PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 11, 2018

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which exclude any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and, to the same extent, from taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax (although interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018) or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. Such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "Tax Exemption" herein.

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

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

INDEPENDENT SCHOOL DISTRICT NO. 182 (CROSBY-IRONTON), MINNESOTA

(Crow Wing and Aitkin Counties)

(Minnesota School District Credit Enhancement Program)

$5,955,000* GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS, SERIES 2018A

PROPOSAL OPENING: October 22, 2018,10:00 A.M, C.T. **CONSIDERATION**: October 22, 2018, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $5,955,000* General Obligation School Building Refunding Bonds, Series 2018A (the "Bonds") are authorized pursuant to Minnesota Statutes, Chapter 475, including Section 475.67, by Independent School District No. 182 (Crosby-Ironton), Minnesota (the "District"), for the purpose of effecting a current refunding of certain outstanding general obligations of the District as more fully described herein. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: November 15, 2018

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*
2020	$2,075,000	2022	$1,295,000
2021	1,245,000	2023	1,340,000

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: $5,925,225

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $119,100 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Kennedy & Graven, Chartered

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

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

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

CLOSING CERTIFICATES

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

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CROSBY-IRONTON
SCHOOL BOARD

		Term Expires
Tom Nixon	Chairperson	January 2019
Michael Domin	Vice Chairperson	January 2019
F. Robert Sandin	Clerk	January 2021
Barb Neprud	Treasurer	January 2019
Abby Geotz	Member	January 2021
Joseph Dwyer	Member	January 2021

ADMINISTRATION

Jamie Skjeveland, Superintendent of Schools

William Tollefson, Business Manager

Lea St. Onge, Finance Manager

PROFESSIONAL SERVICES

Kennedy & Graven, Chartered, District Attorney and Bond Counsel, Minneapolis, Minnesota

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 182 (Crosby-Ironton), Minnesota (the "District") and the issuance of its $5,955,000* General Obligation School Building Refunding 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 October 22, 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 November 15, 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 authorized pursuant to Minnesota Statutes, Chapter 475, including Section 475.67, by the District, for the purpose of effecting a current refunding of the District's $13,635,000 General Obligation School Building Refunding Bonds, Series 2011A (the "Series 2011A Bonds") as follows:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 227317
Series 2011A Bonds	10/3/11	2/1/19	Par	2020	3.00%	$1,425,000	FE9
				2021	3.00%	1,475,000	FF6
				2022	4.00%	1,530,000	FG4
				2023	4.00%	1,595,000	FH2
Total Series 2011A Bonds Being Refunded						$6,025,000	

Proceeds of the Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance. The District will pay the principal and interest payment due on February 1, 2019 from the Debt Service Fund for the Series 2011A Bonds.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	$5,955,000	
Reoffering Premium	128,772	
Total Sources		**$6,083,772**
Uses		
Total Underwriter's Discount (0.500%)	$29,775	
Costs of Issuance	50,000	
Deposit to Current Refunding Fund	5,999,359	
Rounding Amount	4,638	
Total Uses		**$6,083,772**

*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. 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 judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on June 25, 2018 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

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

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

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

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

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

CONTINUING DISCLOSURE

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

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. In the interest of full disclosure, the District notes the following: Prior continuing disclosure undertakings entered into by the District included language stating that an Annual Report including the District's audited financial statements and operating data would be filed "as soon as available." Although the District did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. The District has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

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

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

LEGAL OPINION

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

TAX EXEMPTION

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

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

The Code imposes an alternative minimum tax with respect to individuals on alternative minimum taxable income Adjusted current earnings include income received that is otherwise exempt from taxation such as interest on the Bonds.

The Code provides that in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as "losses incurred" under Section 832(b)(5) shall be reduced by an amount equal to the applicable percentage of the interest on the Bonds that is received or accrued during the taxable year. For purposes hereof, the applicable percentage is 5.25% divided by the highest rate in effect under Section 11(b) of the Code.

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

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

Legislative proposals

Bond Counsel's opinion is given as of its date and Bond Counsel assumes no obligation to update, revise, or supplement such opinion to reflect any changes in facts or circumstances or any changes in law that may hereafter occur. Proposals are regularly introduced in both the United States House of Representatives and the United States Senate that, if enacted, could alter or affect the tax-exempt status on municipal bonds. For example, legislation has been proposed that would, among other things, limit the amount of exclusions (including tax-exempt interest) or deductions that certain higher-income taxpayers could use to reduce their tax liability. The likelihood of adoption of this or any other such legislative proposal relating to tax-exempt bonds cannot be reliably predicted. If enacted into law, current or future proposals may have a prospective or retroactive effect and could affect the value or marketability of tax-exempt bonds (including the Bonds). Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any such change in law.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations. "Qualified tax-exempt obligations" are treated as acquired by a financial institution before August 8, 1986. Interest allocable to such obligations remains subject to the 20% disallowance under prior law.

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

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

RISK FACTORS

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

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

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

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

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

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the District to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

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

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

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

3 Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2017/18 Economic Market Value	$2,110,873,027[1]

2017/18 Assessor's Estimated Market Value

	Crow Wing County	Aitkin County	Total
Real Estate	$ 1,975,750,880	$ 54,500	$ 1,975,805,380
Personal Property	16,788,000	0	16,788,000
Total Valuation	$ 1,992,538,880	$ 54,500	$ 1,992,593,380

2017/18 Net Tax Capacity

	Crow Wing County	Aitkin County	Total
Real Estate	$ 19,510,213	$ 346	$ 19,510,559
Personal Property	334,142	0	334,142
Net Tax Capacity	$ 19,844,355	$ 346	$ 19,844,701
Less: Captured Tax Increment Tax Capacity[2]	(141,353)	0	(141,353)
Fiscal Disparities Contribution[3]	(302,824)	0	(302,824)
Power Line Adjustment[4]	(192,319)	0	(192,319)
Taxable Net Tax Capacity	$ 19,207,859	$ 346	$ 19,208,205
Plus: Fiscal Disparities Distribution[3]	473,714	0	473,714
Adjusted Taxable Net Tax Capacity	$ 19,681,573	$ 346	$ 19,681,919

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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. 182 (Crosby-Ironton) is about 95.21% 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 $2,110,873,027.

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

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

4 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	$ 7,041,722	35.48%
Agricultural	1,362,162	6.86%
Commercial/industrial	766,751	3.86%
Public utility	157,952	0.80%
Railroad operating property	75,820	0.38%
Non-homestead residential	839,880	4.23%
Commercial & residential seasonal/rec.	9,241,141	46.57%
Manufactured Park Home Land	25,131	0.13%
Personal property	334,142	1.68%
Total	$19,844,701	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Adjusted Taxable Net Tax Capacity[2]	Percent +/- in Estimated Market Value
2013/14	$1,829,360,600	$1,744,861,000	$18,084,164	$18,082,684	-5.81%
2014/15	1,846,485,200	1,761,176,300	18,280,116	18,230,839	+0.94%
2015/16	1,916,680,900	1,832,727,700	19,020,697	19,002,019	+3.80%
2016/17	1,959,759,400	1,875,355,607	19,497,013	19,535,815	+2.25%
2017/18	1,992,593,300	1,911,302,129	19,844,701	19,681,919	+1.68%

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

2 Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments and 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
Minnesota Power & Light	Utility	$270,687	1.36%
Crosby Senior Services	Hospital	125,000	0.63%
Xcel Energy	Utility	101,716	0.51%
Burlington Northern Railroad	Railroad	76,003	0.38%
Individual	Residential	63,643	0.32%
LNBH LLC	Commercial Golf Course	58,618	0.30%
Central Lakes Medical Center	Hospital	53,402	0.27%
Individual	Residential	50,960	0.26%
Great River Energy	Utility	50,833	0.26%
Potlatch Minnesota	Rural Vacant Land	48,839	0.25%
Total		$899,701	4.53%

District's Total 2017/18 Net Tax Capacity $19,844,701

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

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total g.o. debt being paid from taxes (includes the Bonds)*	$ 7,975,000

Lease Purchase Obligations (see schedule following)[2]

Total lease purchase obligations paid by annual appropriations[3]	$1,473,562

*Preliminary, subject to change.

STATE AID FOR DEBT SERVICE

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

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

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 182 (CROSBY-IRONTON), MINNESOTA

Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Taxes
(As of 11/15/18)
Fiscal Year Basis

	OPEB Series 2009A		Refunding 1) Series 2011A		Refunding 2) Series 2018A							
Dated	1/28/09		10/03/11		11/15/18							
Amount	$4,905,000		$13,635,000		$5,955,000*							
Maturity	2/01		2/01		2/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2019	645,000	17,415	1,375,000	126,625	0	0	2,020,000	144,040	2,164,040	5,955,000	25.33%	**2019**
2020					2,075,000	216,365	2,075,000	216,365	2,291,365	3,880,000	51.35%	**2020**
2021					1,245,000	116,400	1,245,000	116,400	1,361,400	2,635,000	66.96%	**2021**
2022					1,295,000	79,050	1,295,000	79,050	1,374,050	1,340,000	83.20%	**2022**
2023					1,340,000	40,200	1,340,000	40,200	1,380,200	0	100.00%	**2023**
	645,000	17,415	1,375,000	126,625	5,955,000	452,015	7,975,000	596,055	8,571,055			

*Preliminary, subject to change.

1) This issue refunded the 2014 through 2023 maturities of the District's $20,525,000 General Obligation School Building Bonds, Series 2003A, dated February 1, 2003.

2) This issue is refunding the 2020 through 2023 maturities of the District's $16,635,000 General Obligation School Building Refunding Bonds, Series 2011A, dated October 3, 2011. The District is responsible for paying the principal and interest on the non-refunded maturities through February 1, 2019 (the "Call Date"), and the principal being refunded on the Call Date. Therefore, the refunded issue has not been included above and has not been included in the calculation of debt ratios.

INDEPENDENT SCHOOL DISTRICT NO. 182 (CROSBY-IRONTON), MINNESOTA

Schedule of Bonded Indebtedness
Non-General Obligation Debt Being Paid from Annual Appropiations
(As of 11/15/18)
Fiscal Year Basis

	Lease		Lease							
Dated	5/19/2016		5/25/2017							
Amount	$1,106,000		$565,000							
Maturity	2/01 & 8/01		2/01 & 8/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2019	31,997	13,290	25,587	6,578	57,584	19,868	77,452	1,415,978	3.91%	**2019**
2020	65,291	25,282	52,219	12,112	117,510	37,394	154,905	1,298,468	11.88%	**2020**
2021	67,059	23,514	53,644	10,687	120,703	34,201	154,905	1,177,765	20.07%	**2021**
2022	68,875	21,698	55,108	9,224	123,983	30,922	154,905	1,053,782	28.49%	**2022**
2023	70,740	19,833	56,611	7,720	127,352	27,553	154,905	926,430	37.13%	**2023**
2024	72,656	17,917	58,156	6,175	130,812	24,093	154,905	795,619	46.01%	**2024**
2025	74,623	15,950	59,743	4,589	134,366	20,538	154,905	661,252	55.13%	**2025**
2026	76,644	13,929	61,373	2,959	138,017	16,888	154,905	523,235	64.49%	**2026**
2027	78,720	11,853	63,047	1,284	141,767	13,138	154,905	381,468	74.11%	**2027**
2028	80,852	9,721			80,852	9,721	90,573	300,617	79.60%	**2028**
2029	83,041	7,532			83,041	7,532	90,573	217,575	85.23%	**2029**
2030	85,290	5,283			85,290	5,283	90,573	132,285	91.02%	**2030**
2031	87,600	2,973			87,600	2,973	90,573	44,686	96.97%	**2031**
2032	44,686	601			44,686	601	45,287	0	100.00%	**2032**
	988,074	189,377	485,488	61,328	1,473,562	250,705	1,724,268			

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	$2,110,873,027
Multiply by 15%	0.15
Statutory Debt Limit	$ 316,630,954
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes[1] (includes the Bonds)*	(7,330,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	(988,074)
Unused Debt Limit*	$ 308,312,880

*Preliminary, subject to change.

[1] Does not include the $4,905,000 General Obligation Taxable OPEB Bonds, Series 2009A ($645,000 current principal outstanding), as they are not subject to the debt limit calculation.

OVERLAPPING DEBT[1]

Taxing District	2017/18 Adjusted Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Crow Wing County	$ 108,265,477	18.1790%	$ 9,807,500	$ 1,782,905
Aitkin County	27,203,390	0.0013%	10,390,000	135
City of Center	1,407,855	44.1196%	695,000	306,631
City of Crosby	1,312,722	100.0000%	465,000	465,000
City of Crosslake	12,713,608	0.7209%	2,165,000	15,607
City of Deerwood	589,312	100.0000%	2,828,000	2,828,000
City of Emily	2,358,636	100.0000%	1,130,000	1,130,000
District's Share of Total Overlapping Debt				$ 6,528,279

DEBT PAYMENT HISTORY

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

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value ($2,110,873,027)	Debt/ Current Population Estimate (10,665)
Direct G.O. Debt Being Paid From Taxes (includes the Bonds)*	$ 7,975,000	0.38%	$747.77
District's Share of Total Overlapping Debt	$ 6,528,279	0.31%	$612.12
Total*	$ 14,503,279	0.69%	$1,359.89

*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	$3,266,669	$ 3,210,717	$ 3,261,587	99.84%
2014/15	3,551,954	3,493,428	3,540,363	99.67%
2015/16	3,514,248	3,454,836	3,497,330	99.52%
2016/17	3,626,294	3,566,771	3,596,897	99.19%
2017/18	3,832,793	In process of collection		

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

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

2 Collections are through July 23, 2018 for Crow Wing County and through August 6, 2018 for Aitkin County.

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

TAX CAPACITY RATES[1]

	2013/14	2014/15	2015/16	2016/17	2017/18
I.S.D. No. 182 (Crosby-Ironton)	15.452%	15.291%	15.056%	15.087%	15.536%
Crow Wing County	35.269%	34.653%	33.574%	32.308%	31.741%
Aitkin County	42.908%	44.534%	46.147%	46.849%	49.014%
City of Crosby	121.245%	117.873%	116.408%	106.766%	103.187%
City of Crosslake	23.824%	24.518%	27.643%	28.134%	29.088%
City of Cuyuna	57.443%	60.047%	55.893%	57.466%	61.128%
City of Deerwood	92.880%	93.798%	95.337%	95.395%	90.776%
City of Emily	40.146%	41.507%	39.278%	41.665%	41.632%
City of Ironton	146.417%	156.855%	115.073%	126.202%	108.297%
City of Riverton	46.641%	45.075%	46.551%	42.496%	40.409%
City of Trommald	45.947%	46.111%	44.676%	42.711%	40.829%
Town of Farm Island[2]	12.244%	12.183%	12.148%	9.988%	15.536%
Cuyuna Hospital	1.181%	1.174%	1.141%	1.114%	1.083%
CWC HRA	0.064%	0.063%	0.062%	0.103%	0.101%
Region 5	0.133%	0.133%	0.131%	0.131%	0.134%
Regional Development Commission	0.179%	0.180%	0.179%	0.176%	0.180%
Referendum Market Value Rates:					
I.S.D. No. 182 (Crosby-Ironton)	0.07776%	0.10932%	0.09157%	0.09308%	0.09803%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Crow Wing and Aitkin Counties.

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

2 Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 164, including 80 non-licensed employees and 84 licensed employees (80 of whom are teachers). The District provides education for 1,016 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

Public Employees' Retirement Association (PERA)

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

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
AFSCME Local 1691	June 30, 2020
Education Minnesota- Crosby-Ironton	June 30, 2019
Crosby-Ironton Principals' Association	June 30, 2019

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 $804,384 as of June 30, 2018. The District had been funding these obligations on a pay-as-you-go basis, but in January of 2009 they issued $4,905,000 in General Obligation Taxable OPEB Bonds, Series 2009A, to fund an irrevocable trust. As of June 30, 2018, the net position of the trust was $3,489,569. 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
2014/15	76	468	503	1,047
2015/16	62	470	512	1,044
2016/17	76	451	509	1,036
2017/18	63	455	498	1,016
2018/19	78	455	489	1,022

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2019/20	75	447	482	1,004
2020/21	75	459	480	1,014
2021/22	75	454	476	1,005

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Cuyuna Range Elementary School	1988	2015, 2018
Crosby-Ironton High School	1938	1954, 1976, 1980, 2005

FUNDS ON HAND (as of August 31, 2018)

Fund	Total Cash and Investments
General	$ 6,189,648
Food Service	213,312
Community Service	227,022
Debt Service	1,166,788
Trust & Agency	134,578
OPEB Irrevocable Trust	3,581,652
OPEB Debt Service	532,865
Total Funds on Hand	$12,045,865

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

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

SUMMARY GENERAL FUND INFORMATION

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

	FISCAL YEAR ENDING JUNE 30				
COMBINED STATEMENT	**2015 Audited**	**2016 Audited**	**2017 Audited**	**2018 Unaudited[1]**	**2018-19 Adopted Budget[2]**
Revenues					
Local property taxes	$ 2,771,769	$ 2,019,086	$ 1,887,351	$ 2,073,106	$ 2,285,321
Other local and county revenues	416,085	335,037	382,082	504,749	387,497
Revenues from state sources	9,594,287	9,579,642	9,858,569	10,002,734	9,987,513
Revenues from federal sources	448,767	387,508	462,223	429,434	409,171
Sales and other conversion of assets	0	132	1,492	549	215
Total Revenues	$13,230,908	$12,321,405	$12,591,717	$13,010,572	$13,069,717
Expenditures					
Current					
Administration	$ 580,876	$ 608,456	$ 655,973	$ 670,977	$ 734,865
District support services	262,478	279,980	250,237	454,973	498,347
Elementary & secondary regular instruction	4,796,789	4,829,079	4,711,718	4,848,567	5,091,097
Vocational education instruction	156,116	157,740	105,520	31,881	34,272
Special education instruction	2,431,571	2,566,190	2,830,587	2,829,330	2,951,526
Instructional support services	476,018	609,670	652,121	557,218	501,839
Pupil support services	1,242,097	1,266,727	1,283,097	1,483,376	1,487,046
Sites and buildings	1,283,776	1,164,722	1,251,272	1,249,657	1,342,454
Fiscal and other fixed cost programs	46,592	49,504	49,867	55,149	55,000
Capital Outlay	1,678,848	260,534	311,485	309,923	960,750
Debt Service	0	0	44,791	154,905	154,906
Total Expenditures	$12,955,161	$11,792,602	$12,146,668	$12,645,956	$13,812,102
Excess of revenues over (under) expenditures	$ 275,747	$ 528,803	$ 445,049	$ 364,616	$ (742,385)
Other Financing Sources (Uses)					
Operating transfers in	$ 0	$ 0	$ 0	$ 0	
Operating transfers out	0	0	0	0	
Total Other Financing Sources (Uses)	$ 0	$ 0	$ 0	$ 0	
Net Change in Fund Balances	$ 275,747	$ 528,803	$ 445,049	$ 364,616	
General Fund Balance July 1	3,244,583	3,520,330	4,049,133	4,494,182	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance June 30	$ 3,520,330	$ 4,049,133	$ 4,494,182	$ 4,858,798	
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$ 50,064	$ 52,736	$ 35,451	$ 39,716	
Restricted	1,708,523	1,968,704	2,113,649	2,311,245	
Assigned	291,275	405,775	517,313	576,452	
Unassigned	1,470,468	1,621,918	1,827,769	1,931,385	
Total	$ 3,520,330	$ 4,049,133	$ 4,494,182	$ 4,858,798	

1 The 2018 unaudited data was adopted on May 21, 2018.

2 The 2018-19 budget was adopted on June 25, 2018. The projected deficit in the general fund for Fiscal Year 2018-19 is due primarily to one-time capital expenditures of approximately $475,000. These expenditures will be made from the District's restricted fund balance, from funds previously set aside in anticipation of these projects during this fiscal year.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 10,574 and a current population estimate of 10,665, and comprising an area of 320 square miles, is located approximately 130 miles northwest 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
Brainerd Lakes Hospital	Hospital, clinic and nursing home	1,596 [2]
Ruttger's Bay Lake Lodge	Resort, restaurant and marina	250
I.S.D. No. 182 (Crosby-Ironton)	Elementary and secondary education	164
Graphic Packaging International, LLC	Packaging machinery- manufacturers	125
Magnum Machining Inc	Machine shop	75
Manhattan Beach Lodge	Resort-Special event center	50
Reed's Market and Gas Express	Gas station and grocery store	50
Northland Smiles	Dentists	50
Northern Trackers Railroad Club	Museum	37
Lonesome Pine Restaurant & Bar	Full service restaurant	35

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

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

[2] Cuyuna Regional Medical Center and Central Lakes Medical Clinic joined to form Brainerd Lakes Hospital in 2011.

U.S. CENSUS DATA

Population Trend: Independent School District No. 182 (Crosby-Ironton), Minnesota

2000 U.S. Census population	10,207
2010 U.S. Census population	10,574
2016 Population Estimate	10,665
Percent of Change 2000 - 2010	+ 3.60%

Income and Age Statistics

	Crosby-Ironton School District	Crow Wing County	State of Minnesota	United States
2016 per capita income	$28,857	$29,103	$33,225	$29,829
2016 median household income	$45,913	$50,893	$63,217	$55,322
2016 median family income	$58,054	$63,339	$79,595	$67,871
2016 median gross rent	$755	$758	$873	$928
2016 median value owner occupied units	$170,400	$181,800	$191,500	$184,700
2016 median age	51.6 yrs.	43.8 yrs.	37.8 yrs.	37.7 yrs.

	State of Minnesota	United States
District % of 2016 per capita income	86.85%	96.74%
District % of 2016 median family income	72.94%	85.54%

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	Crow Wing County	Crow Wing County	State of Minnesota
2014	29,510	5.9%	4.2%
2015	29,640	5.2%	3.7%
2016	30,009	5.1%	3.9%
2017	30,554	4.6%	3.5%
2018, August	33,639	2.5%	2.5%

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

APPENDIX A

FINANCIAL STATEMENTS

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

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

Independent School District No. 182
Crosby, Minnesota

Financial Statements

June 30, 2017

bergankDV
CPAs ADVISORS

bergankdv

Independent Auditor's Report

To the School Board
Independent School District No. 182
Crosby, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 182, Crosby, Minnesota, as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

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

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

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

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

BerganKDV, Ltd.
bergankdv.com

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Opinions
In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 182, Crosby, Minnesota, as of June 30, 2017, and the respective changes in financial position 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.

Implementation of GASB 74 and GASB 75
As discussed in Note 8 to the financial statements, the District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

bergankDV

Other Matters (Continued)

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 accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The accompanying supplementary information identified in the Table of Contents and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017, on our consideration of the District's internal control over financial reporting and 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 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
October 10, 2017

This section of Independent School District No. 182 (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the District's financial statements which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of a reporting model that is required by the GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. This statement establishes reporting requirements that include financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

Comparative information between the current fiscal year and the prior fiscal year is presented in the MD&A with these financial statements, comparing comparable data and discussing changes in data between years ending June 30, 2016 and June 30, 2017.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-2017 fiscal year include the following:

- When comparing the Statement of Net Position June 30, 2016 to June 30, 2017, Net Position decreased by $3,959,220 which is a decrease of approximately 27.3%. Just under 73% of this decrease, or $2,886,509, is attributable to a change in accounting principle that results from implementation of GASB 74 and GASB 75 for the fiscal year ending June 30, 2017 (see note 8 of the financial statements) and appears as an adjustment to beginning Net OPEB Asset.

- With the implementation of GASB Statements 68 and 71 in 2014-2015 came Deferred Outflows of Resources Relating to Pensions, Deferred Inflows of Resources Relating to Pensions, a Net Pension Liability, and an adjustment due to a change in accounting principle. For 2015-2016, the adjustment for change in accounting principle disappeared, but the other three categories continued to be active and fluctuated based on actuarial calculations completed by the Minnesota Teacher Retirement Association and the Minnesota Public Employee Retirement Association. This active fluctuation continues for 2016-2017, with the Net Pension Liability increasing from $7,337,830 at June 30, 2016 to $24,627,723 at June 30, 2017. At the same time, Deferred Outflows of Resources Related to Pensions changed from $1,756,171 at June 30, 2016 to $15,579,925 at June 30, 2017 and Deferred Inflows of Resources Related to Pensions changed from $1,358,253 at June 30, 2016 to $853,018 at June 30, 2017. Much of this was based on significant changes to actuarial calculation assumption changes made by the Minnesota Teacher Retirement Association. The School District has no control over these calculations.

- Overall revenues were $16,201,681 while overall expenses totaled $17,274,392.

- In addition to the ongoing changes brought about GASB Statements 68, 71, 74 and 75, other significant headliner events include: the completion of a $1.1 million track reconstruction project; the issuance of a capital lease which resulted in Other Financing Sources of $565,000 and of which $430,335 was expended in 2016-2017, lowering to $204,584 the reserved fund balance in the Building Construction fund to fund the tennis court expansion project that will be

FINANCIAL HIGHLIGHTS (CONTINUED)

completed in 2017-2018; and actual enrollment declines less than anticipated in the original budget provided about $174,000 in higher revenue and resulting in a revised budget planned increase in unrestricted fund balance in the General Fund.

- Revenue increased by $626,263 from the prior period. The increase can be attributed to three primary factors – state special education aid increased by $220,000 over the prior year, a new long-term facilities maintenance (LTFM) funding program added $68,889 in new revenue after considering health & safety and deferred maintenance which were replaced by LTFM, and investment return on the OPEB Irrevocable Trust was $387,226 over the prior period.

- Expenses increased by $3,120,278 over the prior period. The most significant change included an increase in expenditures to reflect changes made by the pension plans, most significantly the Minnesota Teacher Retirement Association (TRA), which modified their single equivalent interest rate (SEIR) from 8.0% to 4.6%, thus significantly increasing unfunded pension costs which are allocated to contributing employers based on percent of contribution. This change, and other changes made by TRA and PERA resulted in an accrual-basis cost increase of $2,989,721 which makes up a majority of the increase in expenditures. Overall governmental fund expenditures increased by $961,332, mainly due to an increase in construction expenses of $620,882 between 2015-2016 and 2016-2017, with the balance due to normal inflationary increases.

- The General Fund unassigned fund balance experienced an increase of $205,851; increasing from $1,621,918 to $1,827,769. The revised budget anticipated an increase of $108,222; with the final result improved because of less than anticipated expenditures outpacing less than anticipated revenue.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts, Independent Auditor's Report; required supplementary information, which includes the MD&A (this section); the basic financial statements and the supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

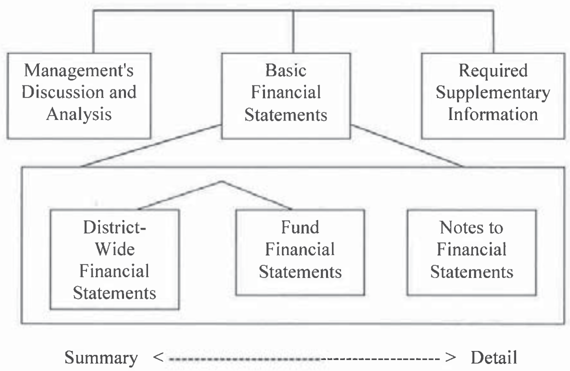
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements. The diagram below shows how the various parts of this annual report are arranged and related to one another.



OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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, are summarized below. The remainder of the overview section of the MD&A highlights the structure and content of each of the 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 Assets/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 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements
The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets, and deferred outflows of resources; and liabilities and deferred inflows of resources, is one way to measure the District's financial health.

- Over time, increases, or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

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

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

The District has two kinds of funds:

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

- Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring the assets reported in these funds are used only by those to whom the assets belong. The District's fiduciary activities (consisting of an Agency Fund, Private Purpose Trust Fund, and an OPEB Trust Fund held for others) are reported in a separate Statement of Fiduciary Net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position
The District's combined total net position was $10,566,341 on June 30, 2017 (see details in Table A-1). This is a decrease of $3,959,220 from $14,525,561 at June 30, 2016. The GASB pension statements continue to provide significant change for the 2016-2017 fiscal period. There are sizeable adjustments to deferred outflows of resources under assets, deferred inflows of resources under liabilities, and a net pension liability based on updated actuarial calculations made by the two state pension plans – TRA and PERA. These pension calculations are not under the control of the School District.

	2016	2017	Percent Change
Current and other assets	$ 10,167,602	$ 10,727,825	5.5%
Net OPEB asset	4,703,733	2,228,561	-52.6%
Capital assets	24,640,850	24,896,185	1.0%
Total assets	39,512,185	37,852,571	-4.2%
Deferred outflows of resources	1,756,171	15,579,925	787.2%
Total assets and deferred outflows	$ 41,268,356	$ 53,432,496	29.5%
Current liabilities	$ 2,841,333	$ 3,260,742	14.8%
Long-term debt outstanding	11,477,610	9,932,243	-13.5%
Net pension liability	7,337,830	24,627,723	235.6%
Total liabilities	21,656,773	37,820,708	74.6%
Deferred inflows of resources	5,086,022	5,045,447	-0.8%
Net position			
Net investment in capital assets	13,801,992	14,372,366	4.1%
Restricted	2,695,763	2,943,461	9.2%
Unrestricted	(1,972,194)	(6,749,486)	242.2%
Total net position	14,525,561	10,566,341	-27.3%
Total liabilities, deferred inflows, and net position	$ 41,268,356	$ 53,432,496	29.5%

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Net Position (Continued)
Current and other assets saw a 5.5% increase in value; which is, in part, related to a 4.3% increase in cash and investments due to continuing improvements for the School District and to the financial condition of the State of Minnesota, allowing state aid payments to continue at 90% paid in current year and 10% paid in the subsequent year. Receivables due to the Minnesota Department of Education increased by 12.6% due to higher than anticipated enrollment that resulted in higher revenue. Construction in progress was added for $422,787 for 2015-2016 to reflect the estimated value of the track reconstruction project based on the amount completed as of June 30, 2016 and is now adjusted to $430,335 to reflect the tennis court expansion project that is underway at June 30, 2017. Deferred outflows of resources related to pension, which is a measure provided by the pension funds reflective of prior and current contributions, similar to a pre-paid items account representing spent but with no benefit until a subsequent period, increased by 787.2% based primarily on an updated TRA calculation. At the same time, the net OPEB asset decreased by 52.6% due to an adjustment associated with the implementation of GASB 74 and 75 and is reflected in the Statement of Activities as an accounting adjustment to adjust beginning net OPEB asset balance.

Total liabilities increased by 74.6%, primarily because of an increase in the net pension liability added under GASB 68 and 71 and now adjusted by new actuarial assumptions for TRA which increased by 235.6%. This represents the school district's proportionate share of the unfunded liability of the pension plans, less an adjustment to reflect the State of Minnesota's contribution commitment from the time when the Minneapolis teacher pension joined the state teacher retirement association. There is an increase to reflect the liability associated with the new capital lease issued for $565,000 to fund the cost of the tennis court expansion project and payable over 10 years. A deferred inflow of resources related to pension is added for GASB 68 and 71, which is related to changes associated with investment return differences and changes in the share of liability, and then subsequently amortized; saw a decrease of 37.2%. Finally, a deferred inflow of resources related to OPEB appears for the first time at an amount of $234,450.

Also, as indicated on the changes in net position table that follows, total expenses exceeded total revenue by $1,072,711 for the fiscal period.

A summary of the revenue and expenses is presented in Table A-2 on the following page.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Net Position (Continued)

Table A-2
Changes in Net Position

	2016	2017	Percent Change
Revenues			
Program revenues			
Charges for services	$ 491,837	$ 521,727	6.1%
Operating grants and contributions	3,609,733	3,890,645	7.8%
Capital grants and contributions	10,000	-	-100.0%
General revenues			
Property taxes	4,442,838	4,352,588	-2.0%
Aids and payments from state	6,911,683	7,264,620	5.1%
Other sources	109,327	172,101	57.4%
Total revenues	15,575,418	16,201,681	4.0%
Expenses			
Administration	607,399	868,018	42.9%
District support services	293,714	258,390	-12.0%
Elementary and secondary regular instruction	4,845,199	6,530,497	34.8%
Vocational instruction	160,475	153,042	-4.6%
Special education instruction	2,561,328	3,516,768	37.3%
Instructional support services	780,277	860,130	10.2%
Pupil support services	1,304,329	1,379,298	5.7%
Sites, buildings and equipment	1,281,640	1,356,202	5.8%
Fiscal and other fixed cost programs	49,504	49,867	0.7%
Food service	629,941	633,689	0.6%
Community education and services	343,702	410,184	19.3%
Unallocated depreciation	871,294	890,546	2.2%
Interest and fiscal charges long-term debt	425,312	367,761	-13.5%
Total expenses	14,154,114	17,274,392	22.0%
Change in net position	1,421,304	(1,072,711)	-175.5%
Net Position			
Beginning	13,104,257	14,525,561	10.8%
Change in accounting principle	-	(2,886,509)	100.0%
Beginning, as restated	13,104,257	11,639,052	-11.2%
Ending	$ 14,525,561	$ 10,566,341	-27.3%

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

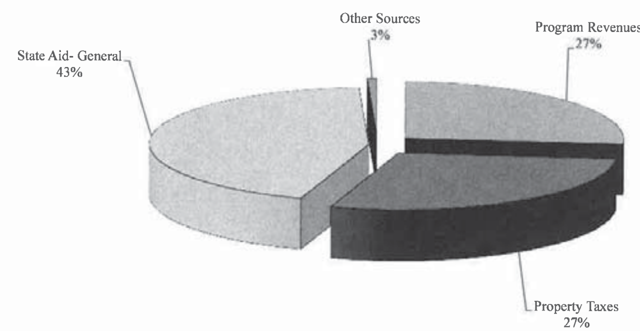
The District's total revenue of $16,201,681 consisted of program revenues of $4,412,372, up from $4,111,570 in 2015-2016; property taxes of $4,352,588, down from $4,442,838 in 2015-2016; aid and payments from the state of $7,264,620, up from $6,911,683 in 2015-2016 and $172,101 from miscellaneous other sources, up from $109,327 in 2015-2016. This is an overall revenue increase of $626,263 for 2016-2017, or 4.0%, over 2015-2016.

Revenue from state aid is largely driven by the student enrollment and the largest single source of funding for the District is state aid referred to as general education revenue. General education revenue provides the base funding and represents a per pupil unit funding amount multiplied by pupil units (referred to here as student enrollment). The state increased the general education formula allowance from $5,948 for 2015-2016 to $6,067 for 2016-2017 which is an increase of 2% or about $137,321 in additional revenue based on the pupil unit count. The enrollment decreased by 9.55 students in average daily membership from the 2015-2016 school year, which created a pupil unit decrease of 10.13 and resulted in a reduction of about $61,459 from general education revenue.

Program revenues categorized under Operating Grants and Contributions increased in several areas. State special education aid saw an increase of $220,000 between 2015-2016 and 2016-2017 as a new funding formula was introduced. Title I funding also increased by a total of $70,297, or which $11,000 was additional carryover from the prior year. A new formula for providing state school readiness funding to prepare kindergarten students for entry into kindergarten provided an additional $14,346 for this programming.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

2016-2017 Revenues - Table A-3

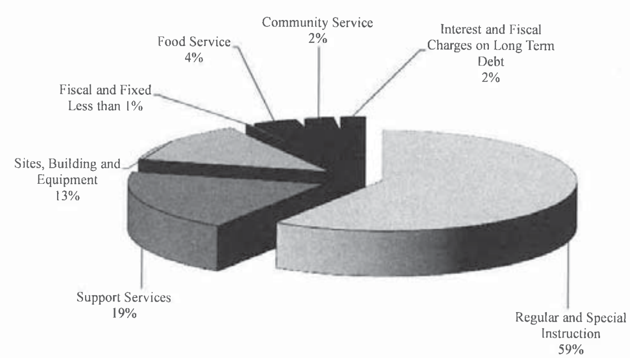


The District's total expenses of $17,274,392 consisted mainly of instructional services (regular, vocational, and special instruction) costs of $10,200,307, up from $7,567,002 in 2015-2016. Other areas of cost included: support services (district, administrative, instructional and pupil) of $3,365,836, up from $2,985,719 in 2015-2016; sites, buildings and equipment (including unallocated depreciation) of $2,246,748, up from $2,152,934 in 2015-2016; fiscal and other fixed cost programs $49,867, up from $49,504 in 2015-2016; food service $633,689, up from $629,941 in 2015-2016; community education and services $410,184, up from $343,702 in 2015-2016; interest and fiscal charges on long-term debt $367,761, down from $425,312 in 2015-2016. There was an overall expense increase of $3,120,278 for 2016-2017, or 22.0%, over 2015-2016.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Expenditures increased across all categories based on an increase to the Statement of Activities to reflect additional pension expense attributable to changes in assumptions used by the Minnesota Teacher Retirement Association (TRA) which totaled approximately $2,960,904 and was due, in part, to a change in the single equivalent interest rate (SEIR) used by TRA and declining from 8.0% to 4.6%. This will continue to impact statements for the next several years and is a calculation not under the control of the School District. Other increases to expenditures were based on payment for work necessary to complete the track reconstruction project in the summer of 2016 and to start the tennis court expansion project in June of 2017 that added about $621,000 in expenditures, with the balance of the increase in expenditures primarily due to normal inflationary increases.

2016-2017 Expenses - Table A-4



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The net cost of governmental activities is the total cost less program revenues applicable to each category. Table A-5 presents these costs. Note that sites, building, and equipment expenses include unallocated depreciation expense.

Table A-5
Net Cost of Governmental Activities
(in thousands of dollars)

	Total Cost Of Services			Net Cost (Revenue) of Services		
	2016	2017	Percent Change	2016	2017	Percent Change
Administration	$ 607	$ 868	43.0%	$ 607	$ 868	43.0%
District support services	294	258	-12.2%	294	258	-12.2%
Elementary and secondary regular instruction	4,845	6,531	34.8%	3,237	4,841	49.6%
Vocational instruction	161	153	-5.0%	160	153	-4.4%
Special education instruction	2,561	3,517	37.3%	1,090	1,808	65.9%
Instructional support services	780	860	10.3%	599	712	18.9%
Pupil support services	1,304	1,379	5.8%	1,276	1,358	6.4%
Sites, buildings and equipment	2,153	2,247	4.4%	2,143	2,237	4.4%
Fiscal and other fixed cost programs	50	50	0.0%	50	50	0.0%
Food service	630	633	0.5%	(5)	4	-180.0%
Community education and services	344	410	19.2%	167	205	22.8%
Interest and fiscal change long-term debt	425	368	-13.4%	425	368	-13.4%
Total expenses	$ 14,154	$ 17,274	22.0%	$ 10,043	$ 12,862	28.1%

Fund Balance
The financial performance of the District as a whole is also reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $5,621,748. This is up $53,545 from the June 30, 2016 combined fund balance total of $5,568,203.

The District's General Fund unassigned fund balance experienced an increase of $205,851, moving from $1,621,918 to $1,827,769. The District's General Fund unassigned fund balance is the single most important measure of the District's financial health as reported in its governmental funds. In addition, the District assigned $88,050 for curriculum based on underspent budget in this area and because the curricular area for which purchases were to be made was unable to finalize decisions on a new curriculum prior to the end of the fiscal period and $40,450 for future repair and maintenance related to HVAC systems due to a project that was budgeted but not completed in 2016-2017. The restricted fund balances in the General Fund include a mix of activity, with some restricted fund balances increasing and others decreasing; based on associated revenue, expenditures and the current year relationship between the two.

There were also a mix of increases and decreases in the fund balances in the District's other governmental funds based on the same revenue and expenditure interplay described above, with the largest decrease being in Building Construction, dropping from $683,213 to $204,584 due to completion of the track reconstruction and new funding for a smaller tennis court expansion project.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Revenues and Expenditures
Revenues of the District's governmental funds totaled $15,922,600 while total expenditures were $16,434,055. Compared to 2015-2016, total revenues were up $343,951 from a total of $15,578,649 and total expenditures were up $961,332 from a total of $15,472,723. In addition, there was $565,000 in Other Financing Sources representing the proceeds from a tennis court capital lease, down from $1,106,000 for a track capital lease in 2015-2016.

A summary of the revenues and expenditures reported on the governmental fund financial statements appears in Table A-6 below.

Table A-6
Summary Revenues and Expenditures – Governmental Funds

	Revenue	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
General	$ 12,591,717	$ 12,146,668	$ -	$ 445,049
Food service	631,568	613,836	-	17,732
Community service	383,476	333,196	-	50,280
Building construction	40	1,043,669	565,000	(478,629)
Debt service	1,627,073	1,615,176	-	11,897
OPEB debt service	688,726	681,510	-	7,216
Total	$ 15,922,600	$ 16,434,055	$ 565,000	$ 53,545

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

One of the largest differences in both revenue and expenditures was due to special education, which saw a revenue increase of $220,000 but experienced an expenditure increase of $264,397 due to hiring of more experienced staff and purchase of additional services to accommodate increased student needs. This difference was offset by an Other Financing Source representing proceeds from capital leases in the amount of $1,106,000 in 2015-2016 for track reconstruction, decreasing to $565,000 for tennis court expansion in 2016-2017; and of which $430,335 was expended, resulting in a Building Construction reserved fund balance decrease of $478,629.

As the District completed the 2016-2017 year, its governmental funds reported combined fund balances of $5,621,748. The General Fund unassigned fund balance increased from $1,621,918 to $1,827,769, which was largely planned in the 2016-2017 budget through revenue projection and assisted by actual expenditures coming in under budget. Other fund balance growth was in the Reserved for Operating Capital fund balance which increased by $66,830 and Long-Term Facilities Maintenance which increased by $107,113 as the District saves for future facilities-related projects.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

The most important change was in the District's unassigned fund balance in the General Fund which increased from $1,621,918 to $1,827,769. From a governmental funds perspective, this is the most significant measure of the District's financial health and ability to sustain operations in an uncertain economic and financial future. This fund balance stability allows the District to continue to exceed its fund balance policy objectives of a General Fund unassigned fund balance of between 7% and 12% of General Fund unassigned expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year ended June 30, 2017, the District revised its operating budget one time. The original budget was adopted in June 2016 (a budget must be in place prior to the beginning of the fiscal year on July 1). The final budget was adopted in May 2017.

Significant Changes between Original Budget and Final Budget
The revised budgets were modified from the original budget to reflect the following changes:

- Overall General Fund revenue estimates increased by $306,142 and expenditure estimates decreased by $79,622. The final budget anticipated the unassigned fund balance in the General Fund to be at approximately $1,730,138, whereas the original budget had predicted a lower anticipated ending balance of $1,282,093.

  Revenue-based adjustments between the original and final General Fund budgets included an increase in state General Education revenue aid due to higher than anticipated enrollment, providing approximately $173,394 additional revenue due to 38 additional pupil units (weighted enrollment). Legislative changes to the Special Education funding formula provided $120,000 in anticipated additional revenue. There was also an increase in County tax forfeited revenue of $11,000 over the prior year figure which had been used in the calculation of the original budget.

  Expenditure-based adjustments between the original and final General Fund budgets included modifications to correct a number of budget items that had previously been increased strictly on an estimate of inflation. The adjustment looked for closely at current actual trend in an attempt to start truing up the budget, with multiple budget increasing and budget decreasing adjustments. There adjustments made to modify the budget based on updated information relative to grant funding that had been anticipated at the time the original budget was calculated, such as an expenditure budget reduction of $67,226 to remove a technology grant that never materialized. There was also a mid-year expenditure reducing adjustment based on a program implement at the start of 2016-2017 school year to improve remedial reading skills, which was determined to not be as effective as had been hoped.

Variances from Final Budget to Actual
The District's final General Fund budget anticipated that expenditures would exceed revenues by $66,657. The actual result was $445,049 revenues over expenditures. General Fund revenues were under budget by $12,642, or 0.1%. General Fund expenditures were under budget by $653,531, or 5.1%.

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

Variances from Final Budget to Actual (Continued)
The following highlight the more significant variances between the final General Fund budget and actual results of operations:

- Revenue was under budget in three areas. Levy was under budget by $32,780, likely due to poorer than anticipated tax collection. General education revenue was under budget by $31,716 because the enrollment project used in final budget, which projected a significant increase in general education revenue, turned out to be slightly too aggressive. Special Education revenue was under budget by $24,087, with the possibility of a subsequent year budget adjustment after the Minnesota Department of Education finalizes special education aid and tuition for 2016-2017 sometime in the spring of 2018.

- The section of the General Fund used to budget for reserve for operating capital and reserve for long-term facilities maintenance reflects actual expenditures under budget by $308,377. Much of this variance is the result of projects that have been earmarked in the budget but were not undertaken so that the District can save as much operating capital reserve as possible to be able to pay for several large projects planned for the summer of 2018, including a restroom/concession facility at the football field and a project at the elementary school to continue an earlier project of enclosing open pod classrooms into self-contained, enclosed classrooms.

- Operations and Maintenance was under budget by $40,450. A planned project to start upgrading the building energy management system using, in part, funds from underspent utility budgets garnered through the Schools for Energy Efficiency (SEE) program was temporarily deferred, with $40,450 of underspent budget assigned to pay for that project in a future period.

- Curriculum improvement was under budget by $88,050 because the academic discipline slated for curriculum purchases was not able to reach final decisions regarding the curriculum that was needed, so $88,505 was added to the assigned to curriculum fund balance to allow for those purchases in a subsequent period once sound, final decisions have been made.

- Contracted or purchases services were generally under budget by the most significant amount, which will provide the opportunity to continue the budget improvement expenditure review process that was commenced in 2016-2017, whereby line items adjusted only for inflation will be more closely reviewed in an attempt to budget more closely to actual trend.

- Variances from budget also existed due to a new accounting procedure which resulted in entries being made to the governmental funds to recognize state aid paid to the Minnesota Teacher Retirement Association (TRA) to offset the addition of the struggling Duluth Teacher Retirement Fund into TRA. There were over-budget variances of $38,528 impacting both revenue and expenditures because of this revenue-neutral entry that was not included in the budget.

Independent School District No. 182
Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

Variances from Final Budget to Actual (Continued)

There were also variances between budget and actual in the balance of the operating funds, as follows:

- Food service revenue was $23,025 over budget and food service expenditures were $8,696 under budget, primarily because the food and equipment budgets were under spent. Overall, revenues exceeded expenditures by $17,732.

- In the Community Service Fund, actual revenue was over budget by $15,622 and expenditures were under budget by $34,501. Overall, revenues exceeded expenditures by $50,280.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets
Capital assets increased by $1,223,244 in 2016-2017 with construction in progress and additions of $1,695,025 and construction in progress to fixed asset adjustments and disposals of $471,781. Net capital assets increased from $24,640,850 on June 30, 2016 to $24,896,185 on June 30, 2017; as net depreciation expense of $1,016,593 for 2016-2017 was outpaced by capital asset increases. The completion of the $1,106,000 track reconstruction project in 2016-2017 added asset, and $430,355 booked as tennis court construction in progress in 2016-2017, will buoy capital asset level in the subsequent period. See Note 3 to the financial statements for more information.

Long-Term Debt
At year-end, the District had a balance of $9,985,000 in long-term bonded indebtedness. This is a decrease from $11,850,000 as of June 30, 2016. The total debt on the Statement of Net Position is inclusive of a premium on bonds. The District also added a Capital Lease Obligation of $565,000 during 2016-2017 to finance partial reconstruction and expansion of the District's tennis courts with capital lease payments extending for 10 years starting in 2017-2018. See Note 4 to the financial statements for more information.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing conditions that could significantly affect its financial health in the future:

- Many of the District's major employment contracts expire on June 30, 2017. The 2017-2018 Preliminary Budget is based on estimates of anticipated settlements with these bargaining units and the 2017-2018 Revised Budget will be updated to reflect actual settlements with these employee groups. With declining enrollment and minimal inflationary increases on the revenue side of the ledger, controlling costs by obtaining contract settlements that are affordable in the long-term will be critical. The employment contract with the AFSCME bargaining unit will not expire until June 30, 2018.

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- In the fall of 2013, the District used a then-new provision in State law for a Board-approved operating referendum of $300 per pupil unit for five years; and sought voter approval for an operating referendum of $195.66 at an election held on November 5, 2013. The voters approved the renewal for ten years. Both the Board-approved and the renewed voter-approved referendum started in 2014-2015, making 2016-2017 year three of each respective referendum term.

- The 2014 Minnesota legislature passed legislation to correct previously enacted legislation that had created a doughnut hole in funding which negatively impacted medium sized school districts, including Crosby-Ironton. This legislation provided, for all Minnesota school districts, up to $724 in additional funding per pupil unit, with the $724 reduced by any amounts each school district has in both Board- and voter-approved referendums. For Crosby-Ironton, the referendum amounts (as noted in the previous bulleted item) were less than the $724, so there was a possibility of increased funding provided by a legislatively authorized increase in the property tax levy. Therefore, $724 in potential revenue less $300 board-approved less $195.66 voter-approved resulted in the opportunity for $228.34 per pupil unit in additional funding potential, starting in the 2015-2016 fiscal period.

- State legislation passed in the 2013 session of the Minnesota legislature provided for additional taconite-related funding for school districts located within the Minnesota taconite assistance area. This included an increase in funding from $.02 to $.11 per unit of taconite produced, as well as the reinstatement of taconite referendum revenue for Crosby-Ironton that resulted in just under $225,000 in additional revenue starting in 2014-2015. A portion of the taconite referendum must be set aside for early childhood programming, leaving approximately $190,000 available to the General Fund. This additional funding is anticipated to continue into the future, barring any changes made in future legislative sessions or significant changes in taconite production; but with the current slump in demand for taconite and layoff of personnel by the mining companies the continuation at the current level may be in question.

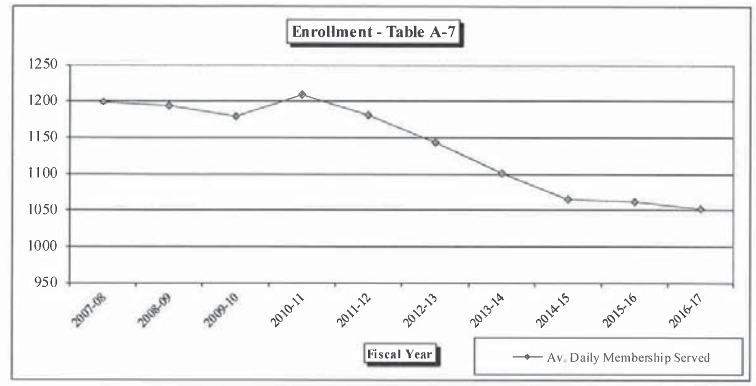
- State legislation passed in the 2014 session of the Minnesota legislature provided additional facilities maintenance funding in a program called Long-Term Facilities Maintenance. This funding started in 2016-2017 and the amount per student increases each year over a three-year period with maximum funding as identified by current law in 2018-2019. This funding will be beneficial in helping to keep the District's buildings in good repair as they continue to age, but the funding also comes with some specific rules on what projects can be paid for with the funding and the School District does not have complete discretion of use.

- The School District has bonded debt to fund the 2004-2005 building project which will be paid off on February 1, 2023 and to fund Other Post-Employment Benefits (OPEB) which will be paid off on February 1, 2019. Planning is taking place prior to the expiration of this debt so that any identified facilities needs can be addressed by potential new bond issues prior to the expiration of existing debt to create stable property tax levels and to avoid needing to have a large increase in property tax for a new bond issue issued after the existing debt is paid off and left the property tax calculation. High cost repair items such as re-roofing, for example, should be considered as part of issuance of new debt. Preliminary planning continues as the District looks to these benchmark dates in the not-so-distant future.

Independent School District No. 182
Management's Discussion and Analysis

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- Declining enrollment continues to be a potential source of stress on the District's financial future. 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 average daily membership (ADM) for the past 10 years illustrates this trend. Table A-7 below presents this information.



- The historical declining enrollment trend was interrupted by an increase in enrollment in 2010-2011, due in large part to the closing of the Emily Charter School in June 2010 which was located within the geographic boundaries of the School District. An overall downward trend, however, has continued since that time and is expected to continue to be a factor into the foreseeable future. For 2016-2017, the District experienced a much less dramatic decrease in enrollment, with enrollment down 9.55 students or 10.13 pupil units, compared to 2015-2016. Ongoing decline is expected, as the District continues to graduate classes 85 to 90 students and replace them with entering kindergarten classes of 70 students.

- The establishment of an irrevocable trust in 2008-2009, using the proceeds of General Obligation Taxable OPEB Bonds issued in January 2009, provided a funding source to cover the expenses associated with the District's OPEB obligations. Therefore, these expenses no longer need to come from the unassigned General Fund operating budget. The District's OPEB liabilities and commitments for retirees are expected to be fully funded by the assets held in the irrevocable OPEB trust and, depending on trust investment income, ongoing implicit rate subsidies (calculated because retirees are in the same health insurance group as active employees) are and hopefully will be able to continue to be transferred from the irrevocable trust to the General Fund to help alleviate some strain on the unassigned General Fund. The bottom-line impact of this in 2016-2017 is that unassigned General Fund expenditures were able to be reduced by $534,000; with the unassigned fund balance in the General Fund thereby being that same amount higher than it would have been had the OPEB bond funding not been available.

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- The relationship between increases in revenue sources compared to increases in expenditures will play an increasingly important role in the programs and staffing levels that the District will be able to provide to the students it serves. If revenue sources do not equal or exceed expenditure commitments; consideration for program reductions, student-to-teacher ratio increases and other staffing and operational issues will need to be made to keep the District in a financially viable situation. Enrollment trends will also play a factor in determining ongoing staffing and programming opportunities that the District can make available to students.

- The School Board-adopted fund balance policy states that "the School Board will endeavor to attain and thereafter maintain a General Fund unreserved fund balance of between 7% and 12% of the District's General Fund unassigned operating budget." The policy requires the District to make expenditure reducing or revenue increasing adjustments when the General Fund unassigned fund balance is projected to decrease below 7% of the General Fund unassigned expenditure budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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. If you have questions about this report or need additional financial information, contact the District Office, Independent School District No. 182, 711 Poplar Street, Crosby, Minnesota 56441.

Independent School District No. 182
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash and investments	$ 7,357,701
Current property taxes receivable	1,854,382
Delinquent property taxes receivable	104,347
Accounts receivable	42,162
Interest receivable	16,339
Due from Department of Education	1,086,751
Due from other Minnesota school districts	46,985
Due from federal government through Department of Education	3,725
Due from other governmental units	154,979
Inventory	18,503
Prepaid items	41,951
Net other post employment benefits (OPEB) asset	2,228,561
Capital assets not being depreciated	
Land	635,008
Construction in progress	430,335
Capital assets net of accumulated depreciation	
Land improvements	2,337,471
Buildings	20,825,420
Furniture and equipment	667,951
Total assets	37,852,571
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	15,579,925
Total assets and deferred outflows of resources	$ 53,432,496
Liabilities	
Accounts payable	$ 536,723
Contracts payable	17,002
Salaries and benefits payable	186,828
Interest payable	160,831
Due to other Minnesota school districts	115,555
Due to other governmental units	276
Unearned revenue	187,367
Net pension liability	24,627,723
Bond principal payable (net of premium)	
Payable within one year	1,940,000
Payable after one year	8,401,864
Capital lease payable	
Payable within one year	116,160
Payable after one year	1,530,379
Total liabilities	37,820,708
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	3,765,457
Deferred inflows of resources related to OPEB	234,450
Deferred inflows of resources related to pensions	853,018
Unavailable revenue - taconite aid	192,522
Total deferred inflows of resources	5,045,447
Net Position	
Net investment in capital assets	14,372,366
Restricted for	
Debt service	406,966
Food service	241,830
Community service	178,046
Other purposes	2,116,619
Unrestricted	(6,749,486)
Total net position	10,566,341
Total liabilities, deferred inflows of resources, and net position	$ 53,432,496

See notes to financial statements.

Independent School District No. 182
Statement of Activities
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 (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 868,018	$ -	$ -	$ -	$ (868,018)
District support services	258,390	-	-	-	(258,390)
Elementary and secondary regular instruction	6,530,497	60,019	1,629,196	-	(4,841,282)
Vocational education instruction	153,042	-	-	-	(153,042)
Special education instruction	3,516,768	64,809	1,644,228	-	(1,807,731)
Instructional support services	860,130	-	148,333	-	(711,797)
Pupil support services	1,379,298	-	20,763	-	(1,358,535)
Sites and buildings	1,356,202	9,831	-	-	(1,346,371)
Fiscal and other fixed cost programs	49,867	-	-	-	(49,867)
Food service	633,689	241,416	388,735	-	(3,538)
Community education and services	410,184	145,652	59,390	-	(205,142)
Unallocated depreciation	890,546	-	-	-	(890,546)
Interest and fiscal charges on long-term debt	367,761	-	-	-	(367,761)
Total governmental activities	$ 17,274,392	$ 521,727	$ 3,890,645	$ -	(12,862,020)

General revenues	
Taxes	
Property taxes, levied for general purposes	1,884,952
Property taxes, levied for community service	176,703
Property taxes, levied for debt service	2,290,933
State aid-formula grants	7,264,620
Other general revenues	141,413
Investment income	30,688
Total general revenues	11,789,309
Change in net position	(1,072,711)
Net position - beginning	14,525,561
Change in accounting principle (see note 8)	(2,886,509)
Net position - beginning, as restated	11,639,052
Net position - ending	$ 10,566,341

See notes to financial statements.

Independent School District No. 182
Balance Sheet - Governmental Funds
June 30, 2017

	Debt Service				
	General	Debt Service	OPEB Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	$ 5,009,846	$ 1,173,722	$ 497,972	$ 676,161	$ 7,357,701
Current property taxes receivable	731,239	790,704	332,439	-	1,854,382
Delinquent property taxes receivable	39,656	45,329	19,339	23	104,347
Accounts receivable	42,162	-	-	-	42,162
Interest receivable	16,339	-	-	-	16,339
Due from Department of Education	1,079,959	933	395	5,464	1,086,751
Due from other Minnesota school districts	46,985	-	-	-	46,985
Due from Federal Government through Department of Education	3,725	-	-	-	3,725
Due from other governmental units	79,296	-	-	75,683	154,979
Inventory	-	-	-	18,503	18,503
Prepaid items	35,451	-	-	6,500	41,951
Total assets	$ 7,084,658	$ 2,010,688	$ 850,145	$ 782,334	$ 10,727,825
Liabilities					
Accounts payable	$ 440,569	$ -	$ -	$ 96,154	$ 536,723
Contracts payable	-	-	-	17,002	17,002
Salaries and benefits payable	185,461	-	-	1,367	186,828
Due to other Minnesota school districts	115,555	-	-	-	115,555
Due to other governmental units	-	-	-	276	276
Unearned revenue	144,292	-	-	43,075	187,367
Total liabilities	885,877	-	-	157,874	1,043,751
Deferred Inflows of Resources					
Property taxes levied for subsequent year's expenditures	1,472,421	1,614,227	678,809	-	3,765,457
Unavailable revenue - taconite aid	192,522	-	-	-	192,522
Unavailable revenue - delinquent taxes	39,656	45,329	19,339	23	104,347
Total deferred inflows of resources	1,704,599	1,659,556	698,148	23	4,062,326
Fund Balances					
Nonspendable	35,451	-	-	25,003	60,454
Restricted	2,113,649	351,132	151,997	599,434	3,216,212
Assigned	517,313	-	-	-	517,313
Unassigned	1,827,769	-	-	-	1,827,769
Total fund balances	4,494,182	351,132	151,997	624,437	5,621,748
Total liabilities, deferred inflows of resources, and fund balances	$ 7,084,658	$ 2,010,688	$ 850,145	$ 782,334	$ 10,727,825

See notes to financial statements.

Independent School District No. 182
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2017

Total fund balances - governmental funds	$	5,621,748
Amounts reported for governmental activities in the Statement of Net Position are different because		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.		
Cost of capital assets		40,987,056
Less accumulated depreciation		(16,090,871)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bond principal payable		(9,985,000)
Capital lease payable		(1,646,539)
Premium on bonds payable		(356,864)
Net pension liability		(24,627,723)
Net OPEB asset		2,228,561
Deferred outflows of resources and deferred inflows of resources are created as a result of differences in timing and estimates related to pension and OPEB that are not recognized in the governmental funds.		
Deferred outflows of resources related to pensions		15,579,925
Deferred inflows of resources related to pensions		(853,018)
Deferred inflows of resources related to OPEB		(234,450)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		104,347
Governmental funds do not report a liability for accrued interest on bonds until due and payable.		(160,831)
Total net position - governmental activities	$	10,566,341

See notes to financial statements.

Independent School District No. 182
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2017

	General	Debt Service: Debt Service	Debt Service: OPEB Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	$ 1,887,351	$ 1,612,368	$ 682,437	$ 176,722	$ 4,358,878
Other local and county revenues	382,082	5,380	2,341	151,642	541,445
Revenue from state sources	9,858,569	9,325	3,948	92,181	9,964,023
Revenue from federal sources	462,223	-	-	353,123	815,346
Sales and other conversion of assets	1,492	-	-	241,416	242,908
Total revenues	12,591,717	1,627,073	688,726	1,015,084	15,922,600
Expenditures					
Current					
Administration	655,973	-	-	-	655,973
District support services	250,237	-	-	-	250,237
Elementary and secondary regular Instruction	4,711,718	-	-	-	4,711,718
Vocational education instruction	105,520	-	-	-	105,520
Special education instruction	2,830,587	-	-	-	2,830,587
Instructional support services	652,121	-	-	-	652,121
Pupil support services	1,283,097	-	-	-	1,283,097
Sites and buildings	1,251,272	-	-	142,275	1,393,547
Fiscal and other fixed cost programs	49,867	-	-	-	49,867
Food service	-	-	-	610,959	610,959
Community education and services	-	-	-	328,617	328,617
Capital outlay					
District support services	10,210	-	-	-	10,210
Elementary and secondary regular Instruction	38,535	-	-	-	38,535
Instructional support services	66,201	-	-	-	66,201
Pupil support services	8,604	-	-	-	8,604
Sites and buildings	187,935	-	-	901,394	1,089,329
Food service	-	-	-	2,877	2,877
Community education and services	-	-	-	4,579	4,579
Debt service					
Principal	24,461	1,280,000	585,000	-	1,889,461
Interest and fiscal charges	20,330	335,176	96,510	-	452,016
Total expenditures	12,146,668	1,615,176	681,510	1,990,701	16,434,055
Excess of revenues over (under) expenditures	445,049	11,897	7,216	(975,617)	(511,455)
Other Financing Sources					
Proceeds from capital leases	-	-	-	565,000	565,000
Net change in fund balances	445,049	11,897	7,216	(410,617)	53,545
Fund Balances					
Beginning of year	4,049,133	339,235	144,781	1,035,054	5,568,203
End of year	$ 4,494,182	$ 351,132	$ 151,997	$ 624,437	$ 5,621,748

See notes to financial statements.

Independent School District No. 182
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2017

Net change in fund balances - total governmental funds	$ 53,545
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlay is reported in governmental funds as an expenditure. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	1,272,238
Depreciation expense	(1,016,593)
Disposal of capital assets	(310)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.	
Bonds principal payments	1,889,461
Governmental funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in differences between actual and expected contributions and earnings on plan investments as well as changes in proportion.	(2,960,904)
Governmental funds recognize OPEB contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to OPEB on a full accrual perspective.	176,887
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 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.	30,048
Governmental funds report the effect of bond discounts and premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	54,207
Proceeds from the sale of long-term debt are recognized as other financing sources in the governmental funds increasing fund balance but having no effect on net position in the Statement of Activities.	
Capital lease issued	(565,000)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	(6,290)
Change in net position - governmental activities	$ (1,072,711)

See notes to financial statements.

Independent School District No. 182
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund
Year Ended June 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues				
Local property taxes	$ 1,902,085	$ 1,911,900	$ 1,887,351	$ (24,549)
Other local and county revenues	381,959	345,429	382,082	36,653
Revenue from state sources	9,516,505	9,881,358	9,858,569	(22,789)
Revenue from federal sources	443,209	465,457	462,223	(3,234)
Sales and other conversion of assets	100	215	1,492	1,277
Total revenues	12,243,858	12,604,359	12,591,717	(12,642)
Expenditures				
Current				
Administration	683,605	696,358	655,973	(40,385)
District support services	331,302	309,439	250,237	(59,202)
Elementary and secondary regular Instruction	4,709,931	4,795,885	4,711,718	(84,167)
Vocational education instruction	108,630	109,480	105,520	(3,960)
Special education instruction	2,829,216	2,872,182	2,830,587	(41,595)
Instructional support services	690,592	684,575	652,121	(32,454)
Pupil support services	1,381,838	1,323,759	1,283,097	(40,662)
Sites and buildings	1,261,143	1,304,187	1,251,272	(52,915)
Fiscal and other fixed cost programs	54,000	50,000	49,867	(133)
Capital outlay				
District support services	10,000	10,000	10,210	210
Elementary and secondary regular Instruction	76,500	93,080	38,535	(54,545)
Special education instruction	8,900	8,900	-	(8,900)
Instructional support services	167,226	95,000	66,201	(28,799)
Pupil support services	22,913	22,913	8,604	(14,309)
Sites and buildings	455,055	379,650	187,935	(191,715)
Debt service				
Principal	-	24,461	24,461	-
Interest and fiscal charges	-	20,330	20,330	-
Total expenditures	12,790,851	12,800,199	12,146,668	(653,531)
Excess of revenues over (under) expenditures	$ (546,993)	$ (195,840)	445,049	$ 640,889
Fund Balances				
Beginning of year			4,049,133	
End of year			$ 4,494,182	

See notes to financial statements.

Independent School District No. 182
Statement of Fiduciary Net Position
June 30, 2017

	Agency Fund	Private Purpose Trust Fund	OPEB Irrevocable Trust Fund
Assets			
Cash and cash equivalents	$ 13,161	$ 139,559	$ 83,976
Investments			
State Board of Investments			
Fixed income pool	-	-	1,957
Equity pool	-	-	3,420,130
Prepaid items	-	-	100,000
Total assets	$ 13,161	$ 139,587	$ 3,606,063
Liabilities			
Accounts payable	$ 13,161	$ -	$ -
Unearned revenue	-	47,600	-
Total liabilities	$ 13,161	47,600	-
Net Position			
Held in trust for scholarships		91,987	-
Held in trust for OPEB		-	3,606,063
Total net position held in trust		$ 139,587	$ 3,606,063

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

	Private Purpose Trust Fund	OPEB Irrevocable Trust Fund
Additions		
Contributions	$ 63,150	$ -
Investment income		
Interest revenue	378	530,730
Total additions	63,528	530,730
Deductions		
Scholarships	60,450	-
Health insurance	-	533,853
Professional services	-	727
Total deductions	60,450	534,580
Change in net position	3,078	(3,850)
Net Position		
Beginning of year	88,909	3,609,913
End of year	$ 91,987	$ 3,606,063

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a six member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are not under the School Board's control; therefore, separate audited financial statements have been issued.

B. Basic Financial Statement Information

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated deprecation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

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

The Trust and Agency Funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, these Funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner.

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures (Continued)
The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District applies unrestricted funds in this order if various levels of restricted fund balances exist: committed, assigned, and unassigned; with the exception that restricted, committed, or assigned fund balance spending may be deferred and unassigned resources spent first if fund balances need to be preserved to facilitate future expenditure plans.

Description of Funds

Major Funds

General Fund – This Fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This Fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond principal, interest, and related costs.

OPEB Debt Service Fund – This Fund is used to record levy proceeds and the payments of OPEB bonds, principal interest, and related costs.

Nonmajor Funds

Food Service Special Revenue Fund – This Fund is used to account for the financial activities of the District's Food Service Program.

Community Service Special Revenue Fund – This Fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services.

Building Construction Fund – Capital Projects – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue.

Fiduciary Funds

Agency Fund – This fund is used to account for assets held by a governmental unit as an agent for individuals, private organizations, other governmental units, and other funds. The Agency Fund is purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

Private Purpose Trust Fund – The Scholarship Trust Fund is used to account for resources received and held by the District in a trustee capacity to be used in making scholarship awards.

OPEB Irrevocable Trust Fund – This fund is used to account for the financial resources relating to post-employment benefits.

D. Deposits and Investments
The District's total deposits and investments are comprised of two major components, each with its own set of legal and contractual provisions as described below and on the following page.

The District 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. Investments held by investment pools are measured at amortized cost.

1. District Funds Other than the OPEB Trust Fund
Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

Cash and investments at June 30, 2017, were comprised of deposits, shares in the Minnesota School District Liquid Asset Fund (MSDLAF) shares in MNTrust, and Negotiable Certificates of Deposit with MNTrust. MSDLAF and MNTrust shares are valued at amortized cost, which approximates fair value.

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Minnesota Statutes authorizes the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase, and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF or MNTrust Investment Shares Portfolio. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

2. OPEB Trust Fund

These funds represent investments administered by the District's OPEB Trust Fund investment managers. As of June 30, 2017, they were comprised of various pools with the State Board of Investments.

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. Investments are stated at fair value.

Minnesota Statutes authorize the OPEB Trust Fund to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments.

The District held OPEB Trust investments consisting of shares of the cash pool, equity pool and fixed pool of the State Board of Investments (SBI). Investments held by SBI are measured at amortized cost.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represents uncollected taxes for the past six years and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2016, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2017. The remaining portion of the levy will be recognized when measurable and available.

G. Inventory

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

I. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Crow Wing and Aitkin Counties are the collecting agency for the levy and remit the collections to the District three times a year. The Tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

J. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Intangible assets, including easements, right-of-way, and intellectual property will be capitalized if the value is more than $25,000. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at its acquisition value at the date of donation.

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

Capital assets are depreciated using the straight-line method with the modified full month convention over the estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 10 to 50 years for land improvements and buildings and 5 to 20 years for furniture and equipment.

Capital assets not being depreciated at year-end include land and construction in progress. The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows 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 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 that time. The District has one item that qualifies for reporting in this category. A deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent year's expenditures, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is a grant that is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet which will be recognized as an inflow of resources in the year for which it was awarded. The fourth item is a deferred inflows of resources related to pensions which is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

L. Unearned Revenue

Unearned revenue represents monies received prior to June 30, 2017, but earned subsequent to year-end.

M. Long-Term Obligations

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

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

Independent School District No. 182
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences

Certain District employees earn vacation days based on the number of completed years of service. The District compensates employees for unused vacation upon termination of employment. Employees are entitled to paid sick leave at various rates for each month of full-time service. Employees are not compensated for unused sick leave upon termination of employment. Sick pay is recorded as an expenditure when it is used.

O. Pensions

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

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 TRA Note 7.

P. Postemployment Benefits Other Than Pensions (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 District and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, the District 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.

Q. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2017.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Equity

In the fund financial statements, governmental funds report various levels of spending constraints.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include prepaids and inventory.

- Restricted Fund Balances – These amounts are subject to externally enforceable legal restrictions.

- Assigned Fund Balances – The School Board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The School Board also delegates the power to assign fund balances to the Business Manager.

- Minimum Fund Balance Policy – The District will strive to maintain a minimum unassigned General Fund balance of between 7% and 12% of annual unassigned operating budget.

S. Net Position

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

T. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

U. Budgetary Information

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

1. Prior to July 1, the Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Budgetary Information (Continued)

3. Formal budgetary integration is employed as a management control device during the year for the General, Debt Service, Capital Project, and Special Revenue Funds.
4. Budgets for the General, Debt Service, Capital Project, and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

1. District Funds Other than the OPEB Trust Fund

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy requires the District's deposits be collateralized as required by *Minnesota Statutes* 118.03 for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of June 30, 2017, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name and irrevocable letters of credit.

As of June 30, 2017, the District had the following deposits:

Checking	$ 2,036,159
Insurance checking	185,509
Savings and certificates of deposit	3,006,822
Total deposits	$ 5,228,490

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

1. District Funds Other than the OPEB Trust Fund

As of June 30, 2017, the District had the following investments:

Investment	Maturities	Fair Value	Percentage of Pool	S&P/Moodys Rating
Pooled Investments				
MSDLAF	Various	$ 1,466	N/A	AAAm
MNTrust Investment Shares Portfolio	N/A	44,870	N/A	AAA
MN Term Series	07/27/17	500,000	21.92%	AAA
MN Term Series	08/01/17	500,000	21.92%	AAA
Wells Fargo Bank	04/16/18	248,164	10.88%	N/A
Bank of China	06/29/18	246,371	10.80%	N/A
Ally Bank	04/13/18	247,180	10.84%	N/A
Capital One Bank (USA)	10/15/18	246,420	10.80%	N/A
Capital One	10/15/18	246,420	10.80%	N/A
Total investments - District funds		$ 2,280,891		

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy limits investments to U.S. Treasury obligations, U.S. Government Agency and instrumentality obligations, Canadian Government obligations, certificates of deposit, banker's acceptances, commercial paper rated in the highest tier, investment-grade obligations, repurchase agreements, money market mutual funds, and local government investment pools. The District's investments were rated in the tables on the previous page by Standard & Poor's (S&P) and Moody's Investor Services.

Concentration of Credit Risk – This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer, although the investment policy states to eliminate risk of loss resulting from the over concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalents assets in all District funds shall be diversified by maturity, issuer and class of security. The policy also states unless matched to a specific cash flow, the District will not directly invest in securities maturing more than five years from the date of purchase or in accordance with state and local statutes and ordinances. The District was exposed to concentration of credit risk at June 30, 2017, with more than 5% of total investments in several negotiable certificates of deposit as noted in the table above.

Interest Rate Risk – This is the risk that the market value of securities will fall due to the changes in market interest rates. The District's policy states investments will be managed in a manner to attain a market rate of return through various economic and budgetary cycles while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

1. District Funds Other than the OPEB Trust Fund (Continued)

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy states that securities will be held by an independent third party custodian selected by the District as evidenced by safekeeping receipts in the District's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls.

The District has the recurring fair value measurements for pooled investments and as of June 30, 2017, $1,234,555 of investments are valued using Level 2 inputs.

2. OPEB Trust Fund

The District follows the investment policy of the State Board of Investments.

Credit Risk: As of June 30, 2017, the District's OPEB Trust Fund cash and cash equivalents and investments were unrated.

Cash and Cash Equivalents and Investments	Maturities	Fair Value
State Board of Investments		
Cash pool	Various	$ 83,976
Equity pool	Various	3,420,130
Fixed income pool	Various	1,957
Total investments - OPEB Trust Fund		$ 3,506,063

C. Deposits and Investments

The following is a summary of total deposits and investments:

District funds other than OPEB Trust Fund	
Petty cash	$ 1,040
Deposits (Note 3. A.)	5,228,490
Pooled-investments	2,280,891
OPEB Trust Fund	
Cash and cash equivalents and investments	3,506,063
Total deposits and investments	$ 11,016,484

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)

Deposits and investments at June 30, 2017, are presented as follows:

Statement of Net Position	
Cash and investments	$ 7,357,701
Statement of Fiduciary Net Position	
Agency fund - cash and cash equivalents	13,161
Private purpose trust fund - cash and cash equivalents	139,559
OPEB Irrevocable Trust Fund	
Cash and cash equivalents	83,976
Investments	3,422,087
Total deposits and investments	$ 11,016,484

NOTE 3 – 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	$ 623,734	$ 11,274	$ -	$ 635,008
Construction in progress	422,787	430,335	422,787	430,335
Total capital assets not being depreciated	1,046,521	441,609	422,787	1,065,343
Capital assets being depreciated				
Land improvements	2,340,840	1,106,040	1,027	3,445,853
Buildings	34,237,237	22,554	2,583	34,257,208
Furniture and equipment	2,139,214	124,822	45,384	2,218,652
Total capital assets being depreciated	38,717,291	1,253,416	48,994	39,921,713
Less accumulated depreciation for				
Land improvements	973,357	136,051	1,027	1,108,381
Buildings	12,665,642	768,420	2,273	13,431,789
Furniture and equipment	1,483,963	112,122	45,384	1,550,701
Total accumulated depreciation	15,122,962	1,016,593	48,684	16,090,871
Total capital assets being depreciated, net	23,594,329	236,823	310	23,830,842
Governmental activities, capital assets, net	$ 24,640,850	$ 678,432	$ 423,097	$ 24,896,185

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of $1,016,593 for the year ended June 30, 2017, was charged to the following functions:

Administration	$ 1,200
District support services	1,488
Elementary and secondary regular instruction	44,883
Vocational education instruction	1,292
Special education instruction	3,266
Instructional support services	16,738
Pupil support services	18,802
Sites and buildings	28,777
Food service	9,836
Community education and services	75
Unallocated depreciation	890,236
Total depreciation expense	$ 1,016,593

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One year
Long-term liabilities						
G.O. Bonds						
2009A Taxable OPEB Bonds	01/28/09	2.50%-5.40%	$ 4,905,000	02/01/19	$ 1,260,000	$ 615,000
2011A School Building Refunding Bonds	10/03/11	2.50%-4.00%	13,635,000	02/01/23	8,725,000	1,325,000
Total bonds					9,985,000	1,940,000
Premium on bonds					356,864	-
Capital lease payable					1,646,539	116,160
Total all long-term liabilities					$ 11,988,403	$ 2,056,160

The long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities and to cover annual OPEB cost and net OPEB obligations. Bond principal payments are made by the Debt Service Funds.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

B. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	$ 11,850,000	$ -	$ 1,865,000	$ 9,985,000
Capital leases	1,106,000	565,000	24,461	1,646,539
Premium on bonds	411,071	-	54,207	356,864
Total long-term liabilities	$ 13,367,071	$ 565,000	$ 1,943,668	$ 11,988,403

C. Minimum Debt Payments for Bonds

Minimum annual principal and interest payments required to retire G.O. bond liabilities:

Year Ending June 30,	G.O. Bonds Principal	G.O. Bonds Interest	Total
2018	$ 1,940,000	$ 359,810	$ 2,299,810
2019	2,020,000	288,080	2,308,080
2020	1,425,000	212,000	1,637,000
2021	1,475,000	169,250	1,644,250
2022	1,530,000	125,000	1,655,000
2023	1,595,000	63,800	1,658,800
Total	$ 9,985,000	$ 1,217,940	$ 11,202,940

D. Capital Lease Obligations

The District entered into a lease purchase option agreement on May 25, 2017 with Bremer Bank, N.A. for the construction of tennis courts. The capital lease obligation and corresponding improvements totaled $565,000. The capital lease agreement includes semiannual principal and interest payments of $32,166. The assets being constructed with the 2017 lease are classified as construction in process and totaled $430,335. The asset is still under construction as of June 30, 2017, and will be depreciated once it is completed.

On May 25, 2016, the District entered into a lease purchase agreement with Capital One Public Funding, LLC for the reconstruction of the track. The capital lease obligation and corresponding improvements totaled $1,106,000. The capital lease agreement includes semi annual principal and interest payments of $45,287.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments were as follows:

Year Ending June 30,	
2018	$ 154,904
2019	154,904
2020	154,904
2021	154,905
2022	154,905
2023-2027	774,523
2028-2032	407,579
Total minimum lease payments	1,956,624
Less amount representing interest	(310,085)
Present value of minimum lease payments	$ 1,646,539

NOTE 5 – FUND BALANCES/NET POSITION

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities or as required by other outside parties.

A. Fund Balances

Fund balances are classified on the following page to reflect the limitations and restrictions of the respective funds.

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

	General Fund	Debt Service	Other Post Employment Benefits Debt Service	Other Nonmajor Funds	Total
Nonspendable for					
Inventory	$ -	$ -	$ -	$ 18,503	$ 18,503
Prepaid items	35,451	-	-	6,500	41,951
Total nonspendable	35,451	-	-	25,003	60,454
Restricted/reserved for					
Staff development	52,331	-	-	-	52,331
Teacher development and evaluation	7,187	-	-	-	7,187
Health and safety	(2,970)	-	-	-	(2,970)
Operating capital	1,030,578	-	-	-	1,030,578
Gifted and talented	85,330	-	-	-	85,330
Basic skills programs	743,247	-	-	-	743,247
Safe schools - crime levy	41,781	-	-	-	41,781
Long term facilities maintenance	156,165	-	-	-	156,165
Community education	-	-	-	14,915	14,915
Early childhood and family education	-	-	-	92,742	92,742
School readiness	-	-	-	50,551	50,551
$25 taconite	-	-	-	19,315	19,315
Food service	-	-	-	217,327	217,327
Building projects funded by COP/LP	-	-	-	204,584	204,584
Debt service	-	351,132	151,997	-	503,129
Total restricted/reserved	2,113,649	351,132	151,997	599,434	3,216,212
Assigned for					
Technology	183,038	-	-	-	183,038
Curriculum	179,325	-	-	-	179,325
Building maintenance and repairs	154,950	-	-	-	154,950
Total assigned	517,313	-	-	-	517,313
Unassigned	1,827,769	-	-	-	1,827,769
Total fund balance	$ 4,494,182	$ 351,132	$ 151,997	$ 624,437	$ 5,621,748

Nonspendable for Inventory – This balance represents the portion of fund balance that is not available as amounts have already been spent on inventory.

Nonspendable for Prepaid Items – This balance represents the portion of fund balance that is not available as the amounts have already been spent by the District on items for the next year.

Restricted/Reserved for Staff Development – This balance represents unspent staff development revenues set aside from general education revenue that were restricted/reserved for staff development related to Finance Code 316. Expenditures for staff development must equal at least 2% of the basic general education revenue, unless legal stipulations are met (*Minnesota Statutes* 122A.61, subdivision 1).

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

Restricted/Reserved for Teacher Development and Evaluation – This balance represents resources available for teacher development and evaluation uses listed in *Minnesota Statutes* 122A.40, subd. 8 or 122A.41, subd. 5.

Restricted/Reserved for Health and Safety – This balance represents available resources to be used for health and safety projects in accordance with an approved health and safety plan.

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Gifted and Talented – The part of General Education Aid revenue for the gifted and talented program that is unspent at years end must be restricted in this Balance Sheet account.

Restricted/Reserved for Basic Skills Programs – This balance represents resources available for the basic skills uses listed in *Minnesota Statutes* 126C.15, subd. 1.

Restricted/Reserved for Safe Schools – Crime Levy – The unspent resources available from the safe schools levy must be restricted in this account for future use.

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* 123B.595, subd. 12).

Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education and extended day programs.

Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statues* 124D.16).

Restricted/Reserved for $25 Taconite – This balance represents available resources for outcome-based learning programs or early childhood learning programs from taconite referendum revenue.

Restricted for Food Service – This balance represents the positive fund balance of the Food Service Fund.

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)
Restricted/Reserved for Building Projects Funded by Certificates of Participation/Lease Purchase (COP/LP) Agreement with Related Lease Levy Authority – This balance represents the June 30 balance in the building construction fund for projects funded by certificates of participation/lease purchase agreement with related lease levy authority under *Minnesota Statutes*, section 126C.40.

Restricted for Debt Service – This balance represents the positive Fund balance of the debt service funds.

Assigned for Technology – This balance represents funds for future technology purchases.

Assigned for Curriculum – This balance represents funds set aside for future curriculum purchases.

Assigned for Building Maintenance and Repairs – This balance represents funds set aside for future building maintenance and repairs.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans, total pension expense for the year ended June 30, 2017, was $3,787,576. The components of pension expense are noted in the following plan summaries.

Teachers' Retirement Association

A. 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.

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

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

Tier 1 Benefits

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

Tier 1 Benefits

With these provisions:

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

Tier II Benefits

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

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

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 plan provisions in effect at the time they last terminated their public service.

C. Contribution Rate
Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for years ended June 30, 2015, June 30, 2016, and June 30, 2017, were:

	Employee	Employer
Basic	11.0%	11.5%
Coordinated	7.5%	7.5%

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
Employer contributions reported in schedule of employer and non-employer pension allocations	$ 390,131,928

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

C. Contribution Rate (Continued)
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.

D. 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	
Valuation date	July 1, 2016
Experience study	June 5, 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	4.66%, from the single equivalent interest rate calculation
Price inflation	2.75%
Wage growth rate	3.50%
Projected salary increase	3.50-9.50%
Cost of living adjustment	2.00%
Mortality Assumption	
Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of set rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

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

Asset Class	Target	Long-Term
Domestic stocks	45 %	5.50 %
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Unallocated cash	2	0.50
Total	100 %	

The TRA actuary has determined the average of the expected remaining services lives of all members for fiscal year 2016 is six years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions", and "Changes in Proportion" use the amortization period of six 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 five years as required by GASB 68.

E. Discount Rate
The discount rate used to measure the total pension liability was 4.66%. This is a decrease from the discount rate at the prior measurement date of 8.00%. 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 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% was applied to periods on and after 2052, resulting in a SEIR of 4.66%. Based on Fiduciary Net Position at the prior year measurement date, the discount rate of 8.00% was used and it was not necessary to calculate the SEIR.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability
On June 30, 2017, the District reported a liability of $22,516,652 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. District proportionate share was 0.0944% at the end of the measurement period and 0.0960% 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	$ 22,516,652
State's proportionate share of the net pension liability associated with the District	2,260,622

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 remain level at 2.0% annually. While in the previous measurement the COLA increased to 2.5% in 2034.

For the year ended June 30, 2017, the District recognized pension expense of $3,562,079. It recognized $315,659 as an increase to this pension expense for the support provided by direct aid.

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	$ 206,436	$ 630
Net difference between projected and actual earnings on plan investments	1,026,359	-
Changes in actuarial assumptions	12,845,852	-
Changes in proportion	314,655	574,522
District's contributions to TRA subsequent to the measurement date	368,027	-
Total	$ 14,761,329	$ 575,152

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)
$368,027 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a relation of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2018	$ 2,712,854
2019	2,712,857
2020	3,054,122
2021	2,857,771
2022	2,480,546
Total	$13,818,150

G. Pension Liability Sensitivity
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.66% as well as the liability measured using 1 percent lower and 1 percent higher.

District proportionate share of NPL		
1% decrease (3.66%)	Current (4.66%)	1% increase (5.66%)
$ 29,007,076	$ 22,516,652	$ 17,230,414

The Employer'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.

H. Pension Plan Fiduciary Net Position
Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That can be obtained at www.MinnesotaTRA.org, or 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 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association

A. Plan Description
The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by 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 (General Employees Plan (accounted for in the General Employees Fund))

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

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

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.

General Employees Plan Benefits

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions
Minnesota Statutes Chapter 353 set the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in fiscal year 2017. The District was required to contribute 7.5% for Coordinated Plan members in fiscal year 2017. The District's contributions to the General Employees Fund for the year ended June 30, 2017, were $134,746. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2017, the District reported a liability of $2,111,071 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $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 $27,735. 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 0.0260%, which was a decrease of 0.0010% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of $225,497 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $8,240 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the General Employees Fund.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)
At June 30, 2017, the District reported its proportionate share of 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 economic experience	$ 7,161	$ 173,234
Changes in actuarial assumptions	461,439	-
Difference between projected and actual investments earnings	215,250	-
Changes in proportion	-	104,632
District's contributions to PERA subsequent to the measurement date	134,746	-
Total	$ 818,596	$ 277,866

$134,746 reported as deferred outflows of resources related to pensions resulting from District contributions to PERA 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 PERA pensions will be recognized in pension expense as follows:

June 30,	Amount
2018	$ 96,423
2019	41,175
2020	192,132
2021	76,254
Total	405,984

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions
The total pension liability in the June 30, 2016, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 % Per year
Active member payroll growth	3.52 % 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 males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% per year for all future years for the General Employees Plan.

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 General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred in 2016:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- 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% to 3.25% for payroll growth and 2.50% for inflation.

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 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.

Independent School District No. 182
Notes to Financial Statements

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

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

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

F. Discount Rates
The discount rate used to measure the total pension liability in 2016 was 7.5%, a reduction from the 7.9% 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 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.

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the PERA net pension liability	$ 2,998,347	$ 2,111,071	$ 1,380,198

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Plan Fiduciary Net Position
Detailed inform about the General Employees Fund's fiduciary net position is available in a separately-issued PERA financial report that includes the financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description
The District provides a single-employer defined benefit health care plan to eligible retirees and their families. The plan offers medical coverage administered by HealthPartners and Pubic Employee Insurance Program (PEIP) depending on the bargaining unit of the retiree. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

B. Benefits Provided
AFSCME employees hired before August 15, 1989, who retire after reaching age 60 with 15 years of service will receive payments from the District toward the group health insurance medical premiums. The District will contribute the prevailing employer contribution from the master agreement in effect at the time of retirement until the earlier of age 65 or death.

For teachers who retire and whose retirement is effective after July 1, 2004, the District will contribute to a group health insurance trust established by Education Minnesota for teachers hired prior to June 30, 1990, and who, at the time of retirement, are at least 55 years of age and retire after 30 years of service, including 15 years of service in the District. The District contribution shall be paid according to the schedule in their master contract.

C. Members

Inactive employees or beneficiaries currently receiving benefits	26
Active employees	132
Total	158

D. Contributions
Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Health Partners. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2017, the District contributed $0 to the plan.

Independent School District No. 182
Notes to Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Investment rate of return	7.25%, net of investment expense
Inflation	2.75%
Healthcare cost trend increases	6.8% initially, decreasing to 5.5% over seven years
Mortality Assumption	RP-2014 mortality tables with MP-2015 generational improvement scale

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2017.

The long-term expected rate of return on OPEB 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 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target	Long-Term Expected Real Rate of Return
Domestic equity	93 %	5.58 %
Cash and equivalents	7	0.84
Total	100 %	

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)
The details of the investments and the investment policy are described in Note 2. of the District's financial statements. For the year ended June 30, 2017, the annual money-weighed rate of return on investments, net of investment expense, was 16.19%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

F. Discount Rate
The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

G. Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2016	$ 1,792,689	$ 3,609,913	$ (1,817,224)
Changes for the year			
Service cost	7,504	-	7,504
Interest	111,162	-	111,162
Differences between expected and actual economic experience	-	-	-
Employer contributions	-	-	-
Net investment income	-	530,730	(530,730)
Benefit payments	(533,853)	(533,853)	-
Administrative expense	-	(727)	727
Net changes	(415,187)	(3,850)	(411,337)
Balances at June 30, 2017	$ 1,377,502	$ 3,606,063	$ (2,228,561)

Plan fiduciary net position as a percentage of the total OPEB liability 261.78%

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Liability Sensitivity
The following presents the District's net OPEB asset calculated using the discount rate of 7.25% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% decrease (6.25%)	Current (7.25%)	1% increase (8.25%)
Net OPEB Asset	$ 2,204,798	$ 2,228,561	$ 2,251,532

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using trend rates that are 1% lower and 1% higher than the trend rates.

	1% decrease (5.60%)	Current (6.60%)	1% increase (7.60%)
Net OPEB Asset	$ 2,260,597	$ 2,228,561	$ 2,194,761

I. 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 $176,887. 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 investment earnings	$ -	$ 234,450

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

Year Ending June 30,	Total
2018	$ (58,612)
2019	(58,612)
2020	(58,612)
2021	(58,614)
Total	$ (234,450)

NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2017, the District implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This resulted in an adjustment to the beginning net position on the Statement of Activities of $2,886,509 to adjust the beginning net OPEB asset.

NOTE 9 – COMMITMENT

As of June 30, 2017, the District had the following commitment:

Project	Contractor	Contract	Total Completed To Date	Commitment
Tennis Court Expansion	Anderson Brothers Construction	$ 491,955	$ 340,030	$ 151,925

Independent School District No. 182
Crosby Ironton Schools
Schedule of Changes in Net OPEB Liability and Related Ratios

	June 30, 2017
Total OPEB Liability	
Service cost	$ 7,504
Interest	111,162
Benefit payments	(533,853)
Net change in total OPEB liability	(415,187)
Beginning of year	1,792,689
End of Year	$ 1,377,502
Plan Fiduciary Net Pension (FNP)	
Employer contributions	$ -
Projected investment income	530,730
Differences between expected and actual experience	-
Benefit payments	(533,853)
Administrative expense	(727)
Net change in plan fiduciary net position	(3,850)
Beginning of year	3,609,913
End of year	$ 3,606,063
Net OPEB Asset	$ (2,228,561)
Plan FNP as a percentage of the total OPEB liability	261.78%
Covered-employee payroll	$ 6,988,821
Net OPEB liability as a percentage of covered-employee payroll	-31.89%

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

Independent School District No. 182
Crosby Ironton Schools
Schedule of Employer Contributions - OPEB

	June 30, 2017
Actuarially determined contribution	$ -
Contributions in relation to the actuarially determined contribution	-
Contribution deficiency (excess)	$ -
Covered-employee payroll	$ N/A
Contributions as a percentage of covered-employee payroll	N/A

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

Independent School District No. 182
Crosby Ironton Schools
Schedule of Investment Returns

	June 30, 2017
Annual money-weighted rate of return, net of investment expense	16.20%

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

Independent School District No. 182
Schedule of District's and Non-Employer Proportionate Share (if Applicable) of Net Pension Liability
Last Ten Years GERF Retirement Funds

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0298%	$ 1,399,855	$ -	$ 1,399,855	$ 1,563,972	89.5%	78.75%
2016	0.0270%	1,399,280	-	1,399,280	1,568,813	89.2%	78.19%
2017	0.0260%	2,111,071	27,635	2,138,706	1,618,133	130.5%	68.91%

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

Schedule of District's and Non-Employer Proportionate Share (if Applicable) of Net Pension Liability
Last Ten Years TRA Retirement Funds

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0882%	$ 4,064,192	$ 285,896	$ 4,350,088	$ 4,027,074	100.9%	81.5%
2016	0.0960%	5,938,550	728,587	6,667,137	4,873,973	121.8%	76.8%
2017	0.0944%	22,516,652	2,260,622	24,777,247	4,909,787	458.6%	44.9%

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

See notes to required supplementary information.

Independent School District No. 182
Schedule of District Contributions
GERF Retirement Funds
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2014	$ 113,388	$ 113,388	$ -	$ 1,563,972	7.25%
2015	117,661	117,661	-	1,568,813	7.50%
2016	121,360	121,360	-	1,618,133	7.50%
2017	134,746	134,746	-	1,796,613	7.50%

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

Schedule of District Contributions
TRA Retirement Funds
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2014	$ 281,895	$ 281,895	$ -	$ 4,027,074	7.0%
2015	365,548	365,548	-	4,873,973	7.5%
2016	368,234	368,234	-	4,909,787	7.5%
2017	368,027	368,027	-	4,907,027	7.5%

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

See notes to required supplementary information.

Independent School District No. 182
Notes to the Required Supplementary Information

TRA Retirement Fund

2016 Changes
Changes in Actuarial Assumptions

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes
Changes of Benefit Terms

The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

General Employees Fund

2016 Changes
Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Independent School District No. 182
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2016 Changes (Continued)

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions

- 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.

Changes in Actuarial Assumptions

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

Independent School District No. 182
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue				
	Food Service	Community Service	Total Special Revenue	Capital Projects	Total Nonmajor Funds
Assets					
Cash and investments	$ 231,174	$ 135,185	$ 366,359	$ 309,802	$ 676,161
Delinquent property taxes receivable	-	23	23	-	23
Due from Department of Education	-	5,464	5,464	-	5,464
Due from other governmental units	-	75,683	75,683	-	75,683
Inventory	18,503	-	18,503	-	18,503
Prepaid items	6,000	500	6,500	-	6,500
Total assets	$ 255,677	$ 216,855	$ 472,532	$ 309,802	$ 782,334
Liabilities					
Accounts payable	$ 6,569	$ 1,369	$ 7,938	$ 88,216	$ 96,154
Contracts payable	-	-	-	17,002	17,002
Salaries and benefits payable	-	1,367	1,367	-	1,367
Due to other governmental units	-	276	276	-	276
Unearned revenue	7,278	35,797	43,075	-	43,075
Total liabilities	13,847	38,809	52,656	105,218	157,874
Deferred Inflows of Resources					
Unavailable revenue - delinquent taxes	-	23	23	-	23
Fund Balances					
Nonspendable	24,503	500	25,003	-	25,003
Restricted	217,327	177,523	394,850	204,584	599,434
Total fund balances	241,830	178,023	419,853	204,584	624,437
Total liabilities, deferred inflows of resources, and fund balances	$ 255,677	$ 216,855	$ 472,532	$ 309,802	$ 782,334

Independent School District No. 182
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue			Capital Projects Fund	
	Food Service	Community Service	Total Special Revenue	Building Construction	Total Nonmajor Funds
Revenues					
Local property taxes	$ -	$ 176,722	$ 176,722	$ -	$ 176,722
Other local and county revenues	1,242	150,360	151,602	40	151,642
Revenue from state sources	35,787	56,394	92,181	-	92,181
Revenue from federal sources	353,123	-	353,123	-	353,123
Sales and other conversion of assets	241,416	-	241,416	-	241,416
Total revenues	631,568	383,476	1,015,044	40	1,015,084
Expenditures					
Current					
Sites and buildings	-	-	-	142,275	142,275
Food service	610,959	-	610,959	-	610,959
Community education and services	-	328,617	328,617	-	328,617
Capital outlay					
Sites and buildings	-	-	-	901,394	901,394
Food service	2,877	-	2,877		2,877
Community education and services	-	4,579	4,579		4,579
Total expenditures	613,836	333,196	947,032	1,043,669	1,990,701
Excess of revenues over (under) expenditures	17,732	50,280	68,012	(1,043,629)	(975,617)
Other Financing Sources					
Proceeds from capital leases	-	-	-	565,000	565,000
Net change in fund balances	17,732	50,280	68,012	(478,629)	(410,617)
Fund Balances					
Beginning of year	224,098	127,743	351,841	683,213	1,035,054
End of year	$ 241,830	$ 178,023	$ 419,853	$ 204,584	$ 624,437

Independent School District No. 182
Statement of Changes in Agency Fund Assets and Liabilities
Year Ended June 30, 2017

	June 30, 2016	Additions	Deductions	June 30, 2017
Assets				
Cash and investments	$ 11,534	$ 13,095	$ 11,468	$ 13,161
Liabilities				
Accounts payable	$ 11,534	$ 13,095	$ 11,468	$ 13,161

Independent School District No. 182
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2017

	Audit	UFARS	Audit-UFARS
01 General Fund			
Total revenue	$ 12,591,717	$ 12,591,717	$ -
Total expenditures	12,146,668	12,146,664	4
Nonspendable:			
460 Nonspendable fund balance	35,451	35,451	-
Restricted/reserved:			
403 Staff Development	52,331	52,331	-
406 Health and Safety	(2,970)	(2,970)	-
407 Capital Projects Levy	-	-	-
408 Cooperative Programs	-	-	-
413 Building Projects Funded by COP/LP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maintenance	-	-	-
424 Operating Capital	1,030,578	1,030,578	-
426 $25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning and Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alternative Programs	-	-	-
436 State Approved Alternative Program	-	-	-
438 Gifted and Talented	85,330	85,330	-
440 Teacher Development and Evaluation	7,187	7,187	-
441 Basic Skills Programs	743,247	743,247	-
445 Career Technical Programs	-	-	-
448 Achievement and Integration	-	-	-
449 Safe School Crime	41,781	41,781	-
450 Transition to Pre-Kindergarten	-	-	-
451 QZAB and QSCB Payments	-	-	-
452 OPEB Liabilities not Held in Trust	-	-	-
453 Unfunded Severance and Retirement Levy	-	-	-
467 Long-term Facilities Maintenance	156,165	156,165	-
472 Medical Assistance	-	-	-
Restricted:			
464 Restricted fund balance	-	-	-
Committed:			
418 Committed for separation	-	-	-
461 Committed	-	-	-
Assigned:			
462 Assigned fund balance	517,313	517,313	-
Unassigned:			
422 Unassigned fund balance	1,827,769	1,827,771	(2)
02 Food Service Fund	$ 631,568	$ 631,568	$ -
Total revenue	613,836	613,835	1
Total expenditures			
Nonspendable:			
460 Nonspendable fund balance	24,503	24,503	-
Restricted/Reserved:			
452 OPEB liabilities not held in trust	-	-	-
Restricted:			
464 Restricted fund balance	217,327	217,328	(1)
Unassigned:			
463 Unassigned fund balance	-	-	-
04 Community Service Fund			
Total revenue	$ 383,476	$ 383,477	$ (1)
Total expenditures	333,196	333,197	(1)
Nonspendable:			
460 Nonspendable fund balance	500	500	-
Restricted/reserved:			
426 $25 Taconite	19,315	19,315	-
431 Community Education	14,915	14,915	-
432 ECFE	92,742	92,742	-
440 Teacher Development and Evaluation	-	-	-
444 School Readiness	50,551	50,551	-
447 Adult Basic Education	-	-	-
452 OPEB Liabilities not held in trust	-	-	-
Restricted:			
464 Restricted fund balance	-	-	-
Unassigned:			
463 Unassigned fund balance	-	-	-

	Audit	UFARS	Audit-UFARS
06 Building Construction Fund			
Total revenue	$ 40	$ 40	$ -
Total expenditures	1,043,669	1,043,668	1
Nonspendable:			
460 Nonspendable fund balance	-	-	-
Restricted/reserved:			
407 Capital Projects Levy	-	-	-
409 Alternative Facility Program	-	-	-
413 Building Projects Funded by COP/LP	204,584	204,584	-
Restricted:			
464 Restricted fund balance	-	-	-
Unassigned:			
463 Unassigned fund balance	-	-	-
07 Debt Service Fund			
Total revenue	$ 1,627,073	$ 1,627,073	$ -
Total expenditures	1,615,176	1,615,175	1
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted/reserved:			
425 Bond refunding	-	-	-
451 QZAB and QSCB payments	-	-	-
Restricted:			
464 Restricted fund balance	351,132	351,132	-
Unassigned:			
463 Unassigned fund balance	-	-	-
08 Trust Fund			
Total revenue	$ 63,528	$ 63,528	$ -
Total expenditures	60,450	60,450	-
Unassigned:			
422 Unassigned fund balance (net position)	91,987	91,987	-
20 Internal Service Fund			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
422 Unassigned fund balance (net position)	-	-	-
25 OPEB Revocable Trust			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
422 Unassigned fund balance (net position)	-	-	-
45 OPEB Irrevocable Trust			
Total revenue	$ 530,730	$ 530,730	$ -
Total expenditures	534,580	534,580	-
Unassigned:			
422 Unassigned fund balance (net position)	3,606,063	3,606,063	-
47 OPEB Debt Service			
Total revenue	$ 688,726	$ 688,725	$ 1
Total expenditures	681,510	681,510	-
Nonspendable:			
460 Nonspendable fund balance	-	-	-
Restricted:			
464 Restricted fund balance	151,997	151,997	-
Unassigned:			
463 Unassigned fund balance	-	-	-

Independent School District No. 182
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Agency/Pass Through Agency/Program Title	CFDA Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
Commodities Programs	10.550	$ 51,696
School Breakfast	10.553	75,477
Type A Lunch	10.555	225,950
Total Child Nutrition Cluster and U.S. Department of Agriculture		353,123
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A	84.010	339,056
Title II, Part A - Improving Teacher Quality	84.367	70,978
Through Independent School District No. 181 - Brainerd, Paul Bunyan Special Education Co-Op		
Special Education	84.027	47,238
Carl Perkins	84.048A	1,222
Total U.S. Department of Education		458,494
Total Federal Expenditures		$ 811,617

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

Independent School District No. 182
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 3 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

NOTE 4 – INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate.

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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*

Independent Auditor's Report

To the School Board
Independent School District No. 182
Crosby, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 182, Crosby, Minnesota, as of and for the year ending June 30, 2017, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 10, 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 District'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.

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Internal Control over Financial Reporting
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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Question of Costs in Accordance with the Uniform Guidance as Audit Finding 2003-001 that we consider to be a material weakness.

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.*

District's Response to the Finding
The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Question of Costs in Accordance with the Uniform Guidance. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
October 10, 2017

Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the School Board
Independent School District No. 182
Crosby, Minnesota

Report on Compliance for Each Major Federal Program
We have audited Independent School District No. 182's, Crosby, Minnesota compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Cost in Accordance with the Uniform Guidance.

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

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

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

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Opinion on Each Major Federal Program
In our opinion, Independent School District No. 182 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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

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

Report on Internal Control over Compliance
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Report on Internal Control over Compliance (Continued)
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BerganKDV, Ltd.

St. Cloud, Minnesota
October 10, 2017

Independent School District No. 182
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	Yes, Audit Findings 2003-001
• Significant deficiency identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

CFDA No:	10.555, 10.553 10.550
Name of Federal Program or Cluster:	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	No

Independent School District No. 182
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2003-001

Criteria or Specific Requirement:
Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:
The District does not have adequate segregation of accounting duties.

Context:

During the year ended June 30, 2017, the District had a lack of segregation of accounting duties due to a limited number of office employees. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all inclusive list:

- The Payroll Coordinator is able to enter pay rates, print checks and has control of check stock.
- The Business Manager can prepare a purchase order, write checks and prepare the bank reconciliation.
- The Business Manager can reconcile receipts received, enter receipts into the accounting system and prepare the bank reconciliation.
- The Business Manager records and maintains all capital asset records.
- The Business Manager has access to all areas of the accounting system.

Management is aware of this condition and will take certain steps to compensate for the lack of segregation. However, due to the small accounting staff needed to handle all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct.

Context:
This finding impacts internal control for all significant accounting functions

Effect:
The lack of adequate segregation of accounting duties could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Cause:
There are a limited number of office employees.

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2003-001 (Continued)

Recommendation:
Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   Administration will review current segregation of accounting duties to determine if further segregation is possible.

3. Official Responsible for Ensuring CAP
   William J. Tollefson, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2018.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

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Report on Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 182
Crosby, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 182, Crosby, Minnesota, as of and for the year ended June 30, 2016, and the related notes to financial statements, and have issued our report thereon dated October 10, 2017.

The *Minnesota Legal Compliance Audit Guide for School Districts* promulgated by the State Auditor pursuant to *Minnesota Statutes* § 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, uniform financial accounting and reporting standards for school districts an. 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 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
October 10, 2017

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APPENDIX B

FORM OF LEGAL OPINION

(See following page)

Kennedy & Graven
CHARTERED

Offices in
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Affirmative Action, Equal Opportunity Employer

$____________
Independent School District No. 182
(Crosby-Ironton Schools)
Aitkin and Crow Wing Counties, Minnesota
General Obligation School Building Refunding Bonds
Series 2018A

We have acted as bond counsel to Independent School District No. 182 (Crosby-Ironton Schools), Aitkin and Crow Wing Counties, Minnesota (the "Issuer") in connection with the issuance by the Issuer of its General Obligation School Building Refunding Bonds, Series 2018A (the "Bonds"), originally dated November 15, 2018, and issued in the original aggregate principal amount of $________. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

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

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

3. Interest on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax (although interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018), or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts and estates. However, such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

4. The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditor's rights generally and by equitable principles, whether considered at law or in equity.

5. The resolution adopted by the Board of Education of the Issuer on June 25, 2018, obligates the Issuer to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of that law against the State of Minnesota (the "State") in the absence of appropiated and available funds to pay the obligations of the State thereunder.

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

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

Dated November ___, 2018 at Minneapolis, Minnesota.

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following page)

$____________
Independent School District No. 182
(Crosby-Ironton Schools)
Aitkin and Crow Wing Counties, Minnesota
General Obligation School Building Refunding Bonds
Series 2018A

CONTINUING DISCLOSURE CERTIFICATE

November ___, 2018

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Independent School District No. 182 (Crosby-Ironton Schools), Aitkin and Crow Wing Counties, Minnesota (the “Issuer”) in connection with the issuance of its General Obligation School Building Refunding Bonds, Series 2018A (the “Bonds”), in the original aggregate principal amount of $___________. The Bonds are being issued pursuant to resolutions adopted by the Board of Education of the Issuer (the “Resolutions”). The Bonds are being delivered to _________________ (the “Purchaser”) on the date hereof. Pursuant to the Resolutions, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The Issuer hereby covenants and agrees as follows:

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

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

“Annual Report” means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

“Bonds” means the General Obligation School Building Refunding Bonds, Series 2018A, issued by the Issuer in the original aggregate principal amount of $___________.

“Disclosure Certificate” means this Continuing Disclosure Certificate.

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

“Final Official Statement” means the deemed Final Official Statement, dated ____________, 2018, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

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

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

"GASB" means the Governmental Accounting Standards Board.

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

"Issuer" means Independent School District No. 182 (Crosby-Ironton Schools), Aitkin and Crow Wing Counties, Minnesota, which is the obligated person with respect to the Bonds.

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

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

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

"Purchaser" means __________________.

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

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

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

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

(a) The Issuer shall provide to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends June 30, 2018, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.

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

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

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

1. Current Property Valuations
2. Direct Debt

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

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

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

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events ("Material Events") with respect to the Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

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

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

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

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

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 182 (CROSBY-IRONTON SCHOOLS), AITKIN AND CROW WING COUNTIES, MINNESOTA

____

Chair

____

District Clerk

APPENDIX E

TERMS OF PROPOSAL

$5,955,000* GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS, SERIES 2018A INDEPENDENT SCHOOL DISTRICT NO. 182 (CROSBY-IRONTON), MINNESOTA

Proposals for the purchase of $5,955,000* General Obligation School Building Refunding Bonds, Series 2018A (the "Bonds") of Independent School District No. 182 (Crosby-Ironton), 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 Central Time, on October 22, 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 authorized pursuant to Minnesota Statutes, Chapter 475, including Section 475.67, by the District, for the purpose of effecting a current refunding of certain outstanding general obligations of the District as more fully described herein. 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 November 15, 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*
2020	$2,075,000	2022	$1,295,000
2021	1,245,000	2023	1,340,000

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 November 15, 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 Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the District, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the District; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than $5,925,225 plus accrued interest on the principal sum of $5,955,000 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 $119,100 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. 182
(Crosby-Ironton), Minnesota

PROPOSAL FORM

The Board of Education **October 22, 2018**
Independent School District No. 182 (Crosby-Ironton), Minnesota

RE: $5,955,000* General Obligation School Building Refunding Bonds, Series 2018A
DATED: November 15, 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 $5,925,225) 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	2022
__________________	% due	2021	__________________	% due	2023

* 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 $119,100, to be held by the District pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & 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 November 15, 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 November 15, 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. 182 (Crosby-Ironton), Minnesota, on October 22, 2018.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________