and county revenues	100	100	1,695	1,595	154
Revenue from State sources	24,000	24,000	25,469	1,469	24,257
Revenue from Federal sources	206,460	206,460	195,441	(11,019)	200,883
Sales and other conversion of assets	244,580	244,580	233,399	(11,181)	242,476
Total Revenues	475,210	475,210	456,061	(19,149)	467,892
Expenditures					
Current					
Pupil support services					
Salaries	173,204	175,409	185,418	(10,009)	173,909
Employee benefits	90,779	90,155	96,257	(6,102)	89,131
Purchased services	1,753	1,465	3,141	(1,676)	1,465
Supplies and materials	216,506	216,506	206,081	10,425	219,299
Other expenditures	1,082	1,082	1,656	(574)	1,559
Total current	483,324	484,617	492,553	(7,936)	485,363
Capital outlay					
Pupil support services	10,000	10,000	2,396	7,604	-
Total Expenditures	493,324	494,617	494,949	(332)	485,363
Net Change in Fund Balances	(18,114)	(19,407)	(38,888)	(19,481)	(17,471)
Fund Balances, July 1	45,190	45,190	45,190	-	62,661
Fund Balances, June 30	$ 27,076	$ 25,783	$ 6,302	$ (19,481)	$ 45,190

Independent School District No. 2143
Waterville, Minnesota
Community Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018				2017
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	$ 65,784	$ 66,134	$ 61,237	$ (4,897)	$ 62,133
Other local and county revenue	167,700	153,100	153,838	738	155,459
Interest earned on investments	200	1,000	1,469	469	769
Revenue from State sources	50,765	47,825	45,574	(2,251)	50,283
Total Revenues	284,449	268,059	262,118	(5,941)	268,644
Expenditures					
Current					
Community education and services					
Salaries	185,633	164,075	173,253	(9,178)	158,640
Employee benefits	54,814	58,931	62,245	(3,314)	39,467
Purchased services	35,218	27,185	23,522	3,663	27,189
Supplies and materials	18,204	18,204	15,108	3,096	14,013
Other expenditures	834	834	1,134	(300)	1,871
Total current	294,703	269,229	275,262	(6,033)	241,180
Capital outlay					
Community education and services	3,427	3,427	-	3,427	-
Total Expenditures	298,130	272,656	275,262	(2,606)	241,180
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,681)	(4,597)	(13,144)	(8,547)	27,464
Other Financing Sources					
Transfers in	-	-	10,919	(10,919)	10,270
Net Change in Fund Balances	(13,681)	(4,597)	(2,225)	2,372	37,734
Fund Balances, July 1	109,549	109,549	109,549	-	71,815
Fund Balances, June 30	$ 95,868	$ 104,952	$ 107,324	$ 2,372	$ 109,549

Independent School District No. 2143
Waterville, Minnesota
Schedules of Tax Capacity, Tax Levy and Tax Rates
For the Years Ended June 30, 2018 and 2017

	2018	2017
Tax Capacity		
Agricultural	$ 3,346,827	$ 3,340,303
Nonagricultural	5,778,308	5,537,197
Total	$ 9,125,135	$ 8,877,500
Tax Levy		
General	$ 1,945,851	$ 1,879,533
Community Service	65,792	65,782
Total	$ 2,011,643	$ 1,945,315
Tax Capacity Rates		
General	5.472	4.890
Community Service	0.721	0.741
Total	6.193	5.631

DEPARTMENT OF EDUCATION

Fiscal Compliance

Fiscal Compliance Report - 6/30/2018
District: WATERVILLE-ELYSIAN-MORRI (2143-1)

01 GENERAL FUND	Audit	UFARS	Audit - UFARS
Total Revenue	$9,670,939	$9,670,923	$16
Total Expenditures	$9,801,543	$9,801,527	$16
Non Spendable:			
4.60 Non Spendable Fund Balance	$37,082	$37,082	$0
Restricted / Reserved:			
4.03 Staff Development	$1,879	$1,879	$0
4.06 Health and Safety	($41,050)	($41,050)	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$24,563	$24,563	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$8,225	$8,226	($1)
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$585	$586	($1)
4.40 Teacher Development and Evaluation	$2,487	$2,486	$1
4.41 Basic Skills Programs	$26,668	$26,668	$0
4.45 Career Tech Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$2,682	$2,682	$0
4.50 Pre-Kindergarten	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	($12,042)	($12,041)	($1)
4.72 Medical Assistance	$43,761	$43,761	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$129,000	$129,000	$0
Unassigned:			
4.22 Unassigned Fund Balance	$2,047,257	$2,047,258	($1)

02 FOOD SERVICES	Audit	UFARS	Audit - UFARS
Total Revenue	$456,061	$456,061	$0
Total Expenditures	$494,949	$494,949	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$23,248	$23,248	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			

06 BUILDING CONSTRUCTION	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST	Audit	UFARS	Audit - UFARS
Total Revenue	$4,492	$4,492	$0
Total Expenditures	$6,675	$6,675	$0
4.22 Unassigned Fund Balance (Net Assets)	$23,132	$23,132	$0

20 INTERNAL SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

25 OPEB REVOCABLE TRUST	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0

4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balancee	($16,946)	($16,946)	$0

04 COMMUNITY SERVICE			
Total Revenue	$262,110	$262,110	$0
Total Expenditures	$275,254	$275,254	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$531	$529	$2
4.32 E.C.F.E	$58,786	$58,787	($1)
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$48,007	$48,007	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

ABDO EICK & MEYERS, LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Members of the School Board
Independent School District No. 2143
Waterville, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2143, Waterville, Minnesota, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2018.

The *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota. Statute § 6.65, contains 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 audit considered 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*. 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 purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
December 18, 2018

100 Warren Street, Suite 600
P.O. Box 3166
Mankato, MN 56002-3166
507.625.2727 | Fax 507.388.9139

ABDO EICK & MEYERS, LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S 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*

Members of the School Board
Independent School District No. 2143
Waterville, Minnesota

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2143, Waterville, Minnesota, (the District), as of and for the year ended June 30, 2018, 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 18, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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P.O. Box 3166
Mankato, MN 56002-3166
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 is required to be reported under *Government Auditing Standards* or statutes set forth by the State of Minnesota.

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 results of that testing, and not to provide an opinion on the effectiveness of the District'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.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
December 18, 2018

People + Process. Going Beyond the Numbers

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Members of the School Board, Advisors, and Students
Independent School District No. 2143
Waterville, Minnesota

Report on the Financial Statements

We have audited the accompanying statement of changes in assets and liabilities of the student activity accounts of Independent School District No. 2143 Waterville, Minnesota, (the District) as of and for the year ended June 30, 2018.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement.

An audit also includes assessing the accounting principles used as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the changes in assets and liabilities of the District's student activity accounts for the year ended June 30, 2018, and the balances at that date, in conformity with accounting principles generally accepted in the United States of America.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
December 18, 2018

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Independent School District No. 2143
Waterville, Minnesota
Student Activity Accounts
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2018

	Balance June 30, 2017	Additions and transfers	Deletions and transfers	Balance June 30, 2018
Assets				
Cash and temporary investments				
Band	$ 137	$ 2,608	$ 1,523	$ 1,222
Baseball	81	13,462	6,745	6,798
Basketball- Boys	1,520	855	624	1,751
Basketball- Girls	2,888	3,366	3,707	2,547
Buccaneer log	(1,384)	2,820	3,336	(1,900)
Cheerleaders	8,189	1,004	1,437	7,756
Choir	2,135	6,582	2,192	6,525
Class of				
2018	3,800	983	4,783	-
2019	323	10,160	5,795	4,688
2020	320	213	-	533
Clay target team	189	1,155	-	1,344
Close up	5,154	1,031	2,000	4,185
Cross country	-	281	-	281
Danceline	955	3,389	2,717	1,627
Drama	3,382	1,307	2,291	2,398
ESCAPE	782	124	220	686
Europe club	149	614	-	763
FCA	784	5	-	789
FFA	6,820	19,658	10,595	15,883
FCCLA	135	252	344	43
Football	973	3,788	3,515	1,246
Income account	163	-	163	-
K-8 Student council	3,271	2,442	2,145	3,568
K-8 Yearbook	3,594	2,226	2,213	3,607
Knowledge bowl	237	1	-	238
PACT	303	3	-	306
PBIS	463	4	-	467
School store	7,050	6,045	4,673	8,422
Softball	177	417	-	594
Speech	328	83	329	82
STEM club	25,079	63,271	78,738	9,612
Student council	2,263	207	1,119	1,351
Student fund raiser	1,353	87	289	1,151
Table top club	-	121	100	21
Track and field	257	852	96	1,013
Volleyball	635	2,653	1,150	2,138
Wrestling	130	658	627	161
Total Assets Net of Accounts Payable	$ 82,635	$ 152,727	$ 143,466	$ 91,896
Liabilities				
Due to Student Activity Groups	$ 82,635	$ 152,727	$ 143,466	$ 91,896

Independent School District No. 2143
Waterville, Minnesota
Notes to Student Activity Accounts Financial Statements
For the Year Ended June 30, 2018

Student activity fund transactions are defined as extracurricular programs conducted for the motivation and enjoyment of students. These programs and activities are not offered for school credits nor required for graduation. Activities are generally conducted outside of school hours. The content of the activities is determined primarily by the students, under the guidance of a staff member or other adult.

Student activities are to be self-sustaining with all expenses paid by dues, admissions, or other student fund raising events.

The accounts of the Student Activity Funds are maintained, and the accompanying financial statements have been prepared, on the accrual basis of accounting.

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT ON STUDENT ACTIVITY COMPLIANCE

Members of the School Board, Advisors, and Students
Independent School District No. 2143
Waterville, Minnesota

We have audited the statement of changes in student activity balances of the extracurricular student activity accounts of the Independent School District No. 2143, Waterville, Minnesota, (the District) for the year ended June 30, 2018, and have issued our report thereon dated December 18, 2018.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the provisions of the *Manual of Instruction for Uniform Student Activities Accounting for Minnesota School Districts and Area Vocational-Technical Colleges*, issued by the Minnesota Department of Education, pursuant to Minnesota statutes Section 123.38.

The *Manual of Instruction for Uniform Student Activities Accounting for Minnesota School Districts and Area Vocational-Technical Colleges* provides uniform financial accounting and reporting standards for student activities. Compliance with this manual is the responsibility of the District's Management. We have performed auditing procedures to test compliance with the provisions of this manual. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests of compliance indicate that, with respect to the items tested, the District complied, in all material respects, with the provisions referred to in the preceding paragraph, except as described in the accompanying Schedule of Finding and Response as item 2018-001.

The District's response to the finding identified in our audit are described in the accompanying Finding and Response. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of the *Manual of Instruction for Uniform Student Activities Accounting for Minnesota School Districts and Area Vocational-Technical Colleges*, and the result of that testing, and not to provide an opinion on the Districts compliance with those provisions. Accordingly, this report is not suitable for any other purpose.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
December 18, 2018

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Independent School District No. 2143
Waterville, Minnesota
Schedule of Finding and Response
For the Year Ended June 30, 2018

2018-001 **Student Activity Accounts With Deficit Balances**

Condition: We noted a certain student activity account that had a deficit year-end balance, which is not appropriate as defined in the Manual for Activity Fund Accounting (MAFA).

Criteria: The Manual for Activity Fund Accounting (MAFA) states that no individual student activity will operate with a negative cash balance at the end of the fiscal year.

Cause: During our audit, we found that there was one student activity account with a deficit fund balance.

Effect: The District is not in compliance with MAFA.

Recommendation: It is our recommendation that the District assure all student activity accounts do not spend in excess of available funds, and eliminate the existing student activity account balance deficit.

Management Response:

There is no disagreement with this finding. The District will take action to avoid similar occurrences in the future.

Waterville-Elysian-Morristown Public School

I.S.D. #2143
District Office/Secondary/Elementary
500 East Paquin Street
Waterville, MN 56096

District-507-362-4432
(Fax 507-362-4561)
Secondary-507-362-4431
Elementary-507-362-4439
Community Service-507-362-4403

2018-001 Student Activity Accounts With Deficit Balances

1. **Explanation of Disagreement with Audit Finding**:

   There is no disagreement with the audit finding

2. **Actions Planned in Response to the Finding:**

   The Student Activity Advisor will develop and submit a plan to the Principal for raising enough revenue to eliminate the deficit, including yearbook ad sales and increases to yearbook prices.

3. **Official Responsible for ensuring Corrective Action Plan:**

   Joel Whitehurst, Superintendent, is the official responsible for ensuring corrective action.

4. **Planned Completion Date for Corrective Action Plan:**

   The planned completion date is June 30, 2019.

5. **Plan to Monitor Completion of Corrective Action Plan:**

   The Business Manager and Student Activity Advisor will meet monthly to review balance and determine if enough revenue is being raised.

Joel Whitehurst
Superintendent

APPENDIX B

FORM OF LEGAL OPINION

(See following page)

KF&D

KNUTSON, FLYNN & DEANS, P.A.
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$19,130,000*
GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2019A
INDEPENDENT SCHOOL DISTRICT NO. 2143
(WATERVILLE-ELYSIAN-MORRISTOWN)
LE SUEUR, BLUE EARTH, RICE AND WASECA COUNTIES, MINNESOTA

We have acted as Bond Counsel in connection with the issuance by Independent School District No. 2143 (Waterville-Elysian-Morristown), Le Sueur, Blue Earth, Rice and Waseca Counties, Minnesota (the "District"), of its General Obligation School Building Bonds, Series 2019A (the "Bonds"), in the aggregate principal amount of $19,130,000*, bearing a date of original issue of February 21, 2019. The Bonds are fully registered as to principal and interest and are originally issued using a global book-entry system.

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

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

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

(1) The Bonds are in due form and the proceedings show lawful authority for their issuance according to their terms under the Constitution and laws of the State of Minnesota now in force.

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

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

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

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

DATED at Mendota Heights, Minnesota, this 21st day of February, 2019.

KNUTSON, FLYNN & DEANS
Professional Association

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

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

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

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

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

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

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

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

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

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

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following page)

CONTINUING DISCLOSURE CERTIFICATE
(Full Disclosure)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 2143 (Waterville-Elysian-Morristown), State of Minnesota (the "District"), in connection with the issuance of its General Obligation School Building Bonds, Series 2019A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the School Board on January 30, 2019 (the "Resolution"). The District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 (the "State Payment Law" described in the Official Statement for the Bonds) which provides for payment by the State of Minnesota in the event of a potential default of a District obligation. The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

SECTION 3. Provision of Annual Reports.

(a) The District shall provide, or shall cause the Dissemination Agent to provide not later than June 30, 2020, and twelve (12) months after the end of each Fiscal Year during which the Bonds are outstanding, to the MSRB, in an electronic format through the use of EMMA, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. If audited financial statements are not available by the date specified above, the District shall submit unaudited financial statements by that date to the MSRB and will submit the audited financial statements as soon as they are available.

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

(c) The Dissemination Agent shall:

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

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

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

1. An annual Audited Financial Statement.

2. Updates of the operating and financial data included in the Official Statement under headings substantially similar to the following or containing financial information directly relating to the following: "Current Property Valuations", "Direct Debt", Tax Levies and Collections, "Student Body" and "Employment/Unemployment Data."

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

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 14. District Contact Information.

Title:	Superintendent
Name of District:	Independent School District No. 2143 (Waterville-Elysian-Morristown)
Address:	500 E. Paquin Street Waterville, MN 56096
Telephone No.	(507) 362-4432

Dated as of this 21st day of February, 2019.

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

By: ____________________________________
Chair

And: ____________________________________
Clerk

[Signature Page for Continuing Disclosure Certificate]

APPENDIX E

TERMS OF PROPOSAL

$19,130,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2019A INDEPENDENT SCHOOL DISTRICT NO. 2143 (WATERVILLE-ELYSIAN-MORRISTOWN), MINNESOTA

Proposals for the purchase of $19,130,000* General Obligation School Building Bonds, Series 2019A (the "Bonds") of Independent School District No. 2143 (Waterville-Elysian-Morristown), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the District, until 10:00 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 January 30, 2019, at which time they will be opened, read and tabulated. The proposals will be presented to the Board of Education for consideration for award by resolution at a meeting to be held at 6:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, and a special election held November 6, 2018 by the District for the purpose of financing the construction and equipping of improvements to school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated February 21, 2019, 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
2020	$650,000	2027	$865,000	2034	$1,105,000
2021	635,000	2028	900,000	2035	1,150,000
2022	660,000	2029	925,000	2036	1,195,000
2023	740,000	2030	955,000	2037	1,240,000
2024	770,000	2031	990,000	2038	1,290,000
2025	800,000	2032	1,025,000	2039	1,345,000
2026	830,000	2033	1,060,000		

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, 2019, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **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 2020 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2028 shall be subject to optional redemption prior to maturity on February 1, 2027 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the District. If only part of the Bonds having a common maturity date are called for redemption, then the District or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

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

DELIVERY

On or about February 21, 2019, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

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

SUBMISSION OF PROPOSALS

Proposals must not be for less than $18,938,700 plus accrued interest on the principal sum of $19,130,000 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 $382,600 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 and Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The District and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to $250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the District scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The District's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The District reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the District requested and received a rating on the Bonds from a rating agency, the District will pay that rating fee. Any rating agency fees not requested by the District are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The District will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the District will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

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

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

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

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

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

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

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

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

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

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

(1) the close of the fifth (5^{th}) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the District promptly after the close of the fifth (5^{th}) business day after the sale whether it has 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 requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, 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 requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party 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 requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party 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 requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, 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 third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) <u>If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the 10% test</u>, 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 either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party 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 third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or bond counsel.

(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 or selling group agreement 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 a party to a third-party 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 third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) 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 third-party 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 (A) more than 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), (B) 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 (C) 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. 2143
(Waterville-Elysian-Morristown), Minnesota

PROPOSAL FORM

The Board of Education **January 30, 2019**
Independent School District No. 2143 (Waterville-Elysian-Morristown), Minnesota

RE: $19,130,000* General Obligation School Building Bonds, Series 2019A
DATED: February 21, 2019

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 $18,938,700) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

________	% due	2020	________	% due	2027	________	% due	2034
________	% due	2021	________	% due	2028	________	% due	2035
________	% due	2022	________	% due	2029	________	% due	2036
________	% due	2023	________	% due	2030	________	% due	2037
________	% due	2024	________	% due	2031	________	% due	2038
________	% due	2025	________	% due	2032	________	% due	2039
________	% due	2026	________	% due	2033			

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 2020 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 $382,600, to be held by the District 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 and Associates Good Faith Account No. 3208138.** Such Deposit shall be received by Ehlers and 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 and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about February 21, 2019.

This proposal is subject to the District's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement and 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 February 21, 2019 of the above proposal is $_______________and the true interest cost (TIC) is __________%.

The foregoing offer is hereby accepted by and on behalf of the Board of Education of Independent School District No. 2143 (Waterville-Elysian-Morristown), Minnesota, on January 30, 2019.

By: ______________________ By: ______________________

Title: ______________________ Title: ______________________