PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 2, 2018

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 345
(NEW LONDON-SPICER SCHOOLS), MINNESOTA
(Kandiyohi County)

(Minnesota School District Credit Enhancement Program)

$1,505,000* GENERAL OBLIGATION TAX ABATEMENT BONDS, SERIES 2018A

PROPOSAL OPENING: August 13, 2018, 10:00 A.M., C.T. **CONSIDERATION**: August 13, 2018, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $1,505,000* General Obligation Tax Abatement Bonds, Series 2018A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 469.1814, by Independent School District No. 345 (New London-Spicer Schools), Minnesota (the "District") to finance parking lot reconstruction and improvements. 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: September 6, 2018

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2020	$115,000	2024	$150,000	2028	$170,000
2021	135,000	2025	155,000	2029	175,000
2022	140,000	2026	155,000		
2023	145,000	2027	165,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2019 and semiannually thereafter.

OPTIONAL REDEMPTION: The Bonds are being offered without option of prior redemption.

MINIMUM PROPOSAL: $1,486,940

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $30,100 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

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

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

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NEW LONDON-SPICER SCHOOLS
BOARD OF EDUCATION

		Term Expires
Robert Moller	Chairperson	January 2019
Cherrish Holland	Vice Chairperson	January 2019
Renee Nolting	Clerk	January 2021
Dan DeGeest	Treasurer	January 2019
Holli Cogelow Ruter	Member	January 2019
Lucinda Dahlberg	Member	January 2021
Susan Lange	Member	January 2021

ADMINISTRATION

Paul Carlson, Superintendent of Schools

Donna Wilson, Business Manager

PROFESSIONAL SERVICES

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

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 345 (New London-Spicer Schools), Minnesota (the "District") and the issuance of its $1,505,000* General Obligation Tax Abatement Bonds, Series 2018A (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 sale of the Bonds ("Award Resolution") to be adopted by the Board of Education on August 13, 2018.

Inquiries may be directed to Ehlers & Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the District's Municipal Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the 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 September 6, 2018. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing 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"). 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

The Bonds are being offered without option of prior redemption.

*Preliminary, subject to change.

AUTHORITY; PURPOSE

The Bonds are being issued by the District pursuant to Minnesota Statutes, Chapter 475 and Section 469.1814. Proceeds of the Bonds will be used to finance parking lot reconstruction and improvements at Prairie Woods Elementary School, Prairie Meadows Learning Center, and the New London-Spicer High School.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount	$1,505,000	
Total Sources		**$1,505,000**
Uses		
Total Underwriter's Discount (1.200%)	$18,060	
Costs of Issuance	36,928	
Deposit to Project Construction Fund	1,450,012	
Total Uses		**$1,505,000**

*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 ("S&P"). S&P has a policy which assigns a minimum rating of "AAA" to issuers participating in the MNCEP. The "AAA" rating is based on the State of Minnesota's current "AAA" rating from S&P. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS" for further details.

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

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

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on July 9, 2018 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

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

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

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

In its Official Statement dated September 27, 2017, for General Obligation State Bonds, Series 2017A, 2017B, 2017C, 2017D, and 2017E, the State of Minnesota disclosed the following information about the State Credit Enhancement Program for School Districts.

> "As the date of this Official Statement, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2046, is approximately $12.5 billion. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of the date of this Official Statement is $1.9 billion, with the maximum amount of principal and interest payable in any one month being $760 million. However, more certificates of indebtedness, capital notes, certificates of participation

and bonds are expected to be enrolled in the program and these amounts are expected to increase.

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

CONTINUING DISCLOSURE

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

The District did not meet its disclosure obligation by not filing the following in the last five years as required by the Rule. Except to the extent that the following is deemed to be material, the District believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The District inadvertently failed to reference the CUSIP numbers for the General Obligation Alternative Facilities Refunding Bonds, Series 2011 in its filings for fiscal year ending June 30, 2013. The District also notes the following: Prior continuing disclosure undertakings entered into by the District included language stating that an Annual Report including the District's audited financial statements and operating data would be filed "as soon as available." Although the District did not always comply with this requirement, the Annual Reports were timely filed within the required timeframe as provided for in each undertaking. The District has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

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

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

LEGAL OPINION

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

TAX EXEMPTION AND RELATED CONSIDERATIONS

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

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2017, have been audited by Abdo, Eick & Meyers, LLP, Minneapolis, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as “APPENDIX A – FINANCIAL STATEMENTS”. The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

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

Taxes: The Bonds are general obligations of the District, the ultimate payment of which rests in the District's ability to levy and collect sufficient taxes to pay debt service. 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: Municipalities are dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may be valued for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that they will not experience a breach 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 $1,571,277,617[1]

	2017/18 Assessor's Estimated Market Value	2017/18 Net Tax Capacity
Real Estate	$ 1,472,407,900	$ 14,269,809
Personal Property	7,114,500	138,993
Total Valuation	$ 1,479,522,400	$ 14,408,802
Less: Captured Tax Increment Tax Capacity[2]		(114,287)
Power Line Adjustment[3]		(107)
Taxable Net Tax Capacity		$ 14,294,408

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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. 345 (New London-Spicer Schools) is about 95.91% 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 $1,571,277,617.

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

3 Ten percent of the net tax capacity of certain high voltage transmission lines is removed when setting local tax rates. However, taxes are paid on the full value of these lines. The taxes attributable to 10% of value of these lines are used to fund a power line credit. Certain property owners receive a credit when the high voltage transmission line runs over their property.

2017/18 NET TAX CAPACITY BY CLASSIFICATION

	2017/18 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$ 6,917,797	48.01%
Agricultural	1,703,546	11.82%
Commercial/industrial	1,184,533	8.22%
Public utility	58,830	0.41%
Railroad operating property	1,056	0.01%
Non-homestead residential	736,870	5.11%
Commercial & residential seasonal/rec.	3,667,177	25.45%
Personal property	138,993	0.96%
Total	$14,408,802	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	$1,377,601,100	$1,308,995,300	$13,257,057	$13,210,004	+ 3.45%
2014/15	1,426,932,800	1,362,949,700	13,780,188	13,708,766	+ 3.58%
2015/16	1,436,385,100	1,368,427,484	13,863,441	13,771,150	+ 0.66%
2016/17	1,443,896,100	1,374,900,725	13,956,577	13,850,050	+ 0.52%
2017/18	1,479,522,400	1,410,709,249	14,408,802	14,294,408	+ 2.47%

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

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

LARGER TAXPAYERS

Taxpayer	Type of Property	2017/18 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Duininck Bros., Inc.	Agriculture	$131,608	0.91%
HSP Farms, LP & RDP Farms, LP	Agriculture	123,533	0.86%
Kandiyohi Power Cooperative	Commercial	110,782	0.77%
Xcel Energy, Inc.	Utility	101,495	0.70%
Great River Energy	Utility	47,310	0.33%
Affiliated Comm. Med. Centers	Commercial	45,689	0.32%
Individual	Agriculture	37,868	0.26%
Individual	Residential/Single Unit	37,032	0.26%
Indian Beach Circle, LLC	Seasonal/Recreational/Residential	36,679	0.25%
Individual	Commercial	34,413	0.24%
Total		$706,409	4.90%

District's Total 2017/18 Net Tax Capacity $14,408,802

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

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total g.o. debt being paid from taxes and state aids[2] (includes the Bonds)*	$ 23,440,000

Lease Purchase Obligations (see schedule following)[3]

Total lease purchase obligations paid by annual appropriations[4]	$992,628

*Preliminary, subject to change.

STATE AID FOR DEBT SERVICE

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

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

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

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 345 (NEW LONDON-SPICER), MINNESOTA

Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Taxes
(As of 9/6/18)

	OPEB Bonds Series 2009		GO Cap. Facilities Series 2012A		Building Series 2016A		Fac. Maintenance Series 2017A		Tax Abatement Series 2018A							
Dated	10/15/09		8/1/12		2/11/16		4/20/17		9/6/18							
Amount	$2,220,000		$1,395,000		$20,390,000		$580,000		$1,505,000*							
Maturity	2/01		2/01		2/01		2/01		2/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2019	205,000	21,703	140,000	6,325	580,000	344,075	110,000	5,800	0	0	1,035,000	377,903	1,412,903	22,405,000	4.42%	**2019**
2020	215,000	33,770	140,000	10,760	595,000	676,550	115,000	9,400	115,000	64,451	1,180,000	794,931	1,974,931	21,225,000	9.45%	**2020**
2021	225,000	23,235	145,000	8,590	655,000	664,650	115,000	7,100	135,000	43,243	1,275,000	746,818	2,021,818	19,950,000	14.89%	**2021**
2022	235,000	11,985	145,000	6,053	675,000	645,000	120,000	4,800	140,000	39,868	1,315,000	707,705	2,022,705	18,635,000	20.50%	**2022**
2023			150,000	3,225	940,000	618,000	120,000	2,400	145,000	36,158	1,355,000	659,783	2,014,783	17,280,000	26.28%	**2023**
2024					980,000	589,800			150,000	32,025	1,130,000	621,825	1,751,825	16,150,000	31.10%	**2024**
2025					1,030,000	540,800			155,000	27,525	1,185,000	568,325	1,753,325	14,965,000	36.16%	**2025**
2026					1,080,000	489,300			155,000	22,643	1,235,000	511,943	1,746,943	13,730,000	41.42%	**2026**
2027					1,115,000	456,900			165,000	17,605	1,280,000	474,505	1,754,505	12,450,000	46.89%	**2027**
2028					1,160,000	412,300			170,000	12,078	1,330,000	424,378	1,754,378	11,120,000	52.56%	**2028**
2029					1,205,000	365,900			175,000	6,213	1,380,000	372,113	1,752,113	9,740,000	58.45%	**2029**
2030					1,250,000	317,700					1,250,000	317,700	1,567,700	8,490,000	63.78%	**2030**
2031					1,300,000	267,700					1,300,000	267,700	1,567,700	7,190,000	69.33%	**2031**
2032					1,355,000	215,700					1,355,000	215,700	1,570,700	5,835,000	75.11%	**2032**
2033					1,395,000	175,050					1,395,000	175,050	1,570,050	4,440,000	81.06%	**2033**
2034					1,435,000	133,200					1,435,000	133,200	1,568,200	3,005,000	87.18%	**2034**
2035					1,480,000	90,150					1,480,000	90,150	1,570,150	1,525,000	93.49%	**2035**
2036					1,525,000	45,750					1,525,000	45,750	1,570,750	0	100.00%	**2036**
	880,000	90,693	720,000	34,953	19,755,000	7,048,525	580,000	29,500	1,505,000	301,806	23,440,000	7,505,476	30,945,476			

*Preliminary, subject to change.

INDEPENDENT SCHOOL DISTRICT NO. 345 (NEW LONDON-SPICER), MINNESOTA
Schedule of Bonded Indebtedness
Non-General Obligation Debt Being Paid From Annual Appropriations
(As of 9/6/18)

	Capital Lease 2006		Lease Purchase 2017							
Dated	4/5/06		4/20/17							
Amount	$601,651		$857,000							
Maturity	12/1		2/1, 8/1							
Fiscal Year Ending	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2019	60,520	9,564	38,842	10,191	99,362	19,756	119,117	832,746	16.11%	2019
2020	66,509	6,575	79,300	18,767	145,809	25,342	171,151	686,937	30.80%	2020
2021	66,582	3,289	81,504	16,563	148,085	19,852	167,938	538,852	45.71%	2021
2022			83,769	14,298	83,769	14,298	98,067	455,083	54.15%	2022
2023			86,097	11,970	86,097	11,970	98,067	368,987	62.83%	2023
2024			88,489	9,578	88,489	9,578	98,067	280,498	71.74%	2024
2025			90,948	7,119	90,948	7,119	98,067	189,549	80.90%	2025
2026			93,476	4,591	93,476	4,591	98,067	96,074	90.32%	2026
2027			96,074	1,993	96,074	1,993	98,067	0	100.00%	2027
	193,611	19,428	738,497	95,071	992,628	124,063	1,116,691			

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	$1,571,277,617
Multiply by 15%	0.15
Statutory Debt Limit	$ 235,691,643
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes [1] (includes the Bonds)*	(22,560,000)
Unused Debt Limit*	$ 213,131,643

*Preliminary, subject to change.

OVERLAPPING DEBT[2]

Taxing District	2017/18 Taxable Net Tax Capacity	% In District	Total G.O. Debt[3]	District's Proportionate Share
Kandiyohi County	$ 55,729,417	25.6497%	$13,215,000	$ 3,389,608
City of New London	775,436	100.0000%	3,751,000	3,751,000
City of Spicer	1,597,160	100.0000%	6,265,000	6,265,000
Town of Burbank	617,684	57.2963%	125,000	71,620
District's Share of Total Overlapping Debt				$13,477,228

DEBT PAYMENT HISTORY

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

1 Does not include the $2,220,000 General Obligation Taxable OPEB Bonds, Series 2009, as they are not subject to the debt limit calculation.

2 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.

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value ($1,571,277,617)	Debt/ Current Population Estimate (9,225)
Direct G.O. Debt Being Paid From Taxes and State Aids* (includes the Bonds)	$ 23,440,000	1.49%	$2,540.92
District's Share of Total Overlapping Debt	$ 13,477,228	0.86%	$1,460.95
Total*	$ 36,917,228	2.35%	$4,001.87

*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	$ 3,917,120	$ 3,875,309	$ 3,913,233	99.90%
2014/15	3,790,404	3,752,508	3,783,776	99.83%
2015/16	4,063,241	4,026,394	4,049,920	99.67%
2016/17	4,069,632	4,027,999	4,027,999	98.98%
2017/18	4,035,688	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.[3] Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

TAX CAPACITY RATES[4]

	2013/14	2014/15	2015/16	2016/17	2017/18
I.S.D. No. 345 (New London-Spicer Schools)	23.289%	20.039%	20.774%	19.901%	19.360%
Kandiyohi County	57.422%	55.164%	57.158%	58.330%	58.216%
Kandiyohi Countywide	0.406%	1.069%	1.061%	1.124%	1.104%
City of New London	60.399%	62.526%	63.503%	65.109%	70.862%
City of Spicer	73.107%	71.909%	72.186%	73.832%	75.036%
Town of Irving[5]	11.523%	11.752%	11.421%	11.248%	11.734%
North Fork C.R. Watershed	2.409%	2.373%	2.846%	2.253%	2.207%
Middle Fork C.R. Watershed	2.148%	2.062%	2.662%	2.180%	2.715%
Referendum Market Value Rates:					
I.S.D. No. 345 (New London-Spicer Schools)	0.10181%	0.12714%	0.13993%	0.15058%	0.14691%

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

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

2 Collections are through December 31, 2017.

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

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

5 Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 232, including 111 non-licensed employees and 121 licensed employees (116 of whom are teachers). The District provides education for 1,506 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
Education Minnesota - New London-Spicer	June 30, 2019
New London-Spicer Educational Support Professionals	June 30, 2018
New London-Spicer Principals' Association	June 30, 2018

Status of Contracts

Contracts which expired on June 30, 2018 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. 74 and 75 (GASB 74/75). The District's most recent actuarial study of its OPEB obligations shows a total OPEB liability of $1,730,452 as of June 30, 2017. The District has been funding these obligations on a pay-as-you-go basis, but in October of 2009 they issued $2,220,000 in OPEB Bonds to fund an irrevocable trust. The net value of the trust was $1,736,154 as of June 30, 2017. Future OPEB costs will be paid partially from the trust and partially from operating funds.

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2013/14	109	654	615	1,378
2014/15	108	686	599	1,393
2015/16	106	680	616	1,402
2016/17	120	710	654	1,484
2017/18	105	726	675	1,506

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2018/19	114	713	700	1,527
2019/20	110	699	716	1,525
2020/21	110	678	738	1,526

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Prairie Woods Elementary	1984	2017
High School/Middle School	1962	1986, 1988, 1993, 1994, 2017
Prairie Meadows Learning Center	1993	--

FUNDS ON HAND (as of June 30, 2017)

Fund	Total Cash and Investments
General	$ 253,725
Food Service	285,152
Community Service	144,333
Debt Service	1,133,957
Debt Service (OPEB)	183,865
Building/Construction	11,283,873
Total Funds on Hand	$13,284,905

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

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the District's General Fund. These summaries are not purported to be the complete audited financial statements of the District, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the District. Copies of the complete statements are available upon request. Appendix A includes the District's 2017 audited financial statements.

	FISCAL YEAR ENDING JUNE 30				
COMBINED STATEMENT	**2015 Audited**	**2016 Audited**	**2017 Audited**	**2017-18 Revised Budget[1]**	**2018-19 Preliminary Budget[2]**
Revenues					
Local property taxes	$ 1,815,791	$ 1,656,983	$ 1,937,084	$ 2,145,779	$ 2,280,555
Other local and county revenues	348,225	426,045	550,603	596,636	460,177
Revenues from state sources	11,489,802	11,803,612	13,215,682	13,714,241	14,242,247
Revenues from federal sources	382,895	356,396	386,140	275,273	284,270
Total Revenues	$ 14,036,713	$ 14,243,036	$ 16,089,509	$ 16,731,929	$ 17,267,249
Expenditures					
Current					
Administration	$ 844,848	$ 870,559	$ 917,519	$ 960,434	$ 984,793
District support services	454,748	518,822	612,091	630,093	630,008
Elementary & sec. regular instruction	6,245,484	6,485,207	7,318,255	8,051,433	8,134,724
Vocational education instruction	360,186	273,243	338,241	378,423	392,073
Special education instruction	2,153,772	2,495,159	2,722,799	3,159,518	3,197,993
Instructional support services	357,165	384,816	419,194	466,397	482,316
Pupil support services	1,223,913	1,323,496	1,459,764	1,608,135	1,650,511
Sites and buildings	1,227,999	1,109,123	1,264,445	1,550,655	1,618,879
Fiscal and other fixed cost programs	48,535	56,089	54,810	49,300	53,900
Capital Outlay	647,481	564,251	655,286	0	0
Debt Service	94,784	97,339	70,196	99,266	103,067
Total Expenditures	$ 13,658,915	$ 14,178,104	$ 15,832,600	$ 16,953,654	$ 17,248,264
Excess of revenues over (under) expenditures	$ 377,798	$ 64,932	$ 256,909	$ (221,725)	$ 18,985
Other Financing Sources (Uses)					
Sale of equipment	$ 88,295	$ 0	$ 0		
Premium on short-term borrowing	23,946	18,486	0		
Total Other Financing Sources (Uses)	$ 112,241	$ 18,486	$ 0		
Net Change in Fund Balances	$ 490,039	$ 83,418	$ 256,909		
General Fund Balance July 1	(162,383)	327,656	411,074		
Prior Period Adjustment	0	0	0		
Residual Equity Transfer in (out)	0	0	0		
General Fund Balance June 30	$ 327,656	$ 411,074	$ 667,983		
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$ 55,556	$ 26,461	$ 35,815		
Restricted	32,618	4,790	2,280		
Unassigned	239,482	379,823	629,888		
Total	$ 327,656	$ 411,074	$ 667,983		

1 The 2017-18 budget was revised on February 12, 2018. The excess of expenditures over revenues projected for Fiscal Year 2018, primarily consists of one time capital and technology expenditures.

2 The 2018-19 preliminary budget was adopted on June 25, 2018.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 9,173 and a current population estimate of 9,225, and comprising an area of 170 square miles, is located approximately 80 miles west of the Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	**Type of Business/Product**	**Estimated No. of Employees**
I.S.D. No. 345 (New London-Spicer Schools)	Elementary and secondary education	232
Grace Living Community of Glen Oaks	Senior housing	130
Marketing Concepts	County government and services	80
Gary Monson, LLC (71 Aggregate)	Concrete-ready mixed	60
Zorbaz	Restaurant	58
Little Crow Country Club	Golf course	50
Palmer Bus	Charter bus service	50
Shores of St. Andrew	Recreational and vacation camps	41
Concrete Products	Concrete supplies	40
Rambow, Inc.	Automotive embroidery/interior trimming	40

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

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

U.S. CENSUS DATA

Population Trend: Independent School District No. 345 (New London-Spicer Schools), Minnesota

2000 U.S. Census population		8,764
2010 U.S. Census population		9,173
2016 Population Estimate		9,225
Percent of Change 2000 - 2010	+	4.67%

Income and Age Statistics

	New London-Spicer Schools	Kandiyohi County	State of Minnesota	United States
2016 per capita income	$33,972	$28,165	$33,225	$29,829
2016 median household income	$65,808	$53,514	$63,217	$55,322
2016 median family income	$77,796	$67,382	$79,595	$67,871
2016 median gross rent	$754	$672	$873	$928
2016 median value owner occupied units	$228,600	$164,300	$191,500	$184,700
2016 median age	46.6 yrs.	39.6 yrs.	37.8 yrs.	37.7 yrs.

	State of Minnesota	United States
District % of 2016 per capita income	102.25%	113.89%
District % of 2016 median family income	97.74%	114.62%

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

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	Average Unemployment	
Year	Kandiyohi County	Kandiyohi County	State of Minnesota
2014	22,579	4.2%	4.2%
2015	22,982	3.8%	3.7%
2016	23,140	3.8%	3.8%
2017	23,458	3.5%	3.5%
2018, June	25,004	2.6%	2.9%

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

APPENDIX A

FINANCIAL STATEMENTS

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

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

Annual Financial Report

Independent School District No. 345

New London, Minnesota

For the Year Ended
June 30, 2017

ABDO
EICK &
MEYERS LLP
Certified Public Accountants & Consultants

ABDO
EICK &
MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Independent School District No. 345
New London, 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. 345 (the District), New London, Minnesota, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

5201 Eden Avenue, Suite 250
Edina, MN 55436
952.835.9090 | Fax 952.835.3261

Change in Accounting Standards

As described in Note 7 to the financial statements, the School adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* for the year ended June 30, 2017. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

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, the Schedule of Changes in the District's Net OPEB Liability and Related Ratios, Schedule of the District's Contributions, Schedule of Investment Returns, Schedules of Employer's Shares of the Net Pension Liability and Schedules of Employer Contributions starting on page 74 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 the combining and individual fund financial statements, 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, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, 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 November 8, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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
Minneapolis, Minnesota
November 8, 2017

People
+ Process.
Going
Beyond the
Numbers

Management's Discussion and Analysis

As management of the Independent School District No. 345 (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, 2017.

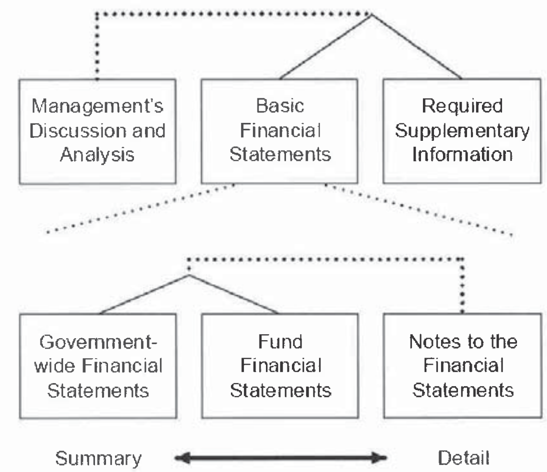
Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $10,185,936 (*net position*).
- A deficit of $14,180,331 (*unrestricted net position*) exists due to recognition of long-term pension liabilities in accordance with GASB Statement No. 68.
- The District's total net position decreased by $2,732,478 due to normal operations. Also, net position was decreased by $1,582,089 for the restatement of the beginning balance. The beginning balance was restated due to implementation and restatement of the Net OPEB liability.
- For UFARS reporting, the District's unassigned fund balance in the General fund as of June 30, 2017, increased to $635,064 from a $504,402 unassigned fund balance as of June 30, 2016, which is an increase of $130,662. The District will need to continue to monitor spending to assure the balance does not decrease as quickly as it increased.
- For GASB reporting, as of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $11,753,134, a decrease of $9,748,571 in comparison with the prior year. The large decrease was mainly due to funds spent on the building construction project. A portion of fund balance is not available for new spending because it is either 1) nonspendable ($51,034) or 2) restricted ($11,212,214). The District's governmental funds reported a $489,886 unassigned fund balance at June 30, 2017.
- For GASB reporting, at the end of the current fiscal year, unassigned fund balance for the General fund was $629,888 or 4.0 percent of total General fund expenditures.
- The District's total long-term debt increased $22,767,187 or 62.57 percent during the current fiscal year. The reason for the increase was mainly because of the new GASB Statement No. 68 reporting for long-term pension liabilities, which was $21,597,709 more than the amount reported in the prior year. Also, an LTFM bond of $580,000 for the track project and a capital lease of $857,000 for the turf project were added during the year.
- The District has seen increased enrollment recently, with increased ADM's in each of the last four years. Ten years ago, in 2006-07, the enrollment was 1,583, and five years ago, in 2011-2012, the student enrollment ADM was 1,408. For the 2016-2017 school year the student enrollment ADM was 1,486. The District is hoping the upward trend will continue.

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. 345
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:

Figure 2
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 Balances	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of 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 deferred 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 between the four 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, readers 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).

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 start 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 six 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, the Debt Service fund and the Building Construction Fund, all of which are considered to be major funds. Data from the other three 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 start on page 32 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside 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 start 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 start on page 39 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules start on page 80 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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $10,185,936 at the close of the most recent fiscal year.

By far, the largest 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.

Independent School District No. 345's Net Position

	Governmental Activities		
	2017	2016	Increase (Decrease)
Assets			
Current and other assets	$ 17,088,753	$ 29,011,438	$ (11,922,685)
Capital assets	38,062,115	27,510,789	10,551,326
Total Assets	55,150,868	56,522,227	(1,371,359)
Deferred Outflows of Resources	20,319,120	1,732,006	18,587,114
Liabilities			
Noncurrent liabilities outstanding	59,154,622	36,387,435	22,767,187
Other liabilities	1,708,407	2,272,832	(564,425)
Total Liabilities	60,863,029	38,660,267	22,202,762
Deferred Inflows of Resources	4,421,023	5,093,463	(672,440)
Net Position			
Net investment in capital assets	23,874,580	22,513,196	1,361,384
Restricted	491,687	415,062	76,625
Unrestricted	(14,180,331)	(8,427,755)	(5,752,576)
Total Net Position	$ 10,185,936	$ 14,500,503	$ (4,314,567)

A portion of the District's net position ($491,687) represents restricted money that will be subject to external restrictions on how they may be used once funding is received.

At the end of the current fiscal year, the District is unable to report positive balances in two categories of net position with the unrestricted balance reporting a deficit of $14,180,331.

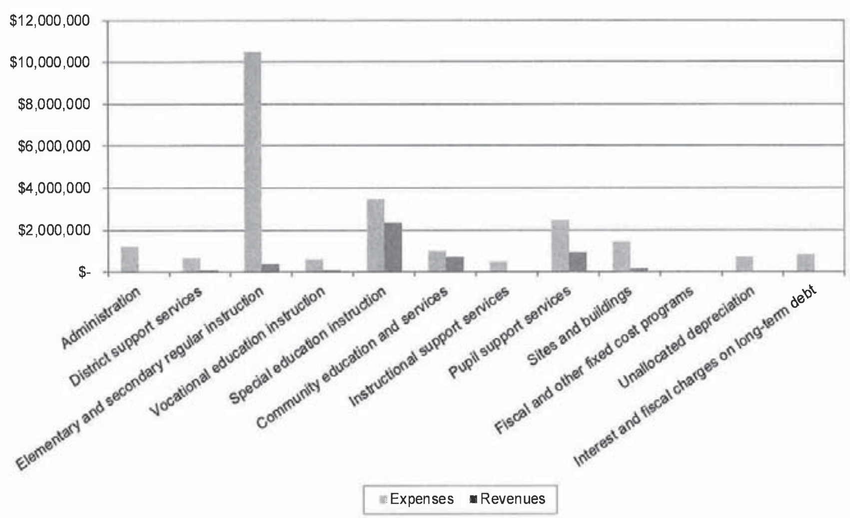
The District's net position decreased $2,732,478 during the current fiscal year. Key elements of this decrease are as follows:

Independent School District No. 345's Changes in Net Position

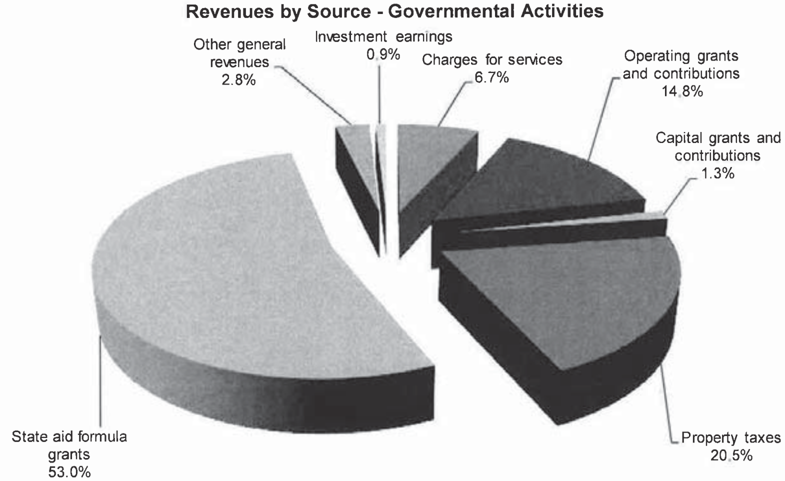
	Governmental Activities		
	2017	2016	Increase (Decrease)
Revenues			
Program Revenues			
Charges for services	$ 1,389,373	$ 1,360,173	$ 29,200
Operating grants and contributions	3,063,286	2,322,618	740,668
Capital grants and contributions	261,364	48,285	213,079
General revenues			
Property taxes	4,225,866	3,832,020	393,846
State aid-formula grants	10,937,173	10,157,876	779,297
Other	768,085	458,189	309,896
Total Revenues	20,645,147	18,179,161	2,465,986
Expenses			
Administration	1,200,454	892,572	307,882
District support services	640,922	537,834	103,088
Elementary and secondary regular instruction	10,466,366	6,958,901	3,507,465
Vocational education instruction	594,976	297,710	297,266
Special education instruction	3,453,922	2,544,260	909,662
Community education and services	1,003,717	858,891	144,826
Instructional support services	505,065	391,169	113,896
Pupil support services	2,461,228	2,139,338	321,890
Sites and buildings	1,463,164	1,272,799	190,365
Fiscal and other fixed cost programs	54,810	56,089	(1,279)
Unallocated depreciation	698,812	698,812	-
Interest and fiscal charges on long-term debt	834,189	709,911	124,278
Total Expenses	23,377,625	17,358,286	6,019,339
Change in Net Position	(2,732,478)	820,875	(3,553,353)
Net Position, July 1 Restated*	12,918,414	13,679,628	(761,214)
Net Position, June 30	$ 10,185,936	$ 14,500,503	$ (4,314,567)

* GASB Statement No. 75 was implemented for the year ended June 30, 2017 and required a $1,582,089 restatement of beginning net position. Prior year amounts were not restated causing a variance in ending fund balance at June 30, 2016 and beginning fund balance on July 1, 2016. See Note 7.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Financial Analysis of the Government'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 close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $11,753,134, a decrease of $9,748,571 in comparison with the prior year. The District is reporting $489,886 as unassigned fund balance. The remainder of fund balance is not available for new spending because it is either 1) nonspendable ($51,034) or 2) restricted ($11,212,214) for the purposes described in Note 3F.

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 was $629,888, while total fund balance is $667,983. 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 4.0 percent of expenditures while total fund balance represents 4.2 percent of that same amount.

The fund balance of the District's General fund increased $256,909 during the current fiscal year. The increase is primarily resulted from revenues exceeding expenditures.

The Debt Service fund has a total fund balance of $344,536, all which is restricted for the payment of debt service. The fund balance decreased $557,025 and was part of the District's long-term debt financing plan.

The Building Construction fund has a total fund balance of $10,336,243, all which is restricted for the payment of debt service. The fund balance decreased $9,502,063 due to spending on ongoing projects.

General Fund Budgetary Highlights

- Actual revenue was $183,027 more than what was budgeted. Revenues from state sources were over budget by $119.294 primarily due to more than expected special education revenue. The District was conservative when estimating the final 2016-17 special education revenue, which won't be finalized until January of 2018.

- Actual expenditures were $49,063 more than what was budgeted. Within expenditures, the district support services function had the most significant positive variance of $75,987. This variance was mainly due to variances in salaries and benefits. The elementary and secondary regular instruction had the most significant negative variance of $92,380, mostly due to a variance in benefits.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2017, amounts to $38,062,115 (net of accumulated depreciation). This investment in capital assets includes land, construction in process, buildings and system, improvements and machinery and equipment. The following is a schedule of capital assets as of June 30, 2017.

Independent School District No. 345's Capital Assets
(net of depreciation)

	Governmental Activities		
	2017	2016	Increase (Decrease)
Land	$ 95,819	$ 95,819	$ -
Construction in Progress	12,348,655	1,268,772	11,079,883
Land Improvements	303,348	231,694	71,654
Buildings and Improvements	24,561,906	25,086,679	(524,773)
Equipment	752,387	827,825	(75,438)
Total	$ 38,062,115	$ 27,510,789	$ 10,551,326

The significant capital asset activity for the year included:

- Construction work on the new auditorium and school improvement project.
- Installation of a new track and artificial turf.

Additional information on the District's capital assets can be founding in Note 3C starting on page 50 of this report.

Noncurrent Liabilities. At the end of the current fiscal year, the District had the following noncurrent liabilities outstanding.

Independent School District No. 345's Outstanding Debt

	Governmental Activities		
	2017	2016	Increase (Decrease)
General Obligation Bonds	$ 22,905,000	$ 24,180,000	$ (1,275,000)
Bond Premium	1,588,356	1,622,151	(33,795)
Capital Lease Payable	1,105,422	298,748	806,674
Net Pension Liability	32,513,204	9,268,519	23,244,685
Severance Payable	1,042,640	1,018,017	24,623
Total	$ 59,154,622	$ 36,387,435	$ 22,767,187

The District's total long-term debt increased $22,767,187. The main reason for the large increase was the additional reporting of the pension liability required by GASB 68.

Additional information on the District's long-term debt can be found in Note 3E starting on page 52 of this report.

Factors Bearing on the District Future

- Declining enrollment was a source of stress on the District's financial future for many years. Since Minnesota school districts are paid based on pupil units served, a decline in enrollment results in less revenue being received for operations. The District's ADM (average daily membership = pupil units served) for the past fourteen years illustrates the downward trend the District faced for many years. The ADM's have been increasing slightly since 2014, and the projection for fiscal year 2018 was another anticipated increase. Budgeted ADM's were 1,491, and enrollment at October 1, 2017, was higher than projected at 1,525.
- An item to keep in mind is that the weighting of pupils changed after fiscal year 2014.

Fiscal Year	ADM
2002	1707
2003	1702
2004	1710
2005	1664
2006	1610
2007	1563
2008	1549
2009	1520
2010	1474
2011	1490
2012	1401
2013	1386
2014	1388
2015	1409
2016	1432
2017	1486
2018	1491

The projected numbers take a conservative position on the number of nonresidents served by the District. In the past the District has served 185-250 nonresident students. The most recent ADM report shows the District had 287.65 nonresident ADM's, and 127.13 residents attending schools in other districts for the year ended June 30, 2017.

- The District's voters approved an operating levy referendum of $395 per pupil unit during the November 2002 elections. District voters renewed and increased this levy referendum to $597 per pupil unit during the November 2008 elections. The School Board adopted a resolution in 2014 converting $300 of the voter-approved referendum to board approved, and with the $424 of local optional revenue the district will have $724 in referendum revenue for five years. This will help to keep the budget stable, but the District will need to review its options and make sure there will ample revenue to cover expenses in upcoming years.
- The District made some capital improvements during the 2016-17 year to improve and enhance the school buildings. Some of these projects included updating the track facility, adding artificial turf to the football field, roof repairs, HVAC and boiler repairs. Upgrades were done to technology and related equipment within the buildings.
- Voters approved a $20,390,000 building referendum on November 3, 2015, for building additions and improvements to better serve the needs of the students. Construction has continued throughout the year, with some of it being completed before the 2017-18 school year began, while part of it is still in process, with hopes of the project being complete by the spring of 2018.
- The District was approved to implement the Q Comp program in the 2016-17 school year. The program allows local districts, and representatives of their teachers, to design and collectively bargain a plan that meets the five components of the law, including Career Ladder/Advancement Options, Job-embedded Professional Development, Teacher Evaluation, Performance Pay, and an Alternative Salary Schedule. The program was funded by state aids, a district levy of $61 per pupil unit, and a portion of staff development funds received through state general aid.

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 Superintendent, Independent School District No. 345, 101 4th Ave SW, New London, Minnesota 56273.

Independent School District No. 345
New London, Minnesota
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash and temporary investments	$ 13,284,905
Receivables	
Taxes	2,109,167
Accounts	155,129
Due from other school districts	11,344
Due from Department of Education	1,365,231
Due from other governments	106,240
Inventory	15,219
Prepaid items	35,816
Net other postemployment benefits	5,702
Capital assets	
Land and construction in progress	12,444,474
Depreciable assets (net of accumulated depreciation)	25,617,641
Total Assets	55,150,868
Deferred Outflows of Resources	
Deferred pension resources	20,319,120
Liabilities	
Accrued salaries payable	208,295
Accounts and other payables	1,057,971
Due to other governments	7,233
Accrued interest payable	339,009
Unearned revenue	95,899
Noncurrent liabilities	
Due within one year	1,105,001
Due in more than one year	58,049,621
Total Liabilities	60,863,029
Deferred Inflows of Resources	
Property taxes levied for subsequent year	3,912,534
Deferred pension resources	438,957
Deferred other post employment benefit resources	69,532
Total Deferred Inflows of Resources	4,421,023
Net Position	
Net investment in capital assets	23,874,580
Restricted for	
Educational purposes	218,549
Food service	273,138
Unrestricted	(14,180,331)
Total Net Position	$ 10,185,936

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

Independent School District No. 345
New London, Minnesota
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities					
Administration	$ 1,200,454	$ -	$ -	$ -	$ (1,200,454)
District support services	640,922	-	-	106,270	(534,652)
Elementary and secondary regular instruction	10,466,366	212,593	166,549	-	(10,087,224)
Vocational education instruction	594,976	101,545	8,028	-	(485,403)
Special education instruction	3,453,922	30,754	2,306,297	-	(1,116,871)
Community education and services	1,003,717	530,361	159,957	-	(313,399)
Instructional support services	505,065	-	-	-	(505,065)
Pupil support services	2,461,228	497,161	422,455	-	(1,541,612)
Sites and buildings	1,463,164	16,959	-	155,094	(1,291,111)
Fiscal and other fixed cost programs	54,810	-	-	-	(54,810)
Unallocated depreciation	698,812	-	-	-	(698,812)
Interest and fiscal charges on long term debt	834,189	-	-	-	(834,189)
Total Governmental Activities	$ 23,377,625	$ 1,389,373	$ 3,063,286	$ 261,364	(18,663,602)

General Revenues	
Taxes	
Property taxes, levied for general purpose	2,012,103
Property taxes, levied for community service	147,472
Property taxes, levied for debt service	2,066,291
State aid-formula grants	10,937,173
Other general revenues	585,597
Investment earnings	182,488
Total General Revenues	15,931,124
Change In Net Position	(2,732,478)
Net Position, July 1 as Restated	12,918,414
Net Position, June 30	$ 10,185,936

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

Independent School District No. 345
New London, Minnesota
Balance Sheet
Governmental Funds
June 30, 2017

	General	Debt Service	Capital Projects Building Construction	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	$ 253,725	$ 1,133,957	$ 11,283,873	$ 613,350	$ 13,284,905
Receivables					
Taxes	1,157,037	759,615	-	192,515	2,109,167
Accounts	144,048	-	-	11,081	155,129
Due from other school districts	11,344	-	-	-	11,344
Due from Department of Education	1,347,822	2,048	-	15,361	1,365,231
Due from other governments	106,240	-	-	-	106,240
Inventory	-	-	-	15,219	15,219
Prepaid items	35,816	-	-	-	35,816
Total Assets	$ 3,056,032	$ 1,895,620	$ 11,283,873	$ 847,526	$ 17,083,051
Liabilities					
Accrued salaries payable	$ 208,295	$ -	$ -	$ -	$ 208,295
Accounts and other payables	92,744	-	947,630	17,597	1,057,971
Due to other governments	6,981	-	-	252	7,233
Unearned revenue	63,750	-	-	32,149	95,899
Total Liabilities	371,770	-	947,630	49,998	1,369,398
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	22,290	20,849	-	4,846	47,985
Property taxes levied for subsequent year	1,993,989	1,530,235	-	388,310	3,912,534
Total Deferred Inflows of Resources	2,016,279	1,551,084	-	393,156	3,960,519
Fund Balances					
Nonspendable	35,815	-	-	15,219	51,034
Restricted	2,280	344,536	10,336,243	529,155	11,212,214
Unassigned	629,888	-	-	(140,002)	489,886
Total Fund Balances	667,983	344,536	10,336,243	404,372	11,753,134
Total Liabilities, Deferred Inflows Of Resources And Fund Balances	$ 3,056,032	$ 1,895,620	$ 11,283,873	$ 847,526	$ 17,083,051

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

Independent School District No. 345
New London, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2017

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

Total Fund Balances - Governmental Funds	$ 11,753,134
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	55,303,528
Less accumulated depreciation	(17,241,413)
Other long-term assets are not current financial resources and therefore are not reported in the funds.	
Net other postemployment benefits	5,702
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Bonds payable	(22,905,000)
Bond premium	(1,588,356)
Capital leases payable	(1,105,422)
Compensated absences payable	(1,042,640)
Net pension liability	(32,513,204)
Governmental funds do not report long-term amounts related to pensions	
Deferred outflows of pension resources	20,319,120
Deferred inflows of pension resources	(438,957)
Governmental funds do not report long-term amounts related to other post employment benefits	
Deferred inflows of other post employment benefit resources	(69,532)
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.	47,985
Governmental funds do not report a liability for accrued interest until due and payable.	(339,009)
Total Net Position - Governmental Activities	$ 10,185,936

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

Independent School District No. 345
New London, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General	Debt Service	Capital Projects Building Construction	Other Governmental Funds	Total
Revenues					
Local property tax levies	$ 1,937,084	$ 1,812,402	$ -	$ 397,329	$ 4,146,815
Other local and county revenue					
Interest earned on investments	3,854	8,451	167,388	2,795	182,488
Other	546,749	-	-	592,002	1,138,751
Revenue from state sources	13,215,682	20,480	-	168,138	13,404,300
Revenue from federal sources	386,140	-	-	356,665	742,805
Sales of food and other assets	-	-	-	497,161	497,161
Total Revenues	16,089,509	1,841,333	167,388	2,014,090	20,112,320
Expenditures					
Current					
Administration	917,519	-	-	-	917,519
District support services	612,091	-	-	-	612,091
Elementary and secondary regular instruction	7,318,255	-	-	-	7,318,255
Vocational education instruction	338,241	-	-	-	338,241
Special education instruction	2,722,799	-	-	-	2,722,799
Community education and services	-	-	-	844,841	844,841
Instructional support services	419,194	-	-	-	419,194
Pupil support services	1,459,764	-	-	802,796	2,262,560
Sites and buildings	1,264,445	-	-	-	1,264,445
Fiscal and other fixed cost programs	54,810	-	-	-	54,810
Total Current Expenditures	15,107,118	-	-	1,647,637	16,754,755
Capital outlay					
Elementary and secondary regular instruction	337,769	-	-	-	337,769
Vocational education instruction	5,533	-	-	-	5,533
Special education instruction	6,565	-	-	-	6,565
Community education and services	-	-	-	11,751	11,751
Pupil support services	-	-	-	50,839	50,839
Sites and buildings	305,419	-	11,060,049	-	11,365,468
Total Capital Outlay	655,286	-	11,060,049	62,590	11,777,925
Debt service					
Principal	50,326	1,665,000	-	190,000	1,905,326
Interest and other charges	19,870	742,412	5,344	60,255	827,881
Bond issuance costs	-	-	40,759	-	40,759
Total Debt Service	70,196	2,407,412	46,103	250,255	2,773,966
Total Expenditures	15,832,600	2,407,412	11,106,152	1,960,482	31,306,646
Excess (Deficiency) of Revenues over (Under) Expenditures	256,909	(566,079)	(10,938,764)	53,608	(11,194,326)
Other Financing Sources					
Premium on bonds issued	-	-	8,755	-	8,755
Debt issued	-	9,054	1,427,946	-	1,437,000
Total Other Financing Sources	-	9,054	1,436,701	-	1,445,755
Net Change in Fund Balances	256,909	(557,025)	(9,502,063)	53,608	(9,748,571)
Fund Balances, July 1	411,074	901,561	19,838,306	350,764	21,501,705
Fund Balances, June 30	$ 667,983	$ 344,536	$ 10,336,243	$ 404,372	$ 11,753,134

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

Independent School District No. 345
New London, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2017

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

Total Net Change in Fund Balances - Governmental Funds	$ (9,748,571)
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	11,482,424
Depreciation	(931,098)
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.	
Principal repayments	
Bonds and capital lease payments	1,905,326
Bonds issued	(580,000)
Capital lease issued	(857,000)
Current year amortization of bond premium	33,795
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(8,099)
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.	(4,792)
Long-term pension activity is not reported in governmental funds	
Pension expense	(4,387,044)
Direct aid contributions	431,356
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.	
Compensated absences	(24,623)
Other post employment benefits	(44,152)
Change in Net Position - Governmental Activities	$ (2,732,478)

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

Independent School District No. 345
New London, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget And Actual
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Local property tax levies	$ 1,941,169	$ 1,936,422	$ 1,937,084	$ 662
Other local and county revenue				
Interest earned on investments	4,000	16,000	3,854	(12,146)
Other	339,578	492,295	546,749	54,454
Revenue from state sources	12,268,144	13,096,388	13,215,682	119,294
Revenue from federal sources	338,629	365,377	386,140	20,763
Total Revenues	14,891,520	15,906,482	16,089,509	183,027
Expenditures				
Current				
Administration	907,936	924,787	917,519	7,268
District support services	565,830	688,078	612,091	75,987
Elementary and secondary regular instruction	6,894,602	7,225,875	7,318,255	(92,380)
Vocational education instruction	304,363	336,227	338,241	(2,014)
Special education instruction	2,576,508	2,760,926	2,722,799	38,127
Instructional support services	391,811	416,652	419,194	(2,542)
Pupil support services	1,303,633	1,480,282	1,459,764	20,518
Sites and buildings	1,174,698	1,193,069	1,264,445	(71,376)
Fiscal and other fixed cost programs	60,000	57,824	54,810	3,014
Total Current Expenditures	14,179,381	15,083,720	15,107,118	(23,398)
Capital outlay				
Elementary and secondary regular instruction	203,603	321,750	337,769	(16,019)
Vocational education instruction	-	3,900	5,533	(1,633)
Special education instruction	-	4,828	6,565	(1,737)
Pupil support services	15,000	1,000	-	1,000
Sites and buildings	268,725	296,255	305,419	(9,164)
Total Capital Outlay	487,328	627,733	655,286	(27,553)
Debt service				
Principal	48,051	50,326	50,326	-
Interest and other charges	26,033	21,758	19,870	1,888
Total Debt Service	74,084	72,084	70,196	1,888
Total Expenditures	14,740,793	15,783,537	15,832,600	(49,063)
Excess of Revenues over Expenditures	150,727	122,945	256,909	133,964
Other Financing Sources				
Premium on short-term borrowing	18,500	-	-	-
Net Change in Fund Balances	169,227	122,945	256,909	133,964
Fund Balances, July 1	411,074	411,074	411,074	-
Fund Balances, June 30	$ 580,301	$ 534,019	$ 667,983	$ 133,964

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

Independent School District No. 345
New London, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private-purpose Trusts Scholarships	Irrevocable Trusts OPEB	Agency
Assets			
Cash and deposits	$ 8,262	$ (34,730)	$ 189,096
Investments			
Money market	-	3,590	-
Mutual funds	-	1,893,540	-
Total Investments	-	1,897,130	-
Total Assets	8,262	1,862,400	189,096
Liabilities			
Payables			
Accounts payable	-	-	189,096
Due to primary government	-	126,246	-
Total Liabilities	-	126,246	189,096
Net Position			
Restricted			
Scholarship trusts	8,262	-	-
Postemployment benefits other than pensions	-	1,736,154	-
Total Net Position	$ 8,262	$ 1,736,154	$ -

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

Independent School District No. 345
New London, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	Private-purpose Trusts Scholarships	Irrevocable Trusts OPEB
Additions		
Contributions and donations	$ 57,834	$ -
Investment income		
Net increase in fair value of investments	-	39,617
Interest and dividends	159	120,496
Total Investment Income	159	160,113
Total Additions	57,993	160,113
Deductions		
Scholarship awards	45,658	-
OPEB health insurance benefits	-	126,246
Total Deductions	45,658	126,246
Change in Net Position	12,335	33,867
Net Position, July 1	(4,073)	1,702,287
Net Position, June 30	$ 8,262	$ 1,736,154

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. 345 (the District), New London, Minnesota was incorporated under the laws of the State of Minnesota (the State). The District operates under a Board of Education form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected Board of Education 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.

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 District.

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. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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. Aggregated information for the remaining nonmajor funds are reported in single columns in the respective 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. Other revenue is considered available if collected within one year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to net pension liability, compensated absences, other postemployment benefits, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

The preparation of financial statements in accordance 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.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Building Construction capital project fund* is used to account for all operations of building construction programs that are funded by the sale of bonds.

Nonmajor governmental funds

The *Food Service special revenue fund* is used to account for food service revenues and expenditures. Revenues include contributions from state and federal sources as well as charges for services.

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

The *OPEB Debt Service fund* is used to account for the financial resources relating to the bond issued for post-employment benefits.

Fiduciary funds

The *Private-purpose Trust fund* is used to account for trust arrangements under which principal and income benefits individuals, private organizations, or other governments. This fund accounts for gifts and bequests that are to be used for scholarships.

The *OPEB Trust fund* is used to account for the financial resources relating to post-employment benefits.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. The Districts agency funds are used to account for revenue and expenses that are related to various student activity accounts and to a local fundraising group.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

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 deposits 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, rated in one of the two highest rating categories by a statistical rating agency, and 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 United 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 School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School's recurring fair value measurements are listed in detail on page 48 and are valued using quoted market prices (Level 1 inputs).

The Minnesota School District Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate Minnesota laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule §2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760.

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The Board of Education annually adopts a tax levy and certifies it to the County in December for collection in 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 2017 is recorded as unavailable revenue (property taxes levied for subsequent year).

Current property taxes receivable is the uncollected portion of the taxes levied in 2016 and collectible in 2017. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year. Delinquent property taxes receivable is the uncollected portion of the taxes levied prior to 2016 and not yet collected. Delinquent property taxes receivable is offset with a deferred inflow of resources, unavailable revenue delinquent property taxes.

Accounts Receivables

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

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. 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, equipment and infrastructure assets (e.g., roads, parking lots, sidewalks and similar items). Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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. Donated capital assets are recorded at their acquisition price at the date of donation.

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

Assets	Useful Lives in Years
Land Improvements	20 - 50
Buildings and Improvements	20 - 50
Equipment	5 - 20

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, 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 government has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the Statement of Net Position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Compensated Absences Payable and Net Other Postemployment Benefits

Sick pay - Substantially all District employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment. However, unused sick leave does enter into the calculation of an employee's severance pay upon termination.

Severance pay - The district maintains severance pay plans for all eligible employees. Teachers, who leave the District at age 55 or more, with 15 years of service, will receive five days of pay for each year of service, up to a maximum of 100 days.

Other postemployment benefits (OPEB) - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the School's Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. See the investment note for fair value measurements.

Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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 two additional items which qualify for reporting in this category on the Statement of Net Position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the Statement of Net Position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

Net Position

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 balances 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 balances that do not meet the definition of "restricted" or "net investment in capital assets".

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.

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 and inventory.

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 Board of Education, which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board of Education 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 of Education itself or by an official to which the governing body delegates the authority. The Board of Education has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Superintendent or the District Accountant.

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 unrestricted 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 unrestricted fund balance of three percent of the District's General Fund operating budget.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General, Food Service, Community Service, Debt Service, OPEB Debt Service and Building Construction Funds. All annual appropriations lapse at fiscal year-end.

Budgets are prepared for each fund on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year.

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

1. Each June, the budget is prepared by management to be adopted by the Board of Education.
2. Budgets for each of the respective funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as amended.
4. Budget appropriations lapse at year-end.
5. The legal level of control is the fund level.
6. The District does not use encumbrance accounting.

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

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

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

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2017, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Major			
General	$ 15,783,537	$ 15,832,600	$ 49,063
Nonmajor			
Food service	831,614	853,635	22,021
Community service	822,215	856,592	34,377
OPEB debt service	250,000	250,255	255

The excess of expenditures over appropriations were funded with excess revenues over expenditures and/or available fund balance.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits and investments 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 Board of Education, the District maintains deposits at those depository banks, all of 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, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

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 Board of Education.

At year-end, the District's carrying amount of deposits was $231,171 and the bank balance was $383,796 . The bank balance was covered by Federal depository insurance and by collateral held by the District's agent in the District's name.

A reconciliation of cash and temporary investments as shown on the financial statements for the District follows:

Carrying Amount of Deposits	$ 231,171
Investments	15,113,492
Total	$ 15,344,663
As Reported in the Basic Financial Statements	
Statement of net position	$ 13,284,905
Statement of fiduciary net position	2,059,758
Total Cash and Temporary Investments	$ 15,344,663

Note 3: Detailed Notes on All Funds (Continued)

Investments

The District's investment balances were as follows for June 30, 2017:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Level 1
Pooled Investments at Amortized Cost				
Minnesota School District Liquid Asset Fund	N/A	Less than 6 months	$ 13,249,098	
Money Market	N/A	Less than 6 months	3,636	
Pooled Investments at Fair Value				
Mutual Funds	N/A	Less than 6 months	1,860,758	$ 1,860,758
Total Investments			$ 15,113,492	$ 1,860,758

(1) Ratings are provided by various credit ratings agencies where applicable to indicate association's credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.
N/A Indicates not applicable or available.

The investments of the District are subject to the following risks:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. The District has established guidelines within the investment policy to ensure credit risk minimized while taking advantage of maximum return. Minnesota statutes limit the District's investments to the list on page 41 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. In accordance with the Districts investment policy, the District typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. To manage this risk the District places limits on the amount that can be invested in any one issuer and are diversified with the intent to minimize the risk of investment losses.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting a majority of investments to less than five years.

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

Note 3: Detailed Notes on All Funds (Continued)

B. Property Taxes

Current property taxes receivable are recorded for uncollected taxes levied in 2016 and payable in 2017. The total levy is unavailable as it is for subsequent years' operations.

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

Taxes receivable by fund type is comprised of the following components:

	Major Funds		Other	
	General	Debt Service	Governmental Funds	Total
Current Taxes	$ 1,134,747	$ 738,766	$ 187,669	$ 2,061,182
Delinquent Taxes	22,290	20,849	4,846	47,985
Total Reported Taxes Receivable	$ 1,157,037	$ 759,615	$ 192,515	$ 2,109,167

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, not being Depreciated				
Land	$ 95,819	$ -	$ -	$ 95,819
Construction in progress	1,268,772	11,079,883	-	12,348,655
Total Capital Assets, not being Depreciated	1,364,591	11,079,883	-	12,444,474
Capital Assets, being Depreciated				
Land improvements	262,395	86,947	-	349,342
Buildings and improvements	40,750,400	295,208	-	41,045,608
Equipment	1,443,718	20,386	-	1,464,104
Total Capital Assets being Depreciated	42,456,513	402,541	-	42,859,054
Less Accumulated Depreciation for				
Land improvements	(30,701)	(15,293)	-	(45,994)
Buildings and improvements	(15,663,721)	(819,981)	-	(16,483,702)
Equipment	(615,893)	(95,824)	-	(711,717)
Total Accumulated Depreciation	(16,310,315)	(931,098)	-	(17,241,413)
Total Capital Assets, being Depreciated, Net	26,146,198	(528,557)	-	25,617,641
Governmental Activities Capital Assets, Net	$ 27,510,789	$ 10,551,326	$ -	$ 38,062,115

Note 3: Detailed Notes on All Funds (Continued)

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

District Support Services	$ 21,546
Elementary and Secondary Regular Instruction	94,766
Vocational Education Instruction	10,130
Community Education and Services	1,424
Pupil Support Services	11,696
Sites and Buildings	92,724
Unallocated Depreciation	698,812
Total Depreciation Expense - Governmental Activities	$ 931,098

Construction Commitments

As of June 30, 2017, the District has a signed contract in place for the following construction projects. The following summarizes those commitments:

Project	Spent to date	Remaining Commitment
General Construction Project	$ 11,971,410	$ 9,266,723
Track and Artificial Turf Project	377,244	973,979
Total	$ 12,348,654	$ 10,240,702

D. Short-Term Debt

Short-Term Indebtedness

The District issued a General Obligation Aid Anticipation Certificate due within one year. The Certificate is an aid for the District to provide assistance to meet school related expenditures. The balance incurred interest at 2.00 percent and matured on September 22, 2016.

The District issued a line of credit with United Prairie Bank, with a maximum amount of $900,000. The line of credit was issued to provide financing for cash flow purposes. The balance incurred interest at .75% above prime, which, at the time of issuance, was 4.5% per annum. As of June 30, 2017, the District paid a total of $901 in interest expense.

The following is the activity for all short-term indebtedness for fiscal year 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Aid anticipation certificates	$ 1,300,000	$ -	$ (1,300,000)	$ -
Line of credit	-	200,000	(200,000)	-
	$ 1,300,000	$ 200,000	$ (1,500,000)	$ -

Note 3: Detailed Notes on All Funds (Continued)

E. Long-Term Liabilities

Capital Lease Payable

In 2006, the District entered into a lease agreement as lessee for financing the acquisition of improvements necessary to make the District's buildings more energy efficient. In 2017, the District entered into a lease agreement as lessee for financing the acquisition of the track and turf additions. These lease agreements qualify as capital leases for accounting purposes and, therefore have been recorded at the present value of the future minimum lease payments as of the date of its inception.

Capital leases currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	Due Within One Year
Wells Fargo Public Finance						
Energy Finance Lease	$ 601,651	4.94 %	04/05/06	12/01/20	$ 248,422	$ 54,812
Bremer Bank						
2017 Lease Purchase	857,000	2.76	04/20/17	02/01/27	857,000	80,189
Total Leases Payable					$ 1,105,422	$ 135,001

Assets related to the outstanding lease obligations are as follows:

Asset	
Energy efficiency	$ 601,651
Less: Accumulated depreciation	(126,428)
Total Energy Efficiency Asset	475,223
Track and turf	377,244
Total Assets	$ 852,467

Note 3: Detailed Notes on All Funds (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, are as follows:

Year Ending June 30,	Total
2018	$ 165,151
2019	168,151
2020	171,151
2021	167,938
2022	98,067
2023-2027	490,332
Total Minimum Lease Payments	1,260,790
Less: Amount Representing Interest	(155,368)
Present Value of Minimum Lease Payments	$ 1,105,422

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund general obligation bonds and to fund the District's Post-Employment Benefits trust.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year-End
G.O. Capital Facilities Bonds 2012	$ 1,395,000	0.40 - 2.15%	08/01/12	02/01/23	$ 860,000
G.O. Taxable OPEB Bonds 2009	2,220,000	1.50 - 5.10	07/30/09	02/01/22	1,075,000
G.O. School Building Bonds 2016A	20,390,000	2.00 - 5.00	02/11/16	02/01/36	20,390,000
G.O. Facilities Maintenance Bonds 2017A	580,000	2.00	04/20/17	02/01/23	580,000
Total G.O. Bonds					$ 22,905,000

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable					
General obligation bonds	$ 24,180,000	$ 580,000	$ (1,855,000)	$ 22,905,000	$ 970,000
Bond premium	1,622,151	-	(33,795)	1,588,356	-
Total Bonds Payable	25,802,151	580,000	(1,888,795)	24,493,356	970,000
Capital lease payable	298,748	857,000	(50,326)	1,105,422	135,001
Pension liability					
TRA	7,744,858	22,849,379	(492,526)	30,101,711	-
PERA	1,523,661	1,026,227	(138,395)	2,411,493	-
Compensated absences payable	1,018,017	118,009	(93,386)	1,042,640	-
Governmental Activity Long-Term Liabilities	$ 36,387,435	$ 25,430,615	$ (2,663,428)	$ 59,154,622	$ 1,105,001

The Debt Service fund has typically been used to liquidate the general obligation bond and capital lease payable obligations. The General fund has typically been used to liquidate the pension liability as well as the compensated absences payable obligation.

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds Principal	Interest	Total
2018	$ 970,000	$ 776,134	$ 1,746,134
2019	1,035,000	755,735	1,790,735
2020	1,065,000	730,480	1,795,480
2021	1,140,000	703,575	1,843,575
2022	1,175,000	667,838	1,842,838
2023 - 2027	5,415,000	2,700,425	8,115,425
2028 - 2032	6,270,000	1,460,676	7,730,676
2033 - 2036	5,835,000	379,500	6,214,500
Total	$ 22,905,000	$ 8,174,363	$ 31,079,363

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At June 30, 2017, portions of the District's fund balance are not available for appropriation due to not being in spendable form (Nonspendable) and legal restrictions (Restricted). The following schedule summarizes the components of fund balances based on GASB 54 reporting standards:

	General	Debt Service	Capital Projects	Other Governmental Funds	Total
Nonspendable					
Prepaid items	$ 35,815	$ -	$ -	$ -	$ 35,815
Inventory	-	-	-	15,219	15,219
Total Nonspendable	$ 35,815	$ -	$ -	$ 15,219	$ 51,034
Restricted for					
Operating Capital	$ 2,280	$ -		$ -	$ 2,280
Debt Service	-	344,536	-	56,751	401,287
Building Construction	-	-	10,034,558	-	10,034,558
Longterm Facilities Maintenance	-	-	301,685	-	301,685
Food Service	-	-	-	257,919	257,919
Early Childhood Family Education	-	-	-	1,091	1,091
Community Service	-	-	-	213,394	213,394
Total Restricted	$ 2,280	$ 344,536	$ 10,336,243	$ 529,155	$ 11,212,214
Unassigned	$ 629,888	$ -	$ -	$ (140,002)	$ 489,886

Note 3: Detailed Notes on All Funds (Continued)

The UFARS fund balance reporting standards are slightly different than the reporting standards under GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is a reconciliation between the fund balances reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Restricted for			
Operating Capital	$ 2,280	$ -	$ 2,280
Long Term Facilities Maintenance (General Fund)	-	(38,391)	(38,391)
Debt Service	401,287	-	401,287
Building Construction	10,034,558	-	10,034,558
Long Term Facilities Maintenance (Building Fund)	301,685	-	301,685
Food Service	257,919	-	257,919
Early Childhood Family Education	1,091	-	1,091
Community Education	-	(130,807)	(130,807)
School Readiness	-	(9,195)	(9,195)
Community Service	213,394	-	213,394
Total Restricted	$ 11,212,214	$ (178,393)	$ 11,033,821
Assigned to			
School to Career Opportunities			
Partnership Endeavor	$ -	$ 17,064	$ 17,064
Wildcat Clothing	-	9,640	9,640
SCOPE	-	6,511	
Total Assigned	$ -	$ 33,215	$ 26,704
Unassigned	$ 489,886	$ 145,178	$ 635,064

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.

Restricted for Long Term Facilities Maintenance - This amount represents resources available for maintaining facilities.

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Debt Service - This amount represents available resources dedicated exclusively for debt service payments. Revenues are derived from tax levies and expenditures are for principal, interest and paying agent fees.

Restricted for Food Service - This amount represents restricted resources for community service stipulated by constitution, external resource providers, or through enabling legislation.

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 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. Any deficits can be eliminated by future tax levies and State aids.

Restricted for School Readiness - This amount represents available resources to provide services for learning readiness programs. Related to Finance Code 344, School Readiness, Minnesota statute 124D.16, includes aids, fees, grants and all other revenues received by the District.

Restricted for Community Service - This amount represents restricted resources for community service stipulated by constitution, external resource providers, or through enabling legislation.

G. Noncash Assistance - Commodities

Of the amount reported in the accompanying schedule of expenditures of federal awards included within the National School Lunch Program, of the commodities distribution, $66,389 represents noncash assistance comprised of the value of commodities issued to the District for the year.

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. Teacher 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 members, 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 City of St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by the Minnesota State College and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

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

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 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

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 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, which 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.

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

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, 2017, 2016 and 2015 were $545,444, $492,473 and $478,493. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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	$ 354,961,140
Deduct employer contributions not related to future contribution efforts	26,356
Deduct TRA's contributions not included in allocation	(442,978)
Total Employer Contributions	354,544,518
Total Non-Employer Contributions	35,587,410
Total Contributions Reported in Schedule of Employer and Non-Employer Allocations	$ 390,131,928

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

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

4. *Actuarial Assumptions*

The total pension liability in the June 30, 2016, 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	
Measurement Date	June 30, 2016
Valuation Date	July 1, 2016
Experience Study	June 5, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	4.66%
Wage Inflation	3.50%
Projected Salary Increase	3.50 - 9.5% - based on years of service
Cost of Living Adjustment	2.00%
Mortality Assumption	
Pre-retirement	RP 2014 white collar adjustment, male rates set back 6 years and female rates set back 5 years. Generation projection uses the MP-2015 scale.
Post-retirement	RP 2014white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generalational projection uses the MP-2015 scale.
Post-disability	RP 2014 disabled retiree mortality, without adjustment.

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 Expectec Real Rate of Return
Domestic Stocks	45.00 %	5.50 %
International Stocks	15.00	6.0
Bonds	18.00	1.45
Alternative Assets	20.00	6.40
Unallocated Cash	2.00	0.50
Total	100.00 %	

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

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2015 is 6.00 years. The "Difference Between Expected and Actual Experience" and "Changes of Assumptions" 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 over a period of 5 years as required by GASB 68.

5. Discount Rate

The discount rate used to measure the total pension liability was 4.66 percent. This is a decrease from the discount rate at the prior measurement date of 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2052 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the Municipal Bond Index Rate of 3.01 percent was applied to periods on and after 2052, resulting in a SEIR of 4.66 percent. Based on fiduciary net position at the prior year measurement date, the discount rate of 8.00 percent was used and it was not necessary to calculate the SEIR.

6. Net Pension Liability

On June 30, 2017, the District reported a liability of $30,101,711 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.1262 percent at the end of the measurement period and 0.1252 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	$ 30,101,711
State's Proportionate Share of Net Pension Liability Associated with the District	3,022,140

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date. Post-retirement benefit adjustments are now assumed to increase be 2.0 percent annually.

For the year ended June 30, 2017, the district recognized pension expense of $3,822,472. It also recognized $431,356 as an increase to pension expense for the support provided by direct aid.

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

On June 30, 2017, 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	$ 314,983	$ 839
Net Difference between Projected and Actual Earnings on Plan Investments	1,301,315	-
Changes of Assumptions	17,145,453	-
Changes in Proportion	46,933	201,642
Contributions to TRA Subsequent to the Measurement Date	545,444	-
Total	$ 19,354,128	$ 202,481

Deferred outflows of resources totaling $545,444 related to pensions resulting from the District's 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, 2018. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2018	$ (3,654,409)
2019	(3,654,409)
2020	(4,105,682)
2021	(3,853,489)
2022	(3,338,214)

7. Pension Liability Sensitivity

The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 4.66 percent as well as the liability measured using one percent lower and one percent higher.

District Proportionate Share of NPL		
1 Percent Decrease (3.66%)	Current (4.66%)	1 Percent Increase (5.66%)
$ 38,778,528	$ 30,101,711	$ 23,034,727

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.

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

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.

2. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota 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 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded, or have fallen below 80.0 percent, are given 1.0 percent increases.

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. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

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

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 are required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in fiscal year 2017. In fiscal year 2017, the District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.50 percent for Coordinated Plan members. The District's contributions to the GERF for June 30, 2017, 2016 and 2015 were $156,130, $138,204 and $127,407. 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, 2017, the District reported a liability of $2,411,493 for 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 2016. 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 $31,403. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the District's proportion was 0.0297 percent which was an increase of 0.0003 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of $289,335 for its proportionate share of GERF's pension expense. In addition, the District recognized an additional $9,364 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, 2017, 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	$ 7,522	$ 195,898
Changes in Actuarial Assumptions	519,900	-
Net Difference between Projected and Actual Earnings on Plan Investments	268,987	-
Changes in Proportion	12,453	40,578
Contributions to GERF Subsequent to the Measurement Date.	156,130	-
Total	$ 964,992	$ 236,476

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

$156,130 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2018	$ (151,742)
2019	(97,233)
2020	(236,309)
2021	(87,102)

5. *Actuarial Assumptions*

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

Inflation	2.5% 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. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for all future years for the GERF.

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

The following changes in actuarial assumptions occurred in 2016:

GERF

- 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.

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:

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

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

Asset Class	Target Allocation	Long-Term Expectec Real Rate of Return
Domestic Stocks	45.00 %	5.50 %
International Stocks	15.00	6.00
Bonds	18.00	1.45
Alternative Assets	20.00	6.40
Cash	2.00	0.50
Total	100.00 %	

6. *Discount Rate*

The discount rate used to measure the total pension liability was 7.5 percent, a reduction from the 7.90 percent used in 2015. 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%)
$ 3,425,034	$ 2,411,493	$ 1,576,610

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: 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, 2017, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	15
Inactive Plan Members Entitles to but not yet Receiving Benefit Payments	-
Avitve Plan Members	206
Total Plan Members	221

B. Funding Policy

Contribution requirements are also negotiated between the District and union representatives. The District contributes a predetermined portion of the cost of current-year premiums for eligible retired plan members and their spouses based on the employment contract in effect at the time of retirement. For fiscal year 2017, the District contributed $126,246 to the Plan.

C. Investments

The District's policy in regards to the allocation of invested assets is established and may be amended by the School Board. The following was the District's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation
Domestic Equity	33.00 %
Fixed Income	50.00
International Equity	17.00
Total	100.00 %

Information regarding the concentration of investments and other investment policies of the District, can be found in Note 3 of this report.

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 9.40 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 5: Postemployment Benefits other than Pensions

D. Actuarial Methods and Assumptions

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016.

The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.40%
Expected Long-Term Investment Return	4.30%, net of investment expense
20-Year Municpal Bond Yeild	2.90%
Inflation Rate	2.50%
Salary Increases	3.00%
Medical Trend Rate	6.75% in 2016 grading to 5% over 7 years

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale. The actuarial assumptions used in the June 30, 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.

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	5.20 %
Fixed Income	3.40
International Equity	5.20

The discount rate used to measure the total OPEB liability was 3.40 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate.

Note 5: Postemployment Benefits other than Pensions

E. Sensitivity of the Net OPEB Liability

The following presents the net OPEB liability of the School, as well as what the School's net 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 (2.4%)	Current (3.4%)	1 Percent Decrease (4.4%)
$ 82,815	$ (5,702)	$ (92,427)

The following presents the net OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using a Healthcare Cost Trent Rates that is 1-percentage point lower (5.75 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.75 percent increasing to 6.00 percent) than the current discount rate:

1 Percent Decrease (5.75% decreasing to 4%)	Healthcare Cost Trend Rates (6.75% decreasing to 5%)	1 Percent Increase (7.75% decreasing to 6%)
$ (132,057)	$ (5,702)	$ 139,992

F. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2016	$ 1,721,965	$ 1,702,287	$ 19,678
Changes for the Year:			
Service cost	75,739	-	75,739
Interset	58,994	-	58,994
Net investment income	-	73,198	(73,198)
Differences between expected and actual experience	-	86,915	(86,915)
Benefit payments	(126,246)	(126,246)	-
Net Changes	8,487	33,867	(25,380)
Balances at June 30, 2017	$ 1,730,452	$ 1,736,154	$ (5,702)
Plan fiduciary net postion as a percentage of the total OPEB liability	100.33 %		

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 2000 projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 also were updated.
- The discount rate was changed from 5.50% to 3.40%.

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

- Principals with 20 or more years of service at retirement no longer have post-retirement benefit increases. The district contribution is frozen at the time of retirement.
- The annual district contribution for the Payroll/HR/Finance Officer increased from $2,400 to the full single premium plus VEBA contribution.
- A subsidy was added for the Administrative Assistant/Student Management System Coordinator that is the same as the Payroll/HR/Finance Officer.

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

For the year ended June 30, 2017, the District recognized OPEB expense of $44,152. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between Projected and Actual Earnings on Plan Investments	$ 69,532	$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2018	$ (17,383)
2019	(17,383)
2020	(17,383)
2021	(17,383)

Note 6: 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 commercial insurance. Settled claims have not exceeded this commercial 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.

B. Federal and State Programs

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

Note 7: Change in Accounting Principle

During fiscal year 2017, the District implemented several new accounting pronouncements issued by the Government Accounting Standards Board (GASB), including Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and 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, 2016 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, 2016 balances to the June 30, 2017 financial statements:

	June 30, 2017		
Fund	Net Position June 30, 2016 as Previously Reported	Prior Period Restatement (1)	Net Position July 1, 2016 as Restated
Governmental Activities	$ 14,500,503	$ (1,582,089)	$ 12,918,414

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

Independent School District No. 345
New London, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2017

A. Schedule of Changes in the District's Net OPEB Liability and Related Ratios

	2017
Total OPEB liability	
Service cost	$ 75,739
Interest	58,994
Benefit payments	(126,246)
Net change in total OPEB liability	8,487
Total OPEB liability - beginning	1,721,965
Total OPEB liability - ending (a)	$ 1,730,452
Plan fiduciary net postion	
Net investment income	$ 160,113
Benefit payments	(126,246)
Net change in plan fiduciary net position	33,867
Total plan fiduciary net position - beginning	1,702,287
Total plan fiduciary net position - ending (b)	$ 1,736,154
District's net OPEB liability (asset) - ending (a) - (b)	$ (5,702)
Plan fiduciary net postion as a percentage of the total OPEB liability	99.67 %
Covered - employee payroll	$ 8,781,780
School's net OPEB liability (asset) as a percentage of covered employee payroll	0.06 %

Benefit changes:

In 2017, the following benefit changes occurred:

Principals with 20 or more years of service at retirement no longer have post-retirement benefit increases. The district contribution is frozen at the time of retirement.

The annual district contribution for the Payroll/HR/Finance Officer increased from $2,400 to the full single premium plus VEBA contribution.

A subsidy was added for the Administrative Assistant/Student Management System Coordinator that is the same as the Payroll/HR/Finance Officer.

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 2000 projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.

The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 also were updated.

The discount rate was changed from 5.50% to 3.40%.

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

Independent School District No. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2017

B. Schedule of the District's Contributions

	2017
Contractually Required Employer Contribution	$ 126,246
Contributions in Relation to the Contractually Required Employer Contribution	126,246
Contribution Deficiency (Excess)	$ -
Covered - Employee Payroll	$ 8,781,780
Contributions as a Percentage of Covered Employee Payroll	1.44 %

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

C. Schedule Of Investment Returns

	2017
Annual Money-Weighted Rate of Return, Net of Investment Expense	9.40 %

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

The following schedules present trend information about the amounts contributed to the TRA and PERA plans by the District:

D. Schedule of Employer's Share of Teachers Retirement Association Net Pension Liability

Required Supplementary Information

Year	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
2016	0.1262 %	$ 30,101,711	$ 3,022,140	$ 33,123,851	$ 6,566,307	458.4 %	44.9 %
2015	0.1252	7,744,858	950,272	8,695,130	6,466,122	119.8	76.8
2014	0.1339	6,170,016	433,993	6,604,009	5,859,425	105.3	81.5

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

E. Schedule of Employer's Teachers Retirement Association Contributions

Required Supplementary Information

Year	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)
2017	$ 545,444	$ 545,444	$ -	$ 7,272,587	7.5 %
2016	492,473	492,473	-	6,566,307	7.5
2015	478,493	478,493	-	6,466,122	7.4
2014	427,738	427,738		5,859,425	7.3

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

Notes to the Required Supplementary Information - TRA

Changes in Actuarial 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. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2017

F. Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability

Required Supplementary Information

Year	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 - Employee Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered - Employee Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0297 %	$ 2,411,493	$ 31,403	$ 2,442,896	$ 1,842,720	130.9 %	68.9 %
2015	0.0294	1,523,661	-	1,523,661	1,698,760	89.7	78.2
2014	0.0309	1,451,527	-	1,451,527	1,681,243	86.3	78.7

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

G. Schedule of Employer's Public Employees Retirement Association Contributions

Required Supplementary Information

Year	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)
2017	$ 156,130	$ 156,130	$ -	$ 2,081,733	7.5 %
2016	138,204	138,204	-	1,842,720	7.5
2015	127,407	127,407	-	1,698,760	7.5
2014	117,687	117,687	-	1,681,243	7.0

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

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

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.

Independent School District No. 345
New London, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue		Debt Service	
	Food Service	Community Service	OPEB	Total
Assets				
Cash and temporary investments	$ 285,152	$ 144,333	$ 183,865	$ 613,350
Receivables				
Taxes	-	70,174	122,341	192,515
Accounts	11,081	-	-	11,081
Due from Department of Education	6,615	8,461	285	15,361
Inventory	15,219	-	-	15,219
Total Assets	$ 318,067	$ 222,968	$ 306,491	$ 847,526
Liabilities				
Accounts and other payables	$ 15,260	$ 2,337	$ -	$ 17,597
Due to other governments	-	252	-	252
Unearned revenue	29,669	2,480	-	32,149
Total Liabilities	44,929	5,069	-	49,998
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	-	1,784	3,062	4,846
Property taxes levied for subsequent year	-	141,632	246,678	388,310
Total Deferred Inflows of Resources	-	143,416	249,740	393,156
Fund Balances				
Nonspendable	15,219	-	-	15,219
Restricted	257,919	214,485	56,751	529,155
Unassigned	-	(140,002)	-	(140,002)
Total Fund Balances	273,138	74,483	56,751	404,372
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 318,067	$ 222,968	$ 306,491	$ 847,526

Independent School District No. 345
New London, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Special Revenue		Debt Service	
	Food Service	Community Service	OPEB	Total
Revenues				
Local property tax levies	$ -	$ 146,280	$ 251,049	$ 397,329
Other local and county revenue				
Interest earned on investments	1,925	870		2,795
Other	-	592,002	-	592,002
Revenue from state sources	65,790	99,508	2,840	168,138
Revenue from federal sources	356,665	-	-	356,665
Sales of food and other assets	497,161	-	-	497,161
Total Revenues	921,541	838,660	253,889	2,014,090
Expenditures				
Current				
Community education and services	-	844,841	-	844,841
Pupil support services	802,796	-	-	802,796
Total Current Expenditures	802,796	844,841	-	1,647,637
Capital outlay				
Community education and services	-	11,751	-	11,751
Pupil support services	50,839	-	-	50,839
Total Capital Outlay	50,839	11,751	-	62,590
Debt service				
Principal	-	-	190,000	190,000
Interest and other charges	-	-	60,255	60,255
Total Debt Service	-	-	250,255	250,255
Total Expenditures	853,635	856,592	250,255	1,960,482
Excess (Deficiency) of Revenues over (Under) Expenditures	67,906	(17,932)	3,634	53,608
Net Change in Fund Balances	67,906	(17,932)	3,634	53,608
Fund Balances, July 1	205,232	92,415	53,117	350,764
Fund Balances, June 30	$ 273,138	$ 74,483	$ 56,751	$ 404,372

Independent School District No. 345
New London, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Pages)
For the Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017 Budgeted Amounts Original	2017 Budgeted Amounts Final	2017 Actual Amounts	2017 Variance With Final Budget	2016 Actual Amounts
Revenues					
Local property tax levies	$ 1,941,169	$ 1,936,422	$ 1,937,084	$ 662	$ 1,656,983
Other local and county revenue					
Interest income on investments	4,000	16,000	3,854	(12,146)	2,922
Other	339,578	492,295	546,749	54,454	423,123
Revenue from state sources	12,268,144	13,096,388	13,215,682	119,294	11,803,612
Revenue from federal sources	338,629	365,377	386,140	20,763	356,396
Total Revenues	14,891,520	15,906,482	16,089,509	183,027	14,243,036
Expenditures					
Current expenditures					
Administration					
Salaries	635,689	645,965	651,761	(5,796)	620,572
Fringe benefits	240,528	244,694	228,974	15,720	217,938
Purchased services	9,169	12,018	11,032	986	10,632
Supplies and materials	1,550	1,360	2,781	(1,421)	1,195
Other	21,000	20,750	22,971	(2,221)	20,222
Total Administration	907,936	924,787	917,519	7,268	870,559
District support services					
Salaries	208,933	308,810	291,841	16,969	190,361
Fringe benefits	153,558	170,818	122,606	48,212	118,737
Purchased services	152,839	160,800	154,913	5,887	171,004
Supplies and materials	30,000	25,150	23,937	1,213	19,611
Other	20,500	22,500	18,794	3,706	19,109
Total District Support Services	565,830	688,078	612,091	75,987	518,822
Elementary and secondary regular instruction					
Salaries	4,738,395	5,078,177	5,176,246	(98,069)	4,598,873
Fringe benefits	1,484,157	1,385,862	1,480,320	(94,458)	1,313,884
Purchased services	405,225	420,120	323,210	96,910	383,386
Supplies and materials	261,525	336,366	332,723	3,643	184,284
Other	5,300	5,350	5,756	(406)	4,780
Total Elementary and Secondary Regular Instruction	6,894,602	7,225,875	7,318,255	(92,380)	6,485,207
Vocational education instruction					
Salaries	222,123	245,013	247,374	(2,361)	207,811
Fringe benefits	59,705	68,837	62,425	6,412	50,069
Purchased services	4,635	5,402	6,290	(888)	2,454
Supplies and materials	17,900	16,975	22,152	(5,177)	12,909
Total Vocational Education Instruction	304,363	336,227	338,241	(2,014)	273,243

Independent School District No. 345
New London, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017 Budgeted Amounts Original	2017 Budgeted Amounts Final	2017 Actual Amounts	2017 Variance With Final Budget	2016 Actual Amounts
Expenditures (Continued)					
Current expenditures (continued)					
Special education instruction					
Salaries	$ 1,684,112	$ 1,815,074	$ 1,742,539	$ 72,535	$ 1,603,459
Fringe benefits	595,908	610,367	612,328	(1,961)	534,883
Purchased services	268,233	321,080	356,276	(35,196)	328,327
Supplies and materials	28,255	14,405	11,656	2,749	28,490
Total Special Education Instruction	2,576,508	2,760,926	2,722,799	38,127	2,495,159
Instructional support services					
Salaries	286,850	300,440	313,181	(12,741)	250,894
Fringe benefits	44,048	51,862	50,711	1,151	38,540
Purchased services	43,363	50,500	42,385	8,115	82,449
Supplies and materials	17,550	13,850	12,917	933	12,933
Total Instructional Support Services	391,811	416,652	419,194	(2,542)	384,816
Pupil support services					
Salaries	276,441	269,192	223,107	46,085	224,245
Fringe benefits	56,242	55,284	61,107	(5,823)	48,500
Purchased services	958,900	1,143,356	1,151,750	(8,394)	1,033,816
Supplies and materials	12,050	12,450	23,800	(11,350)	16,935
Total Pupil Support Services	1,303,633	1,480,282	1,459,764	20,518	1,323,496
Sites and buildings					
Salaries	356,699	379,587	365,622	13,965	351,302
Fringe benefits	132,861	140,053	119,287	20,766	92,777
Purchased services	529,138	493,429	581,132	(87,703)	527,391
Supplies and materials	152,000	176,000	193,545	(17,545)	133,884
Other	4,000	4,000	4,859	(859)	3,769
Total Sites and Buildings	1,174,698	1,193,069	1,264,445	(71,376)	1,109,123
Fiscal and other fixed cost programs					
Purchased services	60,000	57,824	54,810	3,014	56,089
Total Current Expenditures	14,179,381	15,083,720	15,107,118	(23,398)	13,516,514

Independent School District No. 345
New London, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017 Budgeted Amounts Original	2017 Budgeted Amounts Final	2017 Actual Amounts	2017 Variance With Final Budget	2016 Actual Amounts
Expenditures (Continued)					
Capital outlay					
Elementary and secondary					
Regular instruction	$ 203,603	$ 321,750	$ 337,769	$ (16,019)	$ 352,591
Vocational education instruction	-	3,900	5,533	(1,633)	3,175
Special education instruction	-	4,828	6,565	(1,737)	803
Pupil support services	15,000	1,000	-	1,000	14,346
Sites and buildings	268,725	296,255	305,419	(9,164)	193,336
Total Capital Outlay	487,328	627,733	655,286	(27,553)	564,251
Debt service					
Principal	48,051	50,326	50,326	-	46,051
Interest and other charges	26,033	21,758	19,870	1,888	51,288
Total Debt Service	74,084	72,084	70,196	1,888	97,339
Total Expenditures	14,740,793	15,783,537	15,832,600	(49,063)	14,178,104
Excess of Revenues over Expenditures	150,727	122,945	256,909	133,964	64,932
Other Financing Sources					
Premium on short-term borrowing	18,500	-	-	-	18,486
Net Change in Fund Balances	169,227	122,945	256,909	133,964	83,418
Fund Balances, July 1	411,074	411,074	411,074	-	327,656
Fund Balances, June 30	$ 580,301	$ 534,019	$ 667,983	$ 133,964	$ 411,074

Independent School District No. 345
New London, Minnesota
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017 Budgeted Amounts Original	2017 Budgeted Amounts Final	2017 Actual Amounts	2017 Variance with Final Budget	2016 Actual Amounts
Revenues					
Other local and county revenue					
Interest earned on investments	$ -	$ -	$ 1,925	$ 1,925	$ 1,081
Revenue from state sources	64,000	64,000	65,790	1,790	68,405
Revenue from federal sources	304,000	304,000	356,665	52,665	345,301
Sales of food and other assets	407,000	463,614	497,161	33,547	449,951
Total Revenues	775,000	831,614	921,541	89,927	864,738
Expenditures					
Current					
Pupil support services					
Salaries	190,000	191,000	197,069	(6,069)	182,968
Employee benefits	95,000	95,414	99,283	(3,869)	87,603
Purchased services	48,200	48,400	53,780	(5,380)	50,406
Supplies and materials	425,000	444,800	451,029	(6,229)	428,014
Other	1,800	2,000	1,635	365	2,065
Total Current Expenditures	760,000	781,614	802,796	(21,182)	751,056
Capital outlay					
Pupil support services	15,000	50,000	50,839	(839)	30,143
Total Expenditures	775,000	831,614	853,635	(22,021)	781,199
Net Change in Fund Balances	-	-	67,906	67,906	83,539
Fund Balances, July 1	205,232	205,232	205,232	-	121,693
Fund Balances, June 30	$ 205,232	$ 205,232	$ 273,138	$ 67,906	$ 205,232

Independent School District No. 345
New London, Minnesota
Community Service Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017				2016
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	$ 147,146	$ 147,146	$ 146,280	$ (866)	$ 147,228
Other local and county revenue					
Interest earned on investments	-	-	870	870	1,005
Other	599,375	611,590	592,002	(19,588)	617,821
Revenue from state sources	63,479	63,479	99,508	36,029	56,070
Total Revenues	810,000	822,215	838,660	16,445	822,124
Expenditures					
Current					
Community education and services					
Salaries	508,087	499,611	544,723	(45,112)	527,409
Employee benefits	115,538	126,489	132,209	(5,720)	130,123
Purchased services	139,100	136,100	124,240	11,860	143,414
Supplies and materials	41,975	47,215	43,076	4,139	39,464
Other	600	600	593	7	593
Total Current Expenditures	805,300	810,015	844,841	(34,826)	841,003
Capital outlay					
Community education and services	4,700	12,200	11,751	449	1,860
Total Expenditures	810,000	822,215	856,592	(34,377)	842,863
Net Change in Fund Balances	-	-	(17,932)	(17,932)	(20,739)
Fund Balances, July 1	92,415	92,415	92,415	-	113,154
Fund Balances, June 30	$ 92,415	$ 92,415	$ 74,483	$ (17,932)	$ 92,415

Independent School District No. 345
New London, Minnesota
Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017				2016
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	$ 2,504,854	$ 1,812,402	$ 1,812,402	$ -	$ 1,778,810
Other local and county revenue					
Interest earned on investments	1,000	1,201	8,451	7,250	987
Revenue from state sources	22,000	19,000	20,480	1,480	21,586
Total Revenues	2,527,854	1,832,603	1,841,333	8,730	1,801,383
Expenditures					
Debt service					
Principal	1,665,000	1,665,000	1,665,000	-	1,600,000
Interest and other charges	742,482	742,412	742,412	-	93,960
Total Expenditures	2,407,482	2,407,412	2,407,412	-	1,693,960
Excess (Defeciency) of Revenues over (Under) Expenditures	120,372	(574,809)	(566,079)	8,730	107,423
Other Financing Sources					
Bonds issued	-	-	9,054	9,054	683,008
Net Change in Fund Balances	120,372	(574,809)	(557,025)	17,784	790,431
Fund Balances, July 1	901,561	901,561	901,561	-	111,130
Fund Balances, June 30	$ 1,021,933	$ 326,752	$ 344,536	$ 17,784	$ 901,561

Independent School District No. 345
New London, Minnesota
OPEB Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017				2016
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	$ 200,000	$ 250,000	$ 251,049	$ 1,049	$ 249,266
Revenue from state sources	-	-	2,840	2,840	3,024
Total Revenues	200,000	250,000	253,889	3,889	252,290
Expenditures					
Debt service					
Principal	190,000	190,000	190,000	-	180,000
Interest and other	10,000	60,000	60,255	(255)	67,455
Total Expenditures	200,000	250,000	250,255	(255)	247,455
Net Change in Fund Balances	-	-	3,634	3,634	4,835
Fund Balances, July 1	53,117	53,117	53,117	-	48,282
Fund Balances, June 30	$ 53,117	$ 53,117	$ 56,751	$ 3,634	$ 53,117

Independent School District No. 345
New London, Minnesota
Building Construction Capital Projects Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017				2016
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Other local and county revenue					
Interest earned on investments	$ -	$ -	$ 167,388	$ 167,388	$ 4,578
Expenditures					
Capital outlay					
Sites and buildings	8,000,000	13,000,000	11,060,049	1,939,951	1,268,772
Debt service					
Interest and other charges	-	-	5,344	(5,344)	-
Bond issuance costs	-	-	40,759	(40,759)	261,157
Total Expenditures	8,000,000	13,000,000	11,106,152	1,893,848	1,529,929
Deficiency of Revenues under Expenditures	(8,000,000)	(13,000,000)	(10,938,764)	2,061,236	(1,525,351)
Other Financing Sources					
Premium on bonds issued	-	-	8,755	8,755	1,656,665
Bonds issued	-	120,000	1,427,946	1,307,946	19,706,992
Total Other Financing Sources	-	120,000	1,436,701	1,316,701	21,363,657
Net Change in Fund Balances	(8,000,000)	(12,880,000)	(9,502,063)	3,377,937	19,838,306
Fund Balances, July 1	19,838,306	19,838,306	19,838,306	-	-
Fund Balances, June 30	$ 11,838,306	$ 6,958,306	$ 10,336,243	$ 3,377,937	$ 19,838,306

Independent School District No. 345
New London, Minnesota
Private-Purpose Trusts - Scholarships Fund
Schedule of Changes in Fiduciary Net Position - Budget and Actual
For the Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017 Budgeted Amounts Original	2017 Budgeted Amounts Final	2017 Actual Amounts	2017 Variance with Final Budget	2016 Actual Amounts
Additions					
Contributions and donations	$ 20,000	$ 20,000	$ 57,834	$ 37,834	$ 32,923
Inestment income					
Interest and dividends	-	-	159	159	166
Total Additions	20,000	20,000	57,993	37,993	33,089
Deductions					
Scholarship awards	20,000	15,000	45,658	(30,658)	38,908
Change in Net Position	-	5,000	12,335	7,335	(5,819)
Net Position, July 1	(4,073)	(4,073)	(4,073)	-	1,746
Net Position, June 30	$ (4,073)	$ 927	$ 8,262	$ 7,335	$ (4,073)

Independent School District No. 345
New London, Minnesota
OPEB Trust Fund
Schedule of Changes in Fiduciary Net Position - Budget and Actual
For the Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017 Budgeted Amounts Original	2017 Budgeted Amounts Final	2017 Actual Amounts	2017 Variance with Final Budget	2016 Actual Amounts
Additions					
Investment income					
Net increase (decrease) in fair value of investments	$ -	$ -	$ 39,617	$ 39,617	$ (22,639)
Interest and dividends	251,049	251,049	120,496	(130,553)	61,903
Total Additions	251,049	251,049	160,113	(90,936)	39,264
Deductions					
OPEB health insurance benefits	250,255	250,255	126,246	124,009	192,849
Change in Net Position	794	794	33,867	33,073	(153,585)
Net Position, July 1	1,702,287	1,702,287	1,702,287	-	1,855,872
Net Position, June 30	$ 1,703,081	$ 1,703,081	$ 1,736,154	$ 33,073	$ 1,702,287

Independent School District No. 345
New London, Minnesota
Agency Funds
Combining Schedule of Changes in Assets and Liabilities
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Student Activities				
Assets				
Cash and temporary investments	$ 175,651	$ 534,389	$ 520,944	$ 189,096
Liabilities				
Accounts payable	$ 175,651	$ 534,389	$ 520,944	$ 189,096
PTO				
Assets				
Cash and temporary investments	$ 17,144	$ -	$ 17,144	$ -
Liabilities				
Accounts payable	$ 17,144	$ -	$ 17,144	$ -
Total Agency Funds				
Assets				
Cash and temporary investments	$ 192,795	$ 534,389	$ 538,088	$ 189,096
Liabilities				
Accounts payable	$ 192,795	$ 534,389	$ 538,088	$ 189,096

Fiscal Compliance Report - 6/30/2017
District: NEW LONDON-SPICER (345-1)

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$16,089,509	$16,089,506	$3
Total Expenditures	$15,832,600	$15,832,600	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$35,815	$35,816	($1)
Restricted Reserved:			
4.03 Staff Development	$0	$0	$0
4.06 Health and Safety	$0	$0	$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	$2,280	$2,279	$1
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
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	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.45 Career Tech Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$0	$0	$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
4.67 LTFM	($38,391)	($38,394)	$3
4.72 Medical Assistance	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$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	$33,215	$33,216	($1)
Unassigned:			
4.22 Unassigned Fund Balance	$635,064	$635,062	$2
02 FOOD SERVICES			
Total Revenue	$921,541	$921,541	$0
Total Expenditures	$853,635	$853,636	($1)
Non Spendable:			

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$167,388	$167,388	$0
Total Expenditures	$11,106,152	$11,106,150	$2
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	$301,685	$301,685	$0
Restricted:			
4.64 Restricted Fund Balance	$10,034,558	$10,034,559	($1)
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$1,841,333	$1,841,331	$2
Total Expenditures	$2,407,412	$2,407,412	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$344,536	$344,535	$1
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$57,993	$57,993	$0
Total Expenditures	$45,658	$45,659	($1)
4.22 Unassigned Fund Balance (Net Assets)	$8,262	$8,262	$0
20 INTERNAL SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
45 OPEB IRREVOCABLE TRUST			
Total Revenue	$160,113	$160,113	$0
Total Expenditures	$126,246	$126,246	$0
4.22 Unassigned Fund Balance (Net Assets)	$1,736,154	$1,736,154	$0

Minnesota Department of Education

4.60 Non Spendable Fund Balance	$15,219	$15,219	$0
Restricted Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$257,919	$257,919	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$838,660	$838,657	$3
Total Expenditures	$856,592	$856,590	$2
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	($130,807)	($130,806)	($1)
4.32 E.C.F.E	$1,091	$1,091	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	($9,195)	($9,197)	$2
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$213,394	$213,394	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

47 OPEB DEBT SERVICE

Total Revenue	$253,889	$253,889	$0
Total Expenditures	$250,255	$250,255	$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	$56,751	$56,751	$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 Board of Education
Independent School District No. 345
New London, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 345 (the District), New London, Minnesota as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2017.

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
Minneapolis, Minnesota
November 8, 2017

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ABDO
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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 Board of Education
Independent School District No. 345
New London, 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. 345 (the District), Minnesota, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2017.

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. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

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 are required to be reported under *Government Auditing Standards.*

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The District's Responses to Findings

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

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
Minneapolis, Minnesota
November 8, 2017

People
+Process
Going
Beyond the
Numbers

Independent School District No. 345
New London, Minnesota
Schedule of Findings and Responses
For the Year Ended June 30, 2017

Finding	Description
2017-001	**Preparation of Financial Statements**
Condition:	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Board of Education as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
Criteria:	Internal controls should be in place to provide reasonable assurance over financial reporting.
Cause:	From a practical standpoint we draft the financial statements, as well as audit the financial statements. This is not unusual for us to do with an organization of your size.
Effect:	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
Recommendation:	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the District is reviewing the financial statements we recommend that a disclosure checklist be utilized to ensure all required disclosures are presented and the District should agree its financial software to the numbers reported in the financial statements.

Management response:

For now, the District's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

People + Process. Going Beyond the Numbers

Independent School District No. 345
New London, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2017

Finding	Description
2017-002	**Limited Segregation of Duties**
Condition:	During our audit, we reviewed procedures within each of the District's major transaction cycles and found the District to have limited segregation of duties in those transaction cycles.
Criteria:	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities
Cause:	The District has a limited number of staff to properly segregate duties in each of the major transaction cycles.
Effect:	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in segregation of duties and internal controls can result in undetected errors or misappropriation of assets of the District.
Recommendation:	We recommend the District continue to review and analyze its internal controls, at a minimum annually, and implement any changes and compensating controls considered necessary.

Management response:

There is no disagreement with the audit finding. The District reviews and makes improvements to its internal control structure on an ongoing basis and attempts to maximize the segregation of duties in all areas with the limits of the staff available. However, the District does not consider it cost beneficial at this time to increase the size of its staff in order to further segregate accounting functions.

People + Process. Going Beyond the Numbers

NLS
New London-Spicer Community Schools
Paul Carlson, Superintendent
District No. 0345 · 101 4th Avenue SW · New London, MN 56273
Telephone 320-354-2252 · FAX 320-354-9001
http://nls.k12.mn.us

Following is our response to findings in the audit as of June 30, 2017:

FINDING 2017-001:

We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Board of Education as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

The District will implement the appropriate internal controls to allow them to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

3. Official Responsible for Ensuring CAP:

Paul Carlson would be responsible for establishing procedures.

4. Planned Completion Date for CAP:

On-going

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring on an on-going basis.

Sincerely,

Paul Carlson
Superintendent
Independent School District No. 345
New London, Minnesota

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Following is our response to findings in the audit as of June 30, 2017:

FINDING 2017-002:

During our audit, we reviewed procedures within each of the District's major transaction cycles and found the District to have limited segregation of duties in those transaction cycles.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

The District understands the importance of segregating duties; however, due to cost-benefit limitations, the District's only remedy to this condition is to continue to monitor staff responsibilities.

3. Official Responsible for Ensuring CAP:

Paul Carlson would be responsible for establishing procedures.

4. Planned Completion Date for CAP:

On-going

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring on an on-going basis.

Sincerely,

Paul Carlson
Superintendent
Independent School District No. 345
New London, Minnesota

People + Process
Going Beyond the Numbers

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MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education, Advisors and Students
Independent School District No. 345
New London, 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. 345 (the District), New London, Minnesota, as of and for the year ended June 30, 2017.

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 opinions.

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, 2017, 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
Minneapolis, Minnesota
November 8, 2017

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Independent School District No. 345
New London, Minnesota
Student Activity Accounts
Statement of Changes in Assets and Liabilities (Continued On The Following Pages)
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Assets				
Cash and temporary investments				
High school				
General	$ 19,447	$ 17,382	$ 12,895	23,934
Baseball	6,231	3,420	6,255	3,396
Yearbook	2,668	11,019	13,687	-
Band	3,798	38,123	41,091	830
Cheerleading	1,623	11,019	11,785	857
Choir	3,070	14,602	12,927	4,745
FFA	2,186	49,614	45,079	6,721
Cross Country	495	300	384	411
Boys Basketball	-	6,127	6,118	9
Class of 2020	-	14,433	7,739	6,694
Class of 2019	5,985	4,546	2,612	7,919
Class of 2018	6,008	10,533	9,514	7,027
Class of 2017	7,521	3,187	10,707	1
Science	2,701	629	-	3,330
Letterman	576	15,116	13,629	2,063
Letterwoman	6,914	13,524	13,032	7,406
Drama	3,800	858	291	4,367
National Honors Society	5,055	2,836	2,198	5,693
Miscellaneous Athletics	6,020	15,883	15,263	6,640
Spanish	2,190	10,661	9,955	2,896
Student Council	4,211	4,101	4,116	4,196
Robotics	30	15,900	15,130	800
Summer Softball	485	950	1,010	425
Football	6,204	23,272	19,075	10,401
SWAT	-	1,800	1,800	-
Trap Shooting	2,232	12,175	12,290	2,117
Wood Shop	-	7,871	7,730	141
Ag Shop	247	2,401	2,572	76
Knowledge Bowl	220	-	220	-
Gymnastics	7,567	9,420	8,165	8,822
Volleyball	1,096	1,350	670	1,776
Danceline	6,655	4,587	6,315	4,927
Video Production	988	1,704	2,691	1
Tennis - Boys	462	1,913	1,565	810
Golf - Girls	9	-	-	9
Studio Art	6,132	2,869	3,378	5,623

Independent School District No. 345
New London, Minnesota
Student Activity Accounts
Statement of Changes in Assets and Liabilities (Continued)
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Assets (Continued)				
Cash and temporary investments (continued)				
High school - continued				
Food Service	$ 1,125	$ 516	$ 433	$ 1,208
Golf - Boys	111	-	31	80
German	729	840	852	717
SNAP Grant	1,103	-	416	687
PBIS	658	-	82	576
Total High School	126,552	335,480	323,702	138,330
Middle school				
General	1,517	8,343	8,857	1,003
Life Touch	549	3,159	2,807	901
Business Contributions	2,027	156	214	1,969
L.I.F.E.	25	-	-	25
5th Grade	5,070	78,017	78,762	4,325
6th Grade	6,565	17,278	21,102	2,741
7th Grade	6,034	23,889	23,783	6,140
8th Grade	2,505	11,506	13,290	721
Book Orders - 5	19	34	34	19
Book Orders - 6	72	36	36	72
Book Orders - 7	-	186	186	-
Book Orders - 8	6	-	-	6
IT Fees	1,484	970	665	1,789
MS Store	1,553	7,130	5,909	2,774
Student Vending	1,687	263	-	1,950
Media Center	325	2,333	2,322	336
Art	487	244	709	22
Science Club	1,716	2,511	2,014	2,213
Student Council	1,415	-	31	1,384
Box Tops for Education	1,654	664	-	2,318
Phy ED/FACS	-	768	768	-
Technology	1	-	-	1
YES	2,767	4,349	3,453	3,663
125 Jumpstart	43	1,330	799	574
Total Middle School	37,521	163,166	165,741	34,946

Independent School District No. 345
New London, Minnesota
Student Activity Accounts
Statement of Changes in Assets and Liabilities (Continued)
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Assets (Continued)				
Cash and temporary investments (continued)				
Prairie woods				
Elementary Activity	$ 11,535	$ 28,106	$ 23,868	$ 15,773
Library	43	7,637	7,633	47
Total Prairie Woods	11,578	35,743	31,501	15,820
Total Assets	$ 175,651	$ 534,389	$ 520,944	$ 189,096
Liabilities				
Student activity accounts payable	$ 175,651	$ 534,389	$ 520,944	$ 189,096

Independent School District No. 345
New London, Minnesota
Notes to the Student Activity Accounts Financial Statements
For the Year Ended June 30, 2017

Note 1: Basis of Presentation and Significant Accounting Policies

Student activity fund transactions are defined as extracurricular programs conducted for the motivation and enjoyment of students attending Independent School District No. 345, New London, Minnesota. 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 an 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 modified accrual basis of accounting as discussed in Note 1C of the District's financial statements.

Note 2: Collateral

Cash balances are held in demand accounts. In accordance with Minnesota statutes, the Student Activity Funds maintain deposits at those depository banks authorized by the Board of Education.

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, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

As of June 30, 2017, the Student Activity Funds' deposits were entirely covered by federal depository insurance.

ABDO
EICK &
MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT
ON STUDENT ACTIVITY COMPLIANCE

Members of the Board of Education, Advisors and Students
Independent School District No. 345
New London, Minnesota

We have audited the statement of changes in assets and liabilities of the extracurricular student activity accounts of Independent School District No. 345 (the District), New London, Minnesota as of and for the year ended June 30, 2017, and have issued our report thereon dated November 8, 2017.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 indicate that, with respect to the items tested, the District complied, in all material respects, with the provisions referred to in the preceding paragraph.

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
Minneapolis, Minnesota
November 8, 2017

5201 Eden Avenue, Suite 250
Edina, MN 55436
952.835.9090 | Fax 952.835.3261

APPENDIX B

FORM OF LEGAL OPINION

(See following page)

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

$1,505,000*
GENERAL OBLIGATION TAX ABATEMENT BONDS, SERIES 2018A
INDEPENDENT SCHOOL DISTRICT NO. 345
(NEW LONDON-SPICER SCHOOLS)
KANDIYOHI COUNTY, MINNESOTA

We have acted as Bond Counsel in connection with the issuance by Independent School District No. 345 (New London-Spicer Schools), Kandiyohi County, Minnesota (the "District"), of its General Obligation Tax Abatement Bonds, Series 2018A (the "Bonds"), in the aggregate principal amount of $1,505,000*, bearing a date of original issue of September 6, 2018. The Bonds are fully registered as to principal and interest and are originally issued using a global book-entry system.

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

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

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

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

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

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

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

(5) The Bonds have 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 6th day of September, 2018.

KNUTSON, FLYNN & DEANS
Professional Association

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following page)

CONTINUING DISCLOSURE CERTIFICATE

(Full Disclosure)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 345 (New London-Spicer Schools), State of Minnesota (the "District"), in connection with the issuance of its General Obligation Tax Abatement Bonds, Series 2018A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the School Board on August 13, 2018 (the "Resolution"). The District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 (the "State Payment Law" described in the Official Statement for the Bonds) which provides for payment by the State of Minnesota in the event of a potential default of a District obligation. The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

SECTION 3. Provision of Annual Reports.

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

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

(c) The Dissemination Agent shall:

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

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

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

1. An annual Audited Financial Statement.

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

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

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 14. District Contact Information.

Title:	Superintendent
Name of District:	Independent School District No. 345 (New London-Spicer Schools)
Address:	101 4th Avenue SW New London, MN 56273
Telephone No.	(320) 354-9001

Dated as of this 6th day of September, 2018.

INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

By: ____________________________________
Chair

And: ____________________________________
Clerk

[Signature Page for Continuing Disclosure Certificate]

APPENDIX E

TERMS OF PROPOSAL

$1,505,000* GENERAL OBLIGATION TAX ABATEMENT BONDS, SERIES 2018A
INDEPENDENT SCHOOL DISTRICT NO. 345 (NEW LONDON-SPICER SCHOOLS), MINNESOTA

Proposals for the purchase of $1,505,000* General Obligation Tax Abatement Bonds, Series 2018A (the "Bonds") of Independent School District No. 345 (New London-Spicer Schools), Minnesota (the "District") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the District, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on August 13, 2018, at which time they will be opened, read and tabulated. The proposals will be presented to the Board of Education for consideration for award by resolution at a meeting to be held at 6:00 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 Section 469.1814, by the District, to finance parking lot reconstruction and improvements. 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 September 6, 2018, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2020	$115,000	2024	$150,000	2028	$170,000
2021	135,000	2025	155,000	2029	175,000
2022	140,000	2026	155,000		
2023	145,000	2027	165,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

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

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

The Bonds are being offered without option of prior redemption.

DELIVERY

On or about September 6, 2018, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

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

SUBMISSION OF PROPOSALS

Proposals must not be for less than $1,486,940 plus accrued interest on the principal sum of $1,505,000 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 $30,100 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

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

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

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

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

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

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

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

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

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

The winning bidder 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) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the 10% test, the Underwriter agrees to promptly report to the District, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until 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. 345
(New London-Spicer Schools), Minnesota

PROPOSAL FORM

The Board of Education **August 13, 2018**
Independent School District No. 345 (New London-Spicer Schools), Minnesota

RE: $1,505,000* General Obligation Tax Abatement Bonds, Series 2018A
DATED: September 6, 2018

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you $__________________ (not less than $1,486,940) 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	2024	________	% due	2028
________	% due	2021	________	% due	2025	________	% due	2029
________	% due	2022	________	% due	2026			
________	% due	2023	________	% due	2027			

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

All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our Deposit in the amount of $30,100, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138.** Such Deposit shall be received by Ehlers & Associates no later than two hours after the proposal opening time. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. If our proposal is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about September 6, 2018.

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

We have received and reviewed the Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the District with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an Underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ____ NO: ____.

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: ______________________ By: ______________________
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from September 6, 2018 of the above proposal is $_______________and the true interest cost (TIC) is __________%.

The foregoing offer is hereby accepted by and on behalf of the Board of Education of Independent School District No. 345 (New London-Spicer Schools), Minnesota, on August 13, 2018.

By: ______________________ By: ______________________

Title: ______________________ Title: ______________________