PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 4, 2018

Interest on the Bonds is includable in gross income of the recipient for United States and State of Minnesota income tax purposes according to present federal and Minnesota laws, regulations, rulings and decisions.

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

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

INDEPENDENT SCHOOL DISTRICT NO. 14 (FRIDLEY PUBLIC SCHOOLS), MINNESOTA

(Anoka County)

(Minnesota School District Credit Enhancement Program)

$2,460,000* GENERAL OBLIGATION TAXABLE OPEB REFUNDING BONDS, SERIES 2018A

PROPOSAL OPENING: October 16, 2018, 10:30 A.M., C.T. **CONSIDERATION**: October 16, 2018, 7:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $2,460,000* General Obligation Taxable OPEB Refunding Bonds, Series 2018A (the "Bonds") are authorized pursuant to Minnesota Statutes, Chapter 475, and Sections 475.52, Subdivision 6 and 475.67, by Independent School District No. 14 (Fridley Public Schools), 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 Knutson, Flynn & Deans, P.A., Mendota Heights, Minnesota.

DATE OF BONDS: November 8, 2018

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2020	$450,000	2022	$495,000	2024	$525,000
2021	480,000	2023	510,000		

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: $2,415,720

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $49,200 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

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

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

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

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

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

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

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers & Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will 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.

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FRIDLEY PUBLIC SCHOOLS
BOARD OF EDUCATION

		Term Expires
Mary Kay Delvo	Chairperson	January 2022
Christopher Riddle	Vice Chairperson	January 2020
Donna Prewedo	Clerk	January 2020
Kim Sampson	Treasurer	January 2020
Carol Thornton	Member	January 2022
Avonna Starck	Member	January 2022

ADMINISTRATION

Kim Hiel, Superintendent of Schools

Matt Hammer, Director of Finance

PROFESSIONAL SERVICES

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

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 14 (Fridley Public Schools), Minnesota (the "District") and the issuance of its $2,460,000* General Obligation Taxable OPEB Refunding Bonds, Series 2018A (the "Bonds" or the "Obligations"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the sale of the Bonds ("Award Resolution") to be adopted by the Board of Education on October 16, 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 8, 2018. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2019, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

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, and Sections 475.52, Subdivision 6, and 475.67, by the District, for the purpose of effecting a current refunding of the District's $5,485,000 General Obligation Taxable OPEB Bonds, Series 2009A (the "Series 2009A 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 358388
Series 2009A Bonds	7/8/09	2/1/19	Par	2020	5.150%	$435,000	PL4
				2021	5.250%	455,000	PM2
				2022	5.375%	480,000	PN0
				2023	5.500%	505,000	PP5
				2024	5.750%	535,000	PQ3
Total Series 2009A Bonds Being Refunded						$2,410,000	

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 2009A Bonds.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	$2,460,000	
Total Sources		**$2,460,000**
Uses		
Total Underwriter's Discount (0.800%)	$19,680	
Costs of Issuance	41,000	
Deposit to Current Refunding Fund	2,398,716	
Rounding Amount	604	
Total Uses		**$2,460,000**

*Preliminary, subject to change

SECURITY

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

RATING

The District will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a rating from Moody's Investors Service ("Moody's"). Moody's has a policy which assigns a minimum rating of "Aa2" to issuers participating in the MNCEP. The "Aa2" rating is based on the State of Minnesota's current "Aa1" rating from Moody's. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS" for further details.

The District currently has an "A2" underlying rating from Moody's and will be requesting an underlying rating on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgement of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on September 18, 2018 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

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

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

The Law requires that all amounts paid by the State on behalf of any School District are required to be repaid by the

District to the State with interest, either via a reduction in State aid payable to the District, or through the levy of an ad valorem tax which may be made with the approval of the Commissioner of Education.

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

> "As the date of this Official Statement, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2046, is approximately $12.5 billion. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of the date of this Official Statement is $1.9 billion, with the maximum amount of principal and interest payable in any one month being $760 million. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.
>
> The State has not had to make any debt service payments on behalf of school districts or intermediate school districts under the program and does not expect to make any payments in the future. If such payments are made the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the school districts and intermediate school districts."

CONTINUING DISCLOSURE

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

Except to the extent that the following are 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 will be furnished by Knutson, Flynn & Deans, P.A., of Mendota Heights, Minnesota, bond counsel to the District. The legal opinion will be issued on the basis of existing law and 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).

STATEMENT REGARDING BOND COUNSEL PARTICIPATION

Bond Counsel has not assumed responsibility for this Official Statement or participated in its preparation (except with respect to the section entitled "Taxability of Interest" in the Official Statement and the "Form of Legal Opinion" found in the Appendix B) and has not performed any investigation as to its accuracy, completeness or sufficiency.

TAXABILITY OF INTEREST

Interest on the Bonds is included in (a) gross income for federal income tax purposes, (b) net investment income for purposes of the new 3.8% unearned income Medicare contribution tax imposed by Section 1411 of the Code on certain individuals, estates and trusts with income exceeding specified amounts, (c) taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (d) taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions.

No other opinion has been obtained or is given regarding the federal, state or local tax consequences of the purchase, ownership, retirement or disposition of the Bonds. Prospective purchasers or bondholders should consult with their own tax advisors concerning such tax issues, including, without limitation, anticipated and potential changes in tax rates on interest income, the treatment of interest in jurisdictions other than Minnesota, the calculation and timing of the inclusion of interest in income, the tax consequences of dispositions of Bonds at a gain or loss and the determination of the amount thereof, rules applicable if Bonds are issued or acquired at a premium or discount from their face amount (including without limitation the possible treatment of accrued market discount as ordinary income, deferral of certain interest deductions attributable to indebtedness or continued to purchase or hold Bonds, and the amortization of market premium).

Interest payments and proceeds of the sale, exchange, redemption or retirement of Bonds, are expected to be reported to the Internal Revenue Service to the extent required by law. A backup withholding tax might apply to payments to bondholders under circumstances described in section 3406 of the Code, including without limitation failure of the bondholder to provide the bondholder's tax identification number or certain other information. Payments to bondholders who are not U.S. residents or which are foreign entities might also be subject to tax withholding in certain circumstances.

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

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

RISK FACTORS

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

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

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

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

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

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%

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

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

3 Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2017/18 Economic Market Value	$1,346,623,494[1]

	2017/18 Assessor's Estimated Market Value	2017/18 Net Tax Capacity
Real Estate	$ 1,251,667,200	$ 14,096,751
Personal Property	12,972,100	258,142
Total Valuation	$ 1,264,639,300	$ 14,354,893
Less: Captured Tax Increment Tax Capacity[2]		(428,700)
Fiscal Disparities Contribution[3]		(1,545,393)
Taxable Net Tax Capacity		$ 12,380,800
Plus: Fiscal Disparities Distribution[3]		3,007,245
Adjusted Taxable Net Tax Capacity		$ 15,388,045

1 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for Independent School District No. 14 (Fridley Public Schools) is about 92.22% of the actual selling prices of property most recently sold in the District. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the District of $1,346,623,494.

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

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

2017/18 NET TAX CAPACITY BY CLASSIFICATION

	2017/18 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$ 7,053,799	49.14%
Commercial/industrial	4,149,126	28.90%
Public utility	4,998	0.03%
Railroad operating property	123,268	0.86%
Non-homestead residential	2,765,560	19.27%
Personal property	258,142	1.80%
Total	$14,354,893	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	$ 944,764,900	$ 845,088,215	$10,546,790	$11,601,040	- 5.09%
2014/15	1,051,579,700	960,435,154	11,705,876	12,938,417	+11.31%
2015/16	1,061,746,600	969,032,385	11,880,787	13,120,674	+ 0.97%
2016/17	1,166,356,700	1,077,221,135	13,222,018	14,328,322	+ 9.85%
2017/18	1,264,639,300	1,180,418,012	14,354,893	15,388,045	+ 8.43%

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

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

LARGER TAXPAYERS

Taxpayer	Type of Property	2017/18 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Sterling Georgetown LLC	Apartments	$ 333,059	2.32%
SVAP II Fridley Market LLC	Commercial	285,774	1.99%
River Pointe Limited Partnership	Apartments	260,338	1.81%
Columbia Park Properties	Commercial	201,042	1.40%
LTF Real Estate MN-FL LLC	Commercial	179,760	1.25%
Alltemp Distribution Company	Industrial	178,054	1.24%
ABCFGS Holdings LLC	Industrial	150,662	1.05%
CIELO Partners LLC	Apartments	148,054	1.03%
Rice Creek Townhouses Co.	Apartments	140,939	0.98%
Home Depot USA, Inc.	Commercial	140,004	0.98%
Total		$ 2,017,686	14.06%

District's Total 2017/18 Net Tax Capacity $14,354,893

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

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total g.o. debt being paid from taxes and state aids[2] (includes the Bonds)*	$ 54,175,000

Lease Purchase Obligations (see schedule following)[3]

Total lease purchase obligations paid by annual appropriations[4]	$ 2,406,341

*Preliminary, subject to change.

STATE AID FOR DEBT SERVICE

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

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

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

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 14 (FRIDLEY PUBLIC SCHOOLS), MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Taxes
(As of 11/8/18)
FISCAL YEAR BASIS

	OPEB Series 2009A		Refunding 1) Series 2012B		Building Series 2016A		Alt. Fac. Refunding 2) Series 2016B		Tax Abatement Series 2017A		OPEB Refunding 3) Series 2018A							
Dated Amount	7/08/09 $5,485,000		11/07/12 $11,240,000		2/11/16 $25,890,000		2/11/16 $16,740,000		2/15/2017 $1,960,000		11/8/18 $2,460,000*							
Maturity	2/01		2/01		2/01		2/01		2/01		2/01							
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2019	410,000	75,564	820,000	256,150	200,000	936,850	1,050,000	764,950	200,000	58,800	0	0	2,680,000	2,092,314	4,772,314	51,495,000	4.95%	2019
2020			865,000	223,350	180,000	926,850	1,185,000	712,450	200,000	52,800	450,000	91,719	2,880,000	2,007,169	4,887,169	48,615,000	10.26%	2020
2021			905,000	188,750	190,000	917,850	1,235,000	653,200	205,000	46,800	480,000	62,160	3,015,000	1,868,760	4,883,760	45,600,000	15.83%	2021
2022			955,000	152,550	200,000	908,350	1,285,000	591,450	210,000	40,650	495,000	48,240	3,145,000	1,741,240	4,886,240	42,455,000	21.63%	2022
2023			1,000,000	123,900	205,000	898,350	1,340,000	527,200	215,000	34,350	510,000	33,390	3,270,000	1,617,190	4,887,190	39,185,000	27.67%	2023
2024			1,040,000	93,900	215,000	888,100	1,395,000	460,200	220,000	27,900	525,000	17,325	3,395,000	1,487,425	4,882,425	35,790,000	33.94%	2024
2025			1,065,000	62,700	790,000	877,350	1,470,000	390,450	230,000	21,300			3,555,000	1,351,800	4,906,800	32,235,000	40.50%	2025
2026			1,025,000	30,750	830,000	837,850	1,615,000	316,950	235,000	14,400			3,705,000	1,199,950	4,904,950	28,530,000	47.34%	2026
2027					1,005,000	796,350	2,620,000	236,200	245,000	7,350			3,870,000	1,039,900	4,909,900	24,660,000	54.48%	2027
2028					1,165,000	756,150	2,630,000	105,200					3,795,000	861,350	4,656,350	20,865,000	61.49%	2028
2029					2,720,000	709,550							2,720,000	709,550	3,429,550	18,145,000	66.51%	2029
2030					2,765,000	600,750							2,765,000	600,750	3,365,750	15,380,000	71.61%	2030
2031					2,875,000	490,150							2,875,000	490,150	3,365,150	12,505,000	76.92%	2031
2032					2,990,000	375,150							2,990,000	375,150	3,365,150	9,515,000	82.44%	2032
2033					3,080,000	285,450							3,080,000	285,450	3,365,450	6,435,000	88.12%	2033
2034					3,170,000	193,050							3,170,000	193,050	3,363,050	3,265,000	93.97%	2034
2035					3,265,000	97,950							3,265,000	97,950	3,362,950	0	100.00%	2035
	410,000	75,564	7,675,000	1,132,050	25,845,000	11,496,100	15,825,000	4,758,250	1,960,000	304,350	2,460,000	252,834	54,175,000	18,019,148	72,194,148			

*Preliminary, subject to change.

1) This issue refunded the 2014 through 2026 maturities of the District's $16,620,000 General Obligation School Building Refunding Bonds, Series 2004A, dated April 8, 2004.

2) This issue refunded the 2018 through 2028 maturities of the District's $23,525,000 General Obligation Alternative Facilities Bonds, Series 2007A, dated June 12, 2007.

3) This issue is refunding the 2020 through 2024 maturities of the District's $5,485,000 General Obligation Taxable OPEB Bonds, Series 2009A, dated July 8, 2009. The District is responsible for paying the principal and interest on the non-refunded maturities through February 1, 2019 (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. 14 (FRIDLEY PUBLIC SCHOOLS), MINNESOTA
Schedule of Bonded Indebtedness
Non-General Obligation Debt Being Paid From Annual Appropriations
(As of 11/8/18)
FISCAL YEAR BASIS

	School Additions								
Dated	3/19/13								
Amount	$3,400,000								
Maturity	2/01 & 8/01								
Fiscal Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2019	212,150	64,726	212,150	64,726	276,876	2,194,191	8.82%	**2019**
2020	218,025	58,852	218,025	58,852	276,876	1,976,166	17.88%	**2020**
2021	224,062	52,815	224,062	52,815	276,876	1,752,105	27.19%	**2021**
2022	230,266	46,611	230,266	46,611	276,876	1,521,839	36.76%	**2022**
2023	236,641	40,235	236,641	40,235	276,876	1,285,198	46.59%	**2023**
2024	243,194	33,682	243,194	33,682	276,876	1,042,004	56.70%	**2024**
2025	249,928	26,949	249,928	26,949	276,876	792,076	67.08%	**2025**
2026	256,848	20,028	256,848	20,028	276,876	535,228	77.76%	**2026**
2027	263,960	12,916	263,960	12,916	276,876	271,269	88.73%	**2027**
2028	271,269	5,608	271,269	5,608	276,876	0	100.00%	**2028**
	2,406,341	362,421	2,406,341	362,421	2,768,762			

BONDED DEBT LIMIT

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

2017/18 Assessor's Economic Market Value	$1,346,623,494
Multiply by 15%	0.15
Statutory Debt Limit	$ 201,993,524
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes[1]	(51,305,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	(2,406,341)
Unused Debt Limit*	$ 148,282,183

*Preliminary, subject to change.

[1] Does not include the $5,485,000 General Obligation Taxable OPEB Bonds, Series 2009A or the Bonds of this offering, 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
Anoka County	$ 366,666,711	4.1967%	$ 82,715,000	$ 3,471,300
City of Fridley	30,108,171	51.1092%	49,120,000	25,104,839
Metropolitan Council	3,971,779,581	0.3874%	147,660,000 [3]	572,035
Anoka County Regional Rail Authority	366,666,711	4.1967%	22,145,000	929,359
District's Share of Total Overlapping Debt				$30,077,534

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.

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value ($1,346,623,494)	Debt/ Current Population Estimate (14,425)
Direct G.O. Debt Being Paid From Taxes (includes the Bonds)*	$54,175,000	4.02%	$3,755.63
District's Share of Total Overlapping Debt	$30,077,534	2.23%	$2,085.10
Total*	$84,252,534	6.26%	$5,840.73

*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	$ 7,854,946	$ 7,805,501	$ 7,846,542	99.89%
2014/15	8,418,902	8,363,498	8,405,370	99.84%
2015/16	9,105,335	9,050,462	9,086,993	99.80%
2016/17	9,707,470	9,650,079	9,650,079	99.41%
2017/18	10,457,162	In process of collection		

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

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

2 Collections are through December 31, 2017.

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. 14 (Fridley Public Schools)	49.552%	48.422%	54.252%	49.408%	51.006%
Anoka County	43.239%	38.123%	38.894%	36.841%	35.334%
City of Fridley	48.577%	43.508%	44.960%	48.218%	47.907%
Metropolitan Council	1.061%	0.933%	0.958%	0.866%	0.841%
Metro Mosquito	0.555%	0.485%	0.501%	0.467%	0.453%
Metro Transit District	1.621%	1.429%	1.522%	1.416%	1.362%
City of Fridley HRA	1.645%	1.356%	1.527%	1.390%	1.624%
Rice Creek Watershed	2.219%	1.913%	2.069%	1.827%	1.778%
Anoka County RR Authority	0.882%	0.941%	0.851%	0.803%	0.738%
North Suburban Hospital	1.939%	1.702%	1.690%	0.000%	0.000%
Mississippi WMO	2.430%	2.191%	1.963%	1.662%	1.339%
Referendum Market Value Rates:					
I.S.D. No. 14 (Fridley Public Schools)	0.16027%	0.16375%	0.16274%	0.17482%	0.16923%
City of Fridley	0.01753%	0.01623%	0.01600%	0.01462%	0.01450%

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

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

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 553, including 282 non-licensed employees and 271 licensed employees (250 of whom are teachers). The District provides education for 2,940 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

Public Employees' Retirement Association (PERA)

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

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Fridley Education Association	June 30, 2019
Fridley Association of School Administrators	June 30, 2019
Education Minnesota (Custodial)	June 30, 2019
School Services Employees Local 284 (Clerical)	June 30, 2019
School Services Employees Local 284 (Food Service)	June 30, 2019
School Services Employees Local 284 (Paraprofessionals)	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. 45 (GASB 45). The District's most recent actuarial study of its OPEB obligations shows an actuarial accrued liability of $3,541,366 as of July 1, 2016. The District has been funding these obligations on a pay-as-you-go basis, but in July 2009 they issued $5,485,000 in General Obligation Taxable OPEB Bonds, Series 2009A, to fund a revocable trust. As of July 1, 2017, the value of the assets in the trust was $4,419,964, and the net position of the trust was $4,504,287. 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	220	1,377	1,353	2,950
2015/16	220	1,395	1,390	3,005
2016/17	192	1,373	1,470	3,035
2017/18	202	1,344	1,452	2,998
2018/19	200	1,265	1,475	2,940

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2019/20	215	1,306	1,499	3,020
2020/21	210	1,275	1,431	2,916
2021/22	200	1,281	1,425	2,906

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Hayes Elementary	1965	1997, 2013, 2016
R.L. Stevenson Elementary	1967	1997, 2013, 2016
Fridley Middle School	1954	1957, 1963, 1965, 1972, 1997
Fridley High School	1960	1961, 1969, 1973, 1997
Fridley Community Center	1957	1965, 1997

FUNDS ON HAND (as of August 31, 2018)

Fund	Total Cash and Investments
General	$ 5,540,198
Food Service	448,098
Community Service	628,892
Debt Service	2,593,075
Building/Construction	1,553,055
Trust & Agency	4,429,026
Internal Service	3,876,022
Total Funds on Hand	$19,068,366

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

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

SUMMARY GENERAL FUND INFORMATION

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

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30 2015 Audited	2016 Audited	2017 Audited	2017-18 Revised Budget[1]	2018-19 Adopted Budget[2]
Revenues					
Local property taxes	$ 3,977,126	$ 4,390,702	$ 4,437,638	$ 5,479,769	$ 6,250,625
Other local and county revenues	708,036	1,342,310	1,199,032	1,049,780	1,217,474
Revenues from state sources	31,976,499	34,177,979	35,182,141	36,252,387	36,153,644
Revenues from federal sources	1,464,924	1,338,422	1,164,748	1,231,121	1,212,068
Sales and other conversion of assets	69,418	23,176	8,816	11,600	11,600
Total Revenues	$ 38,196,003	$ 41,272,589	$ 41,992,375	$ 44,024,657	$ 44,845,411
Expenditures					
Current					
Administration	$ 1,570,262	$ 1,651,308	$ 1,721,872	$ 2,502,411	$ 2,437,927
District support services	1,643,631	2,016,374	1,941,942	2,188,076	2,281,793
Elementary & secondary regular instruction	14,708,920	15,624,786	16,556,973	17,644,287	17,424,382
Vocational education instruction	194,012	273,435	381,384	300,366	279,951
Special education instruction	7,755,184	8,820,769	8,500,496	9,037,730	9,228,119
Instructional support services	2,216,016	2,544,114	2,762,141	3,015,897	3,266,433
Pupil support services	3,798,063	4,054,595	4,577,435	4,626,201	4,790,422
Sites and buildings	2,527,335	2,557,429	2,904,885	3,960,871	3,746,438
Fiscal and other fixed cost programs	161,121	166,582	166,125	0	191,854
Capital Outlay	1,525,325	1,125,328	686,246	0	0
Debt Service	583,671	792,787	831,364	521,324	642,497
Total Expenditures	$ 36,683,540	$ 39,627,507	$ 41,030,863	$ 43,797,163	$ 44,289,816
Excess of revenues over (under) expenditures	$ 1,512,463	$ 1,645,082	$ 961,512	$ 227,494	$ 555,595
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	$ 2,194	$ 0	$ 5,531		
Proceeds from capital leases	624,994	280,212	34,265		
Operating transfers in	0	0	0		
Operating transfers out	(522,581)	(496,037)	(561,570)		
Total Other Financing Sources (Uses)	$ 104,607	$ (215,825)	$ (521,774)		
Net Change in Fund Balances	$ 1,617,070	$ 1,429,257	$ 439,738		
General Fund Balance July 1	1,867,122	3,484,192	4,913,449		
Prior Period Adjustment	0	0	0		
Residual Equity Transfer in (out)	0	0	0		
General Fund Balance June 30	$ 3,484,192	$ 4,913,449	$ 5,353,187		
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$ 116,134	$ 80,134	$ 152,204		
Restricted	224,305	72,526	396,799		
Assigned	1,090,925	2,311,463	2,809,964		
Unassigned	2,052,828	2,449,326	1,994,220		
Total	$ 3,484,192	$ 4,913,449	$ 5,353,187		

1 The 2017-18 revised budget was adopted on January 16, 2018.

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

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 15,526, and a current population estimate of 14,425, and comprising an area of 10.2 square miles, is located approximately 10 miles north of the City of Minneapolis.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 14 (Fridley Public Schools)	Elementary and secondary education	553
City of Fridley	Municipal government and services	245
Aramark Uniform Services	Uniform supply service	170
Cub Foods	Retail grocery	90
Life Time Fitness	Health club	86
Viking Magazine	Magazine	50
Dave's Sport Shop	Retail sporting goods	50
Shortstop Bar and Grill	Restaurant	34
Teradyne, Inc.	Electronic testing equipment	25
Symtec, Inc.	Manufacturer of heated and electrical accessories	25

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.

U.S. CENSUS DATA

Population Trend: Independent School District No. 14 (Fridley Public Schools), Minnesota

2000 U.S. Census population	15,945
2010 U.S. Census population	15,526
2016 Population Estimate	14,425
Percent of Change 2000 - 2010	-2.63%

Income and Age Statistics

	Fridley Public School District	Anoka County	State of Minnesota	United States
2016 per capita income	$28,319	$33,051	$33,225	$29,829
2016 median household income	$52,131	$73,579	$63,217	$55,322
2016 median family income	$63,312	$86,345	$79,595	$67,871
2016 median gross rent	$863	$1,000	$873	$928
2016 median value owner occupied units	$174,500	$193,200	$191,500	$184,700
2016 median age	36.8 yrs.	37.9 yrs.	37.8 yrs.	37.7 yrs.

	State of Minnesota	United States
District % of 2016 per capita income	85.23%	94.94%
District % of 2016 median family income	79.54%	93.28%

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	Anoka County	Anoka County	State of Minnesota
2014	180,473	4.2%	4.2%
2015	181,555	3.6%	3.7%
2016	183,438	3.8%	3.9%
2017	187,849	3.5%	3.5%
2018, August	193,259	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. 14
Fridley, Minnesota

Financial Statements

June 30, 2017

bergan KDV
CPAS | ADVISORS

bergankdv

Independent Auditor's Report

To the School Board
Independent School District No. 14
Fridley, 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. 14, Fridley, 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. 14, Fridley, Minnesota, as of June 30, 2017, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

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.

bergankdv

Other Matters (Continued)

Other Information (Continued)

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 relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 December 11, 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.

Minneapolis, Minnesota
December 11, 2017

This section of Independent School District No. 14 (the "District") annual financial report presents its Management's Discussion and Analysis (MD&A) of the District's financial performance during the fiscal year ending June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

KEY POINTS OF INTEREST

- The District's Governmental Funds Balance Sheet reflects an Unassigned General Fund balance of $1,994,220. This is a decrease from the prior year of $455,106.
- The total General Fund balance of $5,353,187 is an increase of $439,738 from the prior year.
- The government-wide Statement of Activities shows a decrease in net position of $7,477,534.
- The net position value on the government-wide Statement of Net Position is a deficit of $28,810,562. Net position value is similar to the Balance Sheet's Equity for Private Sector businesses.
- Total government wide long term liabilities is $67,520,326 and is comprised of $61,676,190 in General Obligation (G.O.) Bonds, $4,567,097 in capital leases and $1,277,039 of severance and compensated absences payable.
- The District's investment in capital assets, net of depreciation, is $49,780,544. The increase from the prior year of $13,122,125 is primarily due to construction taking place with the funds from the passage of the November 2015 referendum. The G.O. bonds plus the capital leases (the debt related to investment in capital assets) exceeds the investment in capital assets by $4,415,692.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: MD&A (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are government-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 government-wide statements. The governmental fund statements tell how basic services such as regular and special education are financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

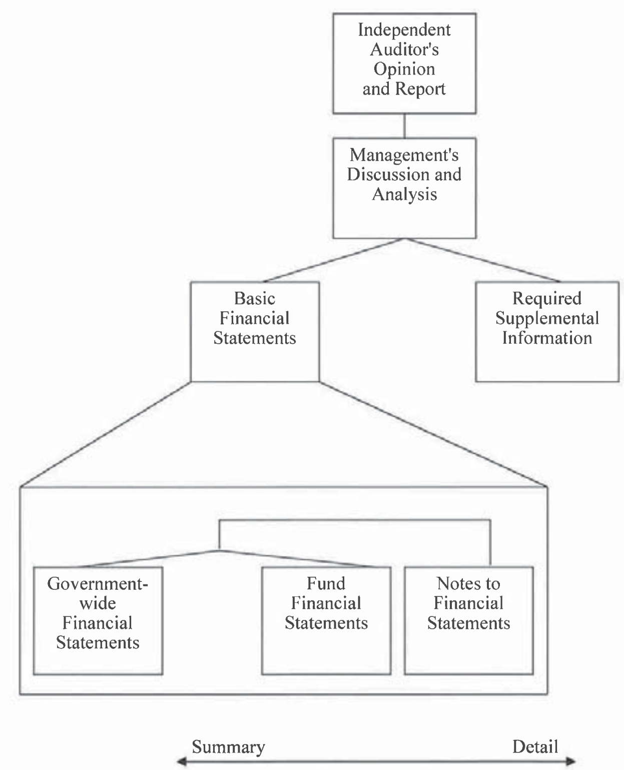
The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Figure A-1 on the next page shows how the various parts of this annual report are arranged and related to one another.

Independent School District No. 14
Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-1
Organization of Independent School District No. 14 Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Activities of the District operates similar to private business - Internal Service Fund
Required Financial Statements	- Statement of Net Position - Statement of Activiteis	- Balance Sheet - Statement of Revenues, Expenditures, and Changes in Fund Balances	- Statement of Net Position - Statement of Revenues, Expenses and Changes in Fund Net Position - Statement of cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accural accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All Assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities both financial and capital, and short-term and long-term
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 good or services have been received and related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

Government-Wide Statements

The government-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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Statements (Continued)

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, are one way to measure the District's financial health or position.

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

Fund Financial Statements

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

The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 indicates whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs and obligations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The Statement of Net Position identifies current assets and liabilities from noncurrent assets and long-term debt respectively. The ratio of these current assets of $38.1 million to current liabilities of $10.7 million is 3.6. A "current ratio" greater than 1.0 indicates that sufficient assets are available that can be converted to cash to meet District obligations payable over the next 12-month period.

The Statement of Net Position includes noncurrent assets not reported on the governmental funds balance sheet. These noncurrent assets include the total acquisition cost of the District's capital assets less accumulated depreciation. During the year, the District acquired $15,991,641 of additional capital assets. The majority of this increase is comprised of work in progress related to the completion of the remodel and renovation of the High School as well as the remodel and renovation of the Middle School and the completion of the building additions to Stevenson Elementary and Hayes Elementary. The remaining capital asset additions consist of purchases associated with the District's Long-Term Facilities Maintenance program. Depreciation expense for the year equaled $2,866,298. The current year depreciation expense was less than the increase in new investment in capital equipment resulting in an increase in the net capital asset total to $49,780,544 compared to $36,658,419 for the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Related to the noncurrent assets are the general obligation bonds. In February of 2016 the District issued $16,740,000 Alternative Facilities Refunding Bonds, Series 2016B, for the advanced refunding of a portion of the G.O. Alternative Facilities Bonds, Series 2007A. On February 1, 2017, the G.O. Alternative Facilities Bonds, Series 2007A call date was reached, and with the refunding of the Bond, the associated liability was removed from the Statement of Net Position, along with $19,826,734 in cash with fiscal agent reserved as payment for the calling of the Bond. On February 15, 2017, the District issued $1,960,000 G.O. Tax Abatement Bonds, Series 2017A. The proceeds will fund parking lot construction projects throughout the District. The District issued $25,890,000 G.O. School Building bonds, Series 2016A in the February of 2016. The voters of the District authorized the school building issue in November of 2015. Over the course of 3 years, the proceeds will fund safety and security upgrades, deferred maintenance, building renovations, technology improvements, and building additions. Other general obligations include an OPEB bond issued in 2009 with a 15-year maturity to fund the districts obligation for retiree insurance benefits. The remaining liability on these bonds, net of unamortized premiums, as of June 30, 2017, is $61.7 million. The capital asset additions and the amortization of the general obligation resulted in an increase of $896,626 in the net investment in capital assets total compared to the prior year.

Additional long-term debt for severance pay (employee separation pay based on unused sick time) is $0.9 million. This includes $0.2 million owed to employees who have retired prior to June 30 and an estimate of $0.7 million for employees who qualify or will qualify for retirement at a future date.

Due to changes, primarily in actuarial assumptions used by the State of Minnesota's public pensions, the District reported a total net pension liability of $82.4 million, an increase of $58.7 million from the previous year. As a result of the changes in actuarial assumptions, the District also reported an increase related deferred outflows of resources related to pensions of $46.8 million.

Overall, the District's net position decreased $7,477,534 during the year from current year operations and total net position decreased to a deficit of $28.8 million.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Figure A-3
Condensed Statement of Net Position (in Thousands of Dollars)

	2017	2016	Percent Change
Current and OPEB assets	$ 38,121	$ 70,566	(46.0%)
Capital assets	49,781	36,658	35.8%
Total assets	87,902	107,224	(18.0%)
Deferred outflows of resources	51,428	4,589	1,020.7%
Current liabilities	10,690	31,612	(66.2%)
Long-term liabilities	146,526	89,143	64.4%
Total liabilities	157,216	120,755	30.2%
Deferred inflows of resources	10,924	12,391	(11.8%)
Net investment in capital assets	(4,415)	(5,312)	16.9%
Restricted for debt service	226	-	100.0%
Restricted for other purposes	1,377	1,048	31.4%
Unrestricted net position	(25,998)	(17,069)	52.3%
Total net position	$ (28,810)	$ (21,333)	(35.0%)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Figure A-4
Changes in Net Position from Operating Results (in Thousands of Dollars)

	2017	2016	Percent Change
Revenues			
Program revenues			
Charges for services	$ 2,708.3	$ 2,922.3	(7.3%)
Operating grants and contributions	18,725.1	18,531.8	1.0%
Capital grants and contributions	595.3	591.8	0.6%
General revenues			
Property taxes	9,111.9	8,431.3	8.1%
State formula aid	21,419.0	19,302.8	11.0%
Other	257.5	221.7	16.1%
Total revenues	52,817.1	50,001.7	5.6%
Expenses			
Administration and district support	4,633.7	3,576.7	29.6%
Instruction, pupil support, student food, and transportation services	44,398.3	32,712.6	35.7%
Sites and buildings	2,913.3	3,012.6	(3.3%)
Community services	2,980.5	2,643.3	12.8%
Interest and fiscal charges on long-term debt	2,464.7	2,169.3	13.6%
Fiscal and other fixed cost programs	166.1	166.6	(0.3%)
Unallocated depreciation (buildings)	2,738.0	2,303.7	18.9%
Total expenses	60,294.6	46,584.8	29.4%
Increase (decrease) in net position	$ (7,477.5)	$ 3,416.9	(318.8%)

The Statement of Activities is government-wide and, like the Statement of Net Position, the first year it was prepared was 2003. Figure A-4 illustrates that a decrease in net position of $7,477,534 is attributable to activity during the year.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The pie chart in Figure A-5 on the following page shows the sources of District revenues. Program revenues include operating grants and contributions which totals 36% of total revenue. Operating grants and contributions consists mostly of state and federal funding of special education and other state and federal categorical spending. Charges for services, comprised of mostly special education tuition billings, food service and kids key club receipts make up 5% of revenue. Capital Grants consisting of state aid for operating capital is 1% of revenue.

General revenues include the state aid formula which accounts for 41% of the District's total funding. Property taxes make up 17% of the total funding.

Revenues for the year increased by $2,815,400 or 5.6%. State categorical aids increased compared to the prior year by 11.0%, or $2,116,200. Property tax levy revenues increased 8.1%, or $680,600. Both of the changes in state aid and tax levy are mainly due to increases in District enrollment. Charges for services decreased $214,000, or 7.3%, as there was a decrease in third-party revenue received for medical assistance billing.

Expenses for the year were $13,709,800, or 29.4%, higher than the previous year. Increases in building construction costs and employee contract increases, as well as the refunding of a bond and pension expense additions resulting from assumption changes and reconciliation of actuarial estimates to actual performance during the year were the drivers of the increase.

The pie chart illustrated in Figure A-6 on the following page indicates the costs of the District's programs and services. The District's expenses predominantly related to instructing students and pupil support (including food service and student transportation) accounted for 74% of the government-wide expenditures, which is consistent with the percentage of government-wide expenditures in prior years. Sites and buildings were 5%, administration and district support services accounted for 8%, community services expenditures were 5% and less than 1% was spent on fiscal and other fixed programs. Interest expense on the District's outstanding long-term debt was 4% and 5% of expense was attributable to unallocated depreciation (buildings).

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Figure A-5
Sources of Revenue for Fiscal Year 2017

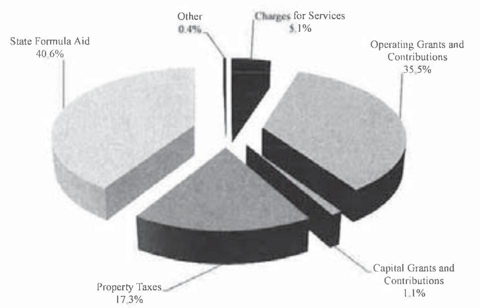
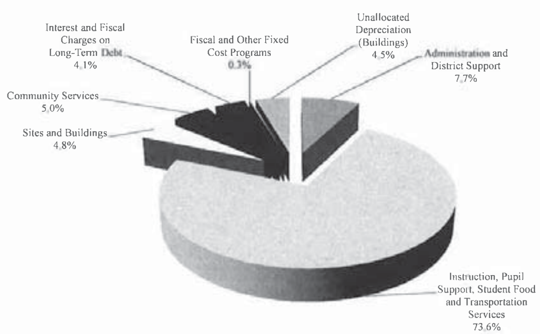


Figure A-6
Expenses for Fiscal Year 2017



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Figure A-7 presents the cost of the major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for the specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-7
Net Cost of Activities (in thousands of dollars)

	Total Cost of Services			Net Cost of Services		
	2017	2016	Percent Change	2017	2016	Percent Change
Administration/District Support	$ 4,634	$ 3,577	29.5%	$ 4,616	$ 3,558	29.7%
Regular Instruction	22,768	15,328	48.5%	14,230	6,576	116.4%
Vocational Instruction	540	267	102.2%	515	232	122.0%
Special Instruction	10,738	8,596	24.9%	4,408	2,329	89.3%
Instructional Support	3,465	2,758	25.6%	2,557	1,918	33.3%
Pupil Support Services	5,041	4,039	24.8%	4,092	3,072	33.2%
Sites and Buildings	2,913	3,012	(3.3%)	2,277	2,341	(2.7%)
Fiscal and Other Fixed Programs	166	167	(0.6%)	166	167	(0.6%)
Food Service	1,847	1,726	7.0%	(283)	(297)	(4.7%)
Community Services	2,980	2,643	12.8%	485	170	185.3%
Unallocated Depreciation	2,738	2,303	18.9%	2,738	2,304	18.8%
Interest on Long-Term Debt	2,465	2,169	13.6%	2,465	2,169	13.6%
Total	$ 60,295	$ 46,585	29.4%	$ 38,266	$ 24,539	55.9%

- The cost of all District activities this year was $60.3 million.
- Users of the District's programs financed some of the costs ($2.7 million).
- The federal and state governments subsidized certain programs with operating and capital grants and contributions ($18.7 million).
- District and state taxpayers financed most of the District's activity, $21.4 million from unrestricted state aid and $9.1 million from property taxes.
- Investment and other income was consistent from 2016 to 2017.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of $16,149,813. This is a decrease of $31,654,675 from last year. This decrease largely resides in the debt service fund as a debt refunding occurred during the year, as well as in the capital projects fund, with the District spending down bond proceeds for the second year of remodeling and reconstruction projects in the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

The General Fund unassigned fund balance at June 30, 2017, decreased $455,106 to a balance of $1,994,220 is due to reclassifying overspent health and safety and long-term facilities maintenance restricted/reserve balances in conjunction with the District's renovation projects as unassigned. Restricted fund balance increased $324,273 from the prior year due to the reclassification, as well as a new restriction for reporting Medical Assistance. General Fund assigned fund balance increased $498,501 from the prior year with the District setting aside funds for future separation and retirement funds, future capital projects, and the start-up of the District's self-funded health insurance.

The Other Nonmajor Funds reported a $227,506 increase in fund balances from the previous year. The Community Service fund balance increased $206,745 with an ending fund balance of $414,919 resulting from increased rates on programming and management of variable costs.

General Fund Budgetary Points of Interest

Revenue of $41,992,375 was greater than budget by $776,239. Items impacting the revenue variance were conservative enrollment estimates and underestimated special education revenue, which resulted in more state aid and special education program revenue. The District received more interest and miscellaneous revenue than anticipated, resulting in other local and county revenues ending higher than budget by $190,957. Revenues from federal sources were $232,074 under budget due to the district carrying over federal revenues.

General Fund expenditures of $41,030,863 were over budget, with actual expenditures varying from budgeted expenditures by $25,691. In total, the variance was less than .01%; however, there were variances within several functions of the District. The largest difference was in special education instruction, which was $341,232 under budget, due to the district carrying over federal expenditures. Elementary and secondary regular instruction were under budget by $192,188, resulting from a shift of expenditures between regular instruction and instructional support services, which were over budget by $159,988. Sites and buildings capital outlay expenditures were over budget by $294,042 as part of the building remodel and renovations costs were captured that were not budgeted for.

The original budget was amended one time during the course of the year. The original revenue budget of $40,375,414 was amended to include additional anticipated revenues of $840,722. This adjustment reflected additional state aids based on higher enrollment estimates. The expenditure budget was amended $946,377, to a final budget of $41,005,172. This adjustment was made to reflect additional staffing and resources needed to accommodate the enrollment increases in elementary and secondary regular education and transportation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Figure A-8 illustrates a comparison of capital assets between this year and last year. 2017 was the second year of the work being funded by the voter approved bond issue approved in November of 2015. The remodels, renovations and additions funded are scheduled to be completed in the 2018-19 school year.

Independent School District No. 14
Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

During the year, the District acquired a net $13,122,125 of capital assets. The buildings category increased $17,929,688 during the year due to the completion of the R.L. Stevenson Elementary addition and remodel, the Hayes Elementary addition and phase 1 of the High School remodel and renovation, all of which were projects in progress at the end of the prior fiscal year. Work in progress is down slightly from the previous year as a result of the large amount of work that scheduled for the first year of the bonded remodel and renovation projects. Phase 2 projects that were started in the 2016-17 school year included the Hayes Elementary remodel, the Middle School remodel and renovation and the continuation of the District-wide security upgrades. Improvements and equipment previously capitalized have been disposed of and replaced as part of the remodels, renovations and additions.

Depreciation expense for the year was $2,866,298, which increased slightly from the previous year due to the significant amount of projects capitalized in the current year.

Figure A-8
Capital Assets

	2017	2016	Percent Change
Land	$ 657,500	$ 657,500	- %
Work in progress	4,722,189	6,770,267	(30.3%)
Improvements	1,513,749	2,042,433	(25.9%)
Buildings	76,739,427	58,809,739	30.5%
Equipment	2,585,077	3,940,321	(34.4%)
Total before depreciation	86,217,942	72,220,260	19.4%
Accumulated depreciation	(36,437,398)	(35,561,841)	2.5%
Capital assets (net of accumulated depreciation)	$ 49,780,544	$ 36,658,419	35.8%

Long-Term Debt

At year-end, the District had $67,520,326 in total long-term debt as shown in Figure A-9. More detailed information about the District's long-term liabilities is presented in the notes to financial statements.

Figure A-9
Outstanding Long-Term Debt and Separation and Severance Payable

	2017	2016	Percent Change
General Obligation Bonds, Leases and Notes	$ 66,243,287	$ 86,743,717	(23.6%)
Separation & Severance and Vacation Payable	1,277,039	1,363,497	(6.3%)
Total	$ 67,520,326	$ 88,107,214	(23.4%)

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt (Continued)
The decrease in General Obligation Bonds, Leases and Notes is primarily related to the advanced refunding of the remaining balance of the $20,365,000 G.O. Alternative Facilities Bonds, Series 2007A, by the $16,740,000 Alternative Facilities Refunding Bonds, Series 2016B, which occurred on February 1, 2017. In the previous year, the 2007A bond was not considered defeased; therefore both the 2007A and 2016B bonds were reported in the balance on the previous page. In 2017, the District also issued $1,960,000 G.O. Abatement Bonds, Series 2017A for parking lot improvements throughout the District. The District issued $25,890,000 G.O. School Building bonds, Series 2016A in the February of 2016. The voters of the District authorized the bond issue in November of 2015. The last component is an issue of General Obligation Taxable OPEB Bonds, Series 2009A of $3,585,000 to fund the District's Other Post Employment Benefits.

FACTOR'S BEARING ON THE DISTRICT'S FUTURE

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

- The Minnesota legislature determines education funding for each biennium. The legislature increased the basic state education funding formula by 2% for 2017-18 and 2018-19.

- The district's student enrollment grew to 3,092 students in FY 2016-17. This is up 70 students or 2% from FY 2015-16. The District's student enrollment trend has been stable in recent years. The majority of school district funding has a direct relationship with enrollment. For example, state formula aid will increase or decrease with these changes. The direction of the District's enrollment will be a key factor for the District going forward.

- The District has a potential liability of several million dollars in post-retirement benefits (health insurance) to be paid to current and future retirees of the District. Because the District expects new retirements over the course of the next few years, payments for these benefits will continue for several years to come. Funding for these expenses will come from an OPEB trust established in 2010. The unfunded portion of this liability is reported in the District statements beginning with the fiscal year ended June 30, 2009, as required by GASB 43 and 45.

- At the time of this writing, the District is currently in contract negotiations with all of District's bargaining groups; all groups have contracts in place through June 30, 2017.

- Historically, Fridley has had a relatively high number of open-enrolled and non-resident students. While our District is able to receive state aid for these students, it would put the District in a difficult financial position if these students chose not to attend our schools in future years.

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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Manager, Independent School District 14, 6000 West Moore Lake Drive, Fridley, Minnesota 55432.

Independent School District No. 14
Statement of Net Position
June 30, 2017

		Governmental Activities
Assets		
Cash and investments	$	25,431,149
Current property taxes receivable		5,732,409
Delinquent property taxes receivable		66,988
Accounts receivable, net of allowance		85,920
Interest receivable		183,398
Due from Department of Education		4,890,358
Due from Federal Government through Department of Education		1,142,561
Due from other Minnesota school districts		36,700
Due from other governmental units		98,288
Inventory		10,052
Prepaid items		156,654
Net other post employment benefits (OPEB) asset		286,646
Capital assets not being depreciated		
Land		657,500
Construction in progress		4,722,189
Capital assets net of accumulated depreciation		
Buildings		43,451,239
Land improvements		262,637
Furniture and equipment		686,979
Total assets		87,901,667
Deferred Outflows of Resources		
Deferred charges on refunding		73,890
Deferred outflows of resources related to pensions		51,354,307
Total deferred outflows of resources		51,428,197
Total assets and deferred outflows of resources	$	139,329,864
Liabilities		
Accounts and contracts payable	$	3,478,297
Salaries and benefits payable		2,296,645
Interest payable		989,904
Due to other Minnesota school districts		346,405
Due to other governmental units		22,665
Unearned revenue		166,210
Bond principal payable (net unamortized premium)		
Payable within one year		2,135,000
Payable after one year		59,541,190
Capital lease payable		
Payable within one year		658,737
Payable after one year		3,908,360
Vacation payable		
Payable within one year		396,746
Severance payable		
Payable within one year		200,000
Payable after one year		680,293
Net pension liability		82,395,855
Total liabilities		157,216,307
Deferred Inflows of Resources		
Property taxes levied for subsequent year's expenditures		9,141,063
Deferred inflows of resources related to pensions		1,783,056
Total deferred inflows of resources		10,924,119
Net Position		
Net investment in capital assets		(4,415,692)
Restricted for		
Debt service		226,324
Other purposes		1,377,122
Unrestricted		(25,998,316)
Total net position		(28,810,562)
Total liabilities, deferred inflows of resources, and net position	$	139,329,864

See notes to financial statements.

Independent School District No. 14
Statement of Activities
Year Ended June 30, 2017

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Administration	$ 2,550,589	$ -	$ -	$ -	$ (2,550,589)
District support services	2,083,109	-	18,200	-	(2,064,909)
Elementary and secondary regular instruction	22,767,813	547,051	7,990,331	-	(14,230,431)
Vocational education instruction	540,128	15	25,040	-	(515,073)
Special education instruction	10,738,304	-	6,330,251	-	(4,408,053)
Instructional support services	3,464,504	-	907,379	-	(2,557,125)
Pupil support services	5,040,751	-	948,724	-	(4,092,027)
Sites and buildings	2,913,278	-	40,541	595,292	(2,277,445)
Fiscal and other fixed cost programs	166,125	-	-	-	(166,125)
Food service	1,846,805	355,851	1,774,348	-	283,394
Community education and services	2,980,453	1,805,402	690,240	-	(484,811)
Unallocated depreciation	2,738,002	-	-	-	(2,738,002)
Interest and fiscal charges on long-term debt	2,464,695	-	-	-	(2,464,695)
Total governmental activities	$ 60,294,556	$ 2,708,319	$ 18,725,054	$ 595,292	(38,265,891)
General revenues					
Taxes					
Property taxes, levied for general purposes					4,438,500
Property taxes, levied for community service					358,701
Property taxes, levied for debt service					4,314,649
State aid-formula grants					21,419,012
Investment income					257,495
Total general revenues					30,788,357
Change in net position					(7,477,534)
Net position - beginning					(21,333,028)
Net position - ending					$ (28,810,562)

See notes to financial statements.

Independent School District No. 14
Balance Sheet - Governmental Funds
June 30, 2017

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	$ 4,067,301	$ 2,321,802	$ 11,553,285	$ 1,665,121	$ 19,607,509
Current property taxes receivable	3,449,125	1,853,761	-	429,523	5,732,409
Delinquent property taxes receivable	35,982	23,528	-	7,478	66,988
Accounts receivable, net of allowance	48,845	-	-	22,933	71,778
Interest receivable	19,828	-	87,293	-	107,121
Due from Department of Education	4,836,888	32,736	-	20,734	4,890,358
Due from Federal Government through Department of Education	1,142,561	-	-	-	1,142,561
Due from other Minnesota school districts	33,267	-	-	3,433	36,700
Due from other governmental units	56,311	-	-	41,977	98,288
Inventory	-	-	-	10,052	10,052
Prepaid items	152,204	-	-	4,450	156,654
Total assets	$ 13,842,312	$ 4,231,827	$ 11,640,578	$ 2,205,701	$ 31,920,418
Liabilities					
Accounts and contracts payable	$ 398,626	$ -	$ 2,877,417	$ 34,287	$ 3,310,330
Salaries and benefits payable	2,213,463	-	-	83,182	2,296,645
Due to other Minnesota school districts	320,999	-	-	25,406	346,405
Due to other governmental units	14,387	-	-	8,278	22,665
Unearned revenue	139,040	-	-	27,170	166,210
Severance payable	428,752	-	-	-	428,752
Total liabilities	3,515,267	-	2,877,417	178,323	6,571,007
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	28,274	24,180	-	6,081	58,535
Property taxes levied for subsequent year's expenditures	4,945,584	3,303,806	-	891,673	9,141,063
Total deferred inflows of resources	4,973,858	3,327,986	-	897,754	9,199,598
Fund Balances					
Nonspendable	152,204	-	-	14,502	166,706
Restricted	396,799	903,841	8,763,161	1,115,122	11,178,923
Assigned	2,809,964	-	-	-	2,809,964
Unassigned	1,994,220	-	-	-	1,994,220
Total fund balances	5,353,187	903,841	8,763,161	1,129,624	16,149,813
Total liabilities, deferred inflows of resources, and fund balances	$ 13,842,312	$ 4,231,827	$ 11,640,578	$ 2,205,701	$ 31,920,418

See notes to financial statements.

Independent School District No. 14
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2017

Total fund balances - governmental funds	$ 16,149,813
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	86,217,942
Less accumulated depreciation	(36,437,398)
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	(56,260,000)
Capital lease payable	(4,567,097)
Compensated absences payable	(396,746)
Severance payable	(451,541)
Net discounts/premiums	(5,416,190)
Deferred refundings	73,890
Net pension liability	(82,395,855)
Deferred outflows of resources and deferred inflows of resources are created as a result of differences between actual and expected contributions and earnings on plan investments as well as changes in proportion and are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	51,354,307
Deferred inflows of resources related to pensions	(1,783,056)
Delinquent property taxes receivables 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.	58,535
Net OPEB asset created through employer contributions reducing the actuarial accrued liability is not recognized in governmental funds.	286,646
The Internal Service Fund is used by management to charge the cost of the retiree benefit plan. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	1,241,805
The Post Employment Benefits Revocable Trust Internal Service Fund is used to charge the benefits to the fund that incurs the cost. This amount represents assets available to fund the liabilities.	4,504,287
Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.	(989,904)
Total net position - governmental activities	$ (28,810,562)

See notes to financial statements.

Independent School District No. 14
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2017

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	$ 4,437,638	$ 3,729,544	$ -	$ 939,262	$ 9,106,444
Other local and county revenues	1,199,032	70,301	117,662	1,897,146	3,284,141
Revenue from state sources	35,182,141	327,356	-	758,054	36,267,551
Revenue from federal sources	1,164,748	-	-	1,614,790	2,779,538
Sales and other conversion of assets	8,816	-	-	355,851	364,667
Total revenues	41,992,375	4,127,201	117,662	5,565,103	51,802,341
Expenditures					
Current					
Administration	1,721,872	-	-	-	1,721,872
District support services	1,941,942	-	-	-	1,941,942
Elementary and secondary regular Instruction	16,556,973	-	-	-	16,556,973
Vocational education instruction	381,384	-	-	-	381,384
Special education instruction	8,500,496	-	-	-	8,500,496
Instructional support services	2,762,141	-	-	-	2,762,141
Pupil support services	4,577,435	-	-	-	4,577,435
Sites and buildings	2,904,885	-	950,568	-	3,855,453
Fiscal and other fixed cost programs	166,125	-	-	-	166,125
Food service	-	-	-	1,793,440	1,793,440
Community education and services	-	-	-	2,741,436	2,741,436
Capital outlay					
District support services	58,653	-	-	-	58,653
Elementary and secondary regular Instruction	85,700	-	-	-	85,700
Vocational education instruction	10,794	-	-	-	10,794
Special education instruction	27,829	-	-	-	27,829
Instructional support services	44,369	-	-	-	44,369
Sites and buildings	458,901	-	14,170,584	-	14,629,485
Food service	-	-	-	331,692	331,692
Community education and services	-	-	-	7,789	7,789
Debt service					
Principal	666,751	21,120,000	-	375,000	22,161,751
Interest and fiscal charges	164,613	2,869,882	-	189,827	3,224,322
Total expenditures	41,030,863	23,989,882	15,121,152	5,439,184	85,581,081
Excess of revenues over (under) expenditures	961,512	(19,862,681)	(15,003,490)	125,919	(33,778,740)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	5,531	-	-	-	5,531
Bond issuance	-	-	1,960,000	-	1,960,000
Bond premium	-	-	124,269	-	124,269
Proceeds from capital leases	34,265	-	-	-	34,265
Transfers in	-	56,513	459,983	101,587	618,083
Transfers out	(561,570)	-	(56,513)	-	(618,083)
Total other financing sources (uses)	(521,774)	56,513	2,487,739	101,587	2,124,065
Net change in fund balances	439,738	(19,806,168)	(12,515,751)	227,506	(31,654,675)
Fund Balances					
Beginning of year	4,913,449	20,710,009	21,278,912	902,118	47,804,488
End of year	$ 5,353,187	$ 903,841	$ 8,763,161	$ 1,129,624	$ 16,149,813

See notes to the financial statements.

Independent School District No. 14
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	$ (31,654,675)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	15,991,641
Depreciation expense	(2,866,298)
Loss on disposal of capital assets	(3,218)
Compensated absences and severance are recognized as they are paid in the governmental funds but are recognized as the expense is incurred in the Statement of Activities.	44,006
Net post employment benefit obligations are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(194,471)
Governmental Funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	(9,784,378)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.	22,161,751
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.	310,858
Governmental funds report the effect of bond discounts, premiums and deferred refundings when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	448,769
Proceeds from the sale of bonds and issuance of capital leases are recognized as other financing sources in the governmental funds increasing fund balance but have no effect on net position in the Statement of Activities.	
Bonds payable	(1,960,000)
Capital lease payable	(34,265)
Bond premium	(124,269)
The Post Employment Benefits Revocable Trust Internal Service Fund is used to charge the benefits to the fund that incurs the cost. This amount represents the change in assets available to fund the liabilities.	(33,821)
The Internal Service Fund is used by management to charge the costs of the retiree health insurance plan. The net gain is reported within the governmental activities in the Statement of Activities.	215,430
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.	5,406
Change in net position - governmental activities	$ (7,477,534)

See notes to financial statements.

Independent School District No. 14
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
Revenues				
Local property taxes	$ 4,348,072	$ 4,398,072	$ 4,437,638	$ 39,566
Other local and county revenues	952,473	1,008,075	1,199,032	190,957
Revenue from state sources	33,784,567	34,402,567	35,182,141	779,574
Revenue from federal sources	1,279,702	1,396,822	1,164,748	(232,074)
Sales and other conversion of assets	10,600	10,600	8,816	(1,784)
Total revenues	40,375,414	41,216,136	41,992,375	776,239
Expenditures				
Current				
Administration	1,675,801	1,711,648	1,721,872	10,224
District support services	2,178,995	2,038,105	1,941,942	(96,163)
Elementary and secondary regular instruction	16,281,758	16,749,161	16,556,973	(192,188)
Vocational education instruction	276,912	312,493	381,384	68,891
Special education instruction	8,463,691	8,841,728	8,500,496	(341,232)
Instructional support services	2,557,179	2,602,153	2,762,141	159,988
Pupil support services	4,492,573	4,540,533	4,577,435	36,902
Sites and buildings	2,532,699	2,767,305	2,904,885	137,580
Fiscal and other fixed cost programs	168,033	168,033	166,125	(1,908)
Capital outlay				
District support services	37,770	32,456	58,653	26,197
Elementary and secondary regular Instruction	95,284	92,974	85,700	(7,274)
Vocational education instruction	1,700	-	10,794	10,794
Special education instruction	-	17,024	27,829	10,805
Instructional support services	135,401	135,401	44,369	(91,032)
Sites and buildings	338,069	164,859	458,901	294,042
Debt service				
Principal	643,316	651,685	666,751	15,066
Interest and fiscal charges	179,614	179,614	164,613	(15,001)
Total expenditures	40,058,795	41,005,172	41,030,863	25,691
Excess of revenues over expenditures	316,619	210,964	961,512	750,548
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	2,000	2,000	5,531	3,531
Proceeds from capital leases	61,140	61,140	34,265	(26,875)
Transfers out	(561,570)	(561,570)	(561,570)	-
Total other financing sources (uses)	(498,430)	(498,430)	(521,774)	(23,344)
Net change in fund balances	$ (181,811)	$ (287,466)	439,738	$ 727,204
Fund Balance				
Beginning of year			4,913,449	
End of year			$ 5,353,187	

See notes to financial statements.

Independent School District No. 14
Statement of Net Position - Proprietary Funds
June 30, 2017

		Total Internal Service Funds
Assets		
Cash and cash equivalents	$	1,650,889
Investments		4,172,751
Accounts receivable		14,142
Interest receivable		76,277
Total assets	$	5,914,059
Liabilities		
Accounts payable	$	2,310
Incurred but not reported claims		165,657
Total liabilities		167,967
Net Position		
Unrestricted		5,746,092
Total liabilities and net position	$	5,914,059

See notes to financial statements.

Independent School District No. 14
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
Year Ended June 30, 2017

	Total Internal Service Funds
Operating Revenues	
Charges for services	$ 5,474,063
Operating Expense	
Insurance	4,750,996
Administrative	585,110
Total operating expenses	5,336,106
Operating income	137,957
Nonoperating Revenues	
Investment income	43,652
Change in net position	181,609
Net Position	
Beginning of year	5,564,483
End of year	$ 5,746,092

See notes to financial statements.

Independent School District No. 14
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2017

	Total Internal Service Funds
Cash Flows - Operating Activities	
Receipts from district contribution	$ 85,590
Receipts from employees	5,374,331
Payments to vendors	(5,389,797)
Net cash flows - operating activities	70,124
Cash Flows - Investing Activities	
Net sale/(purchase) of investments	73,383
Interest received	26,727
Net cash flows - investing activities	100,110
Net change in cash and cash equivalents	170,234
Cash and Cash Equivalents	
Beginning of year	1,480,655
End of year	$ 1,650,889
Reconciliation of Operating Income to Net Cash Flows - Operating Activities	
Operating income	$ 137,957
Adjustments to reconcile operating income to net cash flows - operating activities	
Change in assets and liabilities	
Accounts receivable	(14,142)
Accounts payable	(53,691)
Net cash flows - operating activities	$ 70,124
Non Cash Financing Activities	
Purchase (sale) of investments	$ (73,383)

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. 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 depreciation 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 the proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial 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 proprietary 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund are employee and District contributions. Operating expenses for proprietary funds include claims paid and administrative expenses. All revenues and expenses not meeting this definition are reposted as nonoperating revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

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 and state loan principal, interest and related costs.

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.

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures.

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.

Post Employment Benefits Debt Service Fund – This fund is used to account for levy proceeds and the payment of G.O. taxable OPEB Bonds principal, interest, and related costs.

Proprietary Funds:

Self Insurance Internal Service Fund – This fund is used to account for operations of the District's self – insured insurance plans. Premiums collected from employees are collected from other governmental funds and insurance claims are paid by this fund.

Post Employment Benefits Revocable Trust Internal Service Fund – This fund is used to account for the accumulation of resources to fund post employment benefits.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Investments

Cash and investments balances from all funds (except a portion of the Capital Projects Fund and the Post Employment Benefits Revocable Trust Internal Service Fund) 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.

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.

Cash and investments at June 30, 2017, were comprised of certificates of deposit, government securities, and shares in the Minnesota Trust (MNTrust) Term Series. MNTrust securities 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 MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from MNTrust. 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.

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 represent 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the fiscal year 2017. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

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.

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. Anoka County is the collecting agency for the levy and remits 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. 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 its aquisition 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for equipment.

Capital assets not being depreciated include land 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.

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 two items that qualify for reporting in this category. Deferred charge on refunding and deferred outflows of resources related to pensions, both reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The 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 three 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 years, 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 deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations

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

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

M. Compensated Absences

1. Vacation

Teachers are eligible for vacation of 2 days per year which can be accumulated to 7 days. Other employees qualify for vacation ranging from 5 to 45 days per year which are generally accumulated at year-end and payable during the ensuing year. Vacation is accrued for these employees in the Statement of Net Position since it is deemed to be payable at year-end.

2. Sick Leave

Substantially all District employees are entitled to sick leave at various rates. For certain employees, unused sick leave enters into the calculation of severance pay upon termination.

N. Severance Payable

The District maintains severance payment plans for certain employee groups. Each employee group plan contains requirements for lump sum payments based on employment date, years of service and/or minimum age requirements. Benefits are calculated based on various formulas converting accrued sick leave into a lump sum payment. No employee can receive payments exceeding one year's salary. For employees retiring on or before June 30, 2017, who are entitled to receive payments, an accrual is made in the governmental fund incurring the liability.

The amount of severance payment that is based on convertible sick leave is recorded as a liability in the government-wide financial statements as it is earned and when it becomes probable that it will vest at some point in the future.

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.

Independent School District No. 14
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Pensions (Continued)

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 in 2015.

P. 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 ended June 30, 2017.

Q. 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, but are not limited to, inventories and prepaid items.
- Restricted Fund Balances – These 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. The board also delegated power to assign fund balances to the Superintendent and Director of Finance.
- Minimum Fund Balance Policy – The School Board shall strive to maintain a fund balance of between 7% and 10% of total unrestricted expenditures. The fund balance shall be defined as the sum of the undesignated/unreserved fund balance. It shall not include funds reserved for operating capital, health and safety, basic skills, or any other new reserve created by the School Board, state, or federal guidelines.

R. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. 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.

T. Budgetary Information

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

1. Prior to July 1, the School 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.
3. Formal budgetary integration is employed as a management control device during the year for all governmental funds.
4. Budgets for the governmental 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
In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Custodial Credit Risk – Deposits: This is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. *Minnesota Statutes* requires all deposits be protected by federal depository 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. The District's policy states funds may not be invested in an institution that does not agree to provide the required collateral as noted.

As of June 30, 2017, the District's bank balance was not exposed to custodial credit risk because it was insured and properly collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

At June 30, 2017, the District had the following deposits:

Pooled	
Cash	$ (598,424)
Certificates of deposit	3,971,700
Total pooled	$ 3,373,276
Capital Project Fund non-pooled	
Certificates of deposit	$ 8,776,900
OPEB Revokable Trust Fund non-pooled	
Certificates of deposit	$ 2,067,800

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

Investment	Maturities	Fair Value	Percent of Total
Pooled			
MNTrust	6/30/17	$ 3,846,561	65.79%
MNTrust Term Series	8/1/17	2,000,000	34.21%
Total pooled		$ 5,846,561	100.00%
Capital Project Fund non-pooled			
MNTrust	6/30/17	1,392,141	48.16%
MNTrust Term Series	7/13/17	850,000	29.40%
Federal National Mortgage Association Note	7/20/18	648,685	22.44%
Total capital project non-pooled		$ 2,890,826	100.00%

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

Investment	Maturities	Fair Value	Percent of Total
OPEB Revocable Trust Fund non-pooled			
MNTRUST	6/30/17	$ 370,434	14.96%
GE Capital Retail Bank / GE Money Bank Certificate of Deposit	8/31/17	247,268	9.99%
American Express Bank, FSB Certificate of Deposit	10/16/17	150,067	6.06%
Capital One Bank (USA), NA Certificate of Deposit	10/16/17	165,098	6.67%
American Express Centurion Bank Certificate of Deposit	12/18/17	248,325	10.03%
Goldman Sachs Bank USA Certificate of Deposit	2/12/18	248,065	10.02%
Dollar Bank, FSB Certificate of Deposit	9/18/18	215,759	8.72%
Discover Bank Certificate of Deposit	10/15/18	248,545	10.04%
Ally Bank Certificate of Deposit	1/28/19	174,475	7.05%
Oakwood OH City School District	12/9/19	407,350	16.46%
Total OPEB Revocable Trust Fund non-pooled investments		2,475,386	100.00%
Total investments		$ 11,212,773	

MNTrust is an external investment pool not registered with the SEC and invests according to *Minnesota Statutes.* The fair value position in the pool is the same as the value of the pooled shares.

As of June 30, 2017, the District has formal policies in place to address custodial credit risk, custodial credit risk, concentration of credit risk and interest rate risk for investments.

Credit Risk: This is the risk an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* 118A.04 and 118A.05 limit investments that are in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy limits its investments to those allowed by state statutes. Additionally, investment in commercial paper is limited to those rated in the highest classifications by at least two of the four nationally recognized rating services. As of June 30, 2017, the District's investments in MNTrust money market and MNTrust Term Series was rated AAAm by Standard & Poor's (S&P). The Oakwood OH City School District bonds were rated Aa2 by Moody's. The US Treasury Note and Federal National Mortgage Association Note were both rated Aaa by Moody's. The certificates of deposit were unrated.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District's investment policy states investment maturities shall be scheduled to coincide with projected District cash flow needs.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy places no limit on the amount the District may invest in any one issuer, though it does state the District will limit investments to avoid over concentration in securities from a specific issuer or business sector. As of June 30, 2017, the District was exposed to concentration of credit risk as more than 5% of its total investments were invested in individual investments as indicated by the table on the previous pages.

Custodial Credit Risk – Investments: This is the risk 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 requires all investments be held in third party safekeeping by an institution designated as a custodial agent and all investments shall be fully collateralized.

The District has the following recurring fair value measurements as of June 30, 2017:

- $1,056,035 of $1,056,035 are valued using a quoted market prices (Level 1 inputs)

C. Deposits and Investments

Summary of cash, deposits, and investments as of June 30, 2017:

Petty cash	$ 400
Deposits (Note 3.A.)	
Pooled	3,373,276
Non-pooled	10,844,700
Investments (Note 3.B.)	
Pooled	5,846,561
Non-pooled	5,366,212
Total deposits and investments	$ 25,431,149

Cash, deposits, and investments are presented in the June 30, 2017, basic financial statements as follows:

Statement of Net Position	
Cash and investments	$ 25,431,149

NOTE 3 – INTERFUND ACTIVITY

A. Transfers

	Transfers In			
	Debt Service Fund	Capital Project Fund	Other Nonmajor Funds	Total
Transfers out				
General Fund	$ -	$ 459,983	$ 101,587	$ 561,570
Capital Projects Fund	56,513	-	-	56,513
Total	$ 56,513	$ 459,983	$ 101,587	$ 618,083

These transfers were performed to distribute levy dollars dedicated to specific funds, and in accordance with bond documents.

NOTE 4 – 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	$ 657,500	$ -	$ -	$ 657,500
Work in progress	6,770,267	15,803,817	17,851,895	4,722,189
Total capital assets not being depreciated	7,427,767	15,803,817	17,851,895	5,379,689
Capital assets being depreciated				
Buildings	58,809,739	17,929,688	-	76,739,427
Land improvements	2,042,433	-	528,684	1,513,749
Furniture and equipment	3,940,321	110,031	1,465,275	2,585,077
Total capital assets being being depreciated	64,792,493	18,039,719	1,993,959	80,838,253
Less accumulated depreciation for				
Buildings	30,584,895	2,703,293	-	33,288,188
Land improvements	1,705,958	70,620	525,466	1,251,112
Furniture and equipment	3,270,988	92,385	1,465,275	1,898,098
Total accumulated depreciation	35,561,841	2,866,298	1,990,741	36,437,398
Total capital assets being depreciated, net	29,230,652	15,173,421	3,218	44,400,855
Governmental activities, capital assets, net	$ 36,658,419	$ 30,977,238	$ 17,855,113	$ 49,780,544

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of $2,866,298 for the year ended June 30, 2017, was charged to the following governmental functions:

District support services	$ 3,057
Regular instruction	3,518
Vocational Instruction	597
Special education instruction	4,756
Instructional support services	24,671
Pupil support services	16,082
Food service	11,150
Community education and services	64,465
Unallocated	2,738,002
Total depreciation expense	$ 2,866,298

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

Long-term liabilities as of June 30, 2017, consisted of the following:

On February 11, 2016, the District issued $16,740,000 G.O. Alternative Facilities Refunding Bonds, Series 2016B for the advance refunding of a portion of the G.O. Alternative Facilities Bonds, Series 2007A. The principal balances of both the refunded and refunding bonds are reported as long-term debt of the District until the call date of the refunded bonds, at which time the refunded bonds were considered defeased and the related liability was removed from the Statement of Net Position. The call date for the 2007A bond was February 1, 2017. The refunding was done to take advantage of lower interest rates. The refunding resulted in a decrease in future debt service payments of $2,689,773. The net present value cash flow savings from the transaction was $2,368,402.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

	Interest Rate	Maturity Date	Original Issue	Balance	Due Within One Year
G.O. School Building Refunding Bonds	2.00%-3.00%	02/01/26	$ 11,240,000	$ 8,460,000	$ 785,000
G.O. Taxable OPEB Bonds Series 2009A	5.00%-5.75%	02/01/24	5,485,000	3,210,000	390,000
G.O. School Building Bonds Series 2016A	3.00%-5.00%	02/01/35	25,890,000	25,890,000	45,000
G.O. Alternative Facilities Bonds Series 2016B	4.00%-5.00%	02/01/28	16,740,000	16,740,000	915,000
G.O. Abatement Bonds Series 2017A	3.00%	02/01/27	1,960,000	1,960,000	-
Unamortized bond discounts and premiums, net				5,416,190	-
Total G.O. bonds (net of unamortized premium)				61,676,190	2,135,000
Energy loan capital lease	4.15%	07/31/22	3,142,381	1,592,034	270,548
Elementary additions capital lease	2.75%	02/01/28	3,400,000	2,612,776	206,434
Phone/network LPA lease	2.34%	10/29/18	178,396	72,540	35,862
Phone/network LPA lease	2.58%	10/29/19	117,140	49,173	22,974
Phone/network LPA lease	3.27%	09/30/17	230,033	24,773	24,773
Phone/network LPA lease	3.21%	10/31/18	99,425	30,340	23,429
Technology and Computer lease	3.88%	09/30/19	30,975	12,787	9,014
Technology and Computer lease	3.74%	09/30/19	30,165	16,007	6,904
Technology and Computer lease	3.38%	02/28/20	156,245	83,010	35,786
Technology Lease	3.072%	12/31/20	34,265	25,896	7,528
Equipment lease	2.75%	06/24/20	62,827	47,761	15,485
Vacation payable				396,746	396,746
Severance payable				880,293	200,000
Total all long-term liabilities				$ 67,520,326	$ 3,390,483

The long-term bond and lease liabilities listed above were issued to finance the acquisition and construction or improvements of capital facilities or to refinance (refund) previous bond issues. Other liabilities are typically liquidated through the General Fund.

Independent School District No. 14
Notes to Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds

Year Ending, June 30,	G.O. Bonds Principal	Interest	Total
2018	$ 2,135,000	$ 2,256,191	$ 4,391,191
2019	2,680,000	2,167,878	4,847,878
2020	2,865,000	2,046,078	4,911,078
2021	2,990,000	1,914,825	4,904,825
2022	3,130,000	1,777,338	4,907,338
2023-2027	17,800,000	6,734,850	24,534,850
2028-2032	15,145,000	3,036,950	18,181,950
2033-2035	9,515,000	576,450	10,091,450
Total	$ 56,260,000	$ 20,510,560	$ 76,770,560

C. Changes in Long-Term Liabilities

	Beginning Balance, Restated	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	$ 75,795,000	$ 1,960,000	$ 21,495,000	$ 56,260,000
Unamortized discount and premium, net	5,749,134	124,269	457,213	5,416,190
Capital lease	5,199,583	34,265	666,751	4,567,097
Vacation payable	346,530	515,660	465,444	396,746
Severance benefits payable	1,016,967	40,698	177,372	880,293
Total long-term liabilities	$ 88,107,214	$ 2,674,892	$ 23,261,780	$ 67,520,326

NOTE 5 – LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations
On April 14, 2014, the District entered into a lease purchase agreement for telephones and network equipment. The capital lease obligation totaled $178,396. The capital lease agreement includes annual principal and interest payments of $37,511.

On April 14, 2014, the District entered into a lease purchase agreement for telephones and network equipment. The capital lease obligation totaled $117,140. The capital lease agreement includes annual principal and interest payments ranging from $24,251 to $2,697.

On July 28, 2014, the District entered into a lease purchase agreement for telephones and network equipment. The capital lease obligation totaled $230,033. The capital lease agreement includes annual principal and interest payments ranging from $71,201 to $25,664.

On July 28, 2014, the District entered into a lease purchase agreement for telephones and network equipment. The capital lease obligation totaled $99,425. The capital lease agreement includes annual principal and interest payments ranging from $24,416 to $6,929.

On September 30, 2015, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled $32,453. The capital lease agreement includes annual principal and interest payments ranging from $3,920 to $9,511.

On September 30, 2015, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled $31,953. The capital lease agreement includes annual principal and interest payments ranging from $1,940 to $7,503.

On February 28, 2016, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled $165,115. The capital lease agreement includes annual principal and interest payments ranging from $10,560 to $38,639.

On June 3, 2016, the District entered into a lease purchase agreement for equipment. The capital lease obligation totaled $67,260. The capital lease agreement includes annual principal and interest payments of $16,815.

On November 30, 2016, the District entered into a lease purchase agreement for technology. The capital lease obligation totaled $34,265. The capital lease agreement includes annual principal and interest payments ranging from $2,654 to $8,369.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations (Continued)
The future minimum lease obligations and the net present value of these minimum lease payments are listed below.

Year Ending June 30,	
2018	$ 803,479
2019	771,434
2020	685,408
2021	666,089
2022	547,703
2023-2027	1,457,214
2028	276,877
Total minimum lease payments	5,208,204
Less amount representing interest	(641,107)
Present value of net minimum lease payments	$ 4,567,097

The assets purchased through the 2014 and 2015 leases did not meet the threshold for capitalization and are not included in fixed assets, therefore there is no depreciation or net value to report.

The assets purchased with the 2016 lease are classified as equipment and totaled $44,621. The associated accumulated depreciation for these assets is $17,848 for a net value of $26,773. The assets added through the 2016 leases are less than the leases issued due to expenditures that did not meet the criteria for capitalization.

The assets purchased through the fiscal year 2017 lease did not meet the threshold for capitalization and are not included in fixed assets, therefore there is no depreciation or net value to report.

NOTE 6 – FUND BALANCES

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

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

NOTE 6 – FUND BALANCES (CONTINUED)

A. Restricted Fund Balance

	General Fund	Debt Service	Capital Projects	Other Nonmajor Funds	Total
Nonspendable					
Inventories	$ -	$ -	$ -	$ 10,052	$ 10,052
Prepaid items	152,204	-	-	4,450	156,654
Total nonspendable	152,204	-	-	14,502	166,706
Restricted/reserved for					
Safe Schools - Crime Levy	53,251	-	-	-	53,251
Operating Capital	266,547	-	-	-	266,547
Medical Assistance	72,125	-	-	-	72,125
Community Education	-	-	-	254,936	254,936
ECFE	-	-	-	69,774	69,774
School Readiness	-	-	-	47,766	47,766
Capital Projects	-	-	7,887,187	-	7,887,187
Capital Projects Levy	4,876	-	875,974	-	880,850
Debt Service	-	903,841	-	151,624	1,055,465
Food Service	-	-	-	552,854	552,854
Community Service	-	-	-	38,168	38,168
Total Restricted/reserved	396,799	903,841	8,763,161	1,115,122	11,178,923
Assigned for					
Students	115,489	-	-	-	115,489
Capital Project	900,000	-	-	-	900,000
Separation/Retirement Benefits	451,541	-	-	-	451,541
MA Revenue	742,025	-	-	-	742,025
Self-Funding Health Insurance Startup	600,909	-	-	-	600,909
Total assigned	2,809,964	-	-	-	2,809,964
Unassigned					
Health and Safety	(136,755)	-	-	-	(136,755)
Long Term Facilities Maintenance	(327,235)	-	-	-	(327,235)
Unassigned	2,458,210	-	-	-	2,458,210
Total unassigned	1,994,220	-	-	-	1,994,220
Total fund balance	$ 5,353,187	$ 903,841	$ 8,763,161	$ 1,129,624	$ 16,149,813

*Negative restricted/reserved fund balances have been reclassified to unassigned for the financial statements in accordance with GASB Statement No. 54.

Nonspendable for Inventories and Prepaid Items – A portion of the fund balance has been spent on inventory and prepaid expenses and is not available for other uses.

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

NOTE 6 – FUND BALANCES (CONTINUED)

Fund Equity (Continued)

A. Restricted Fund Balance (Continued)

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 Medical Assistance – This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* 125A.21, subd. 3).

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. Related to Finance Code 344, School Readiness *Minnesota Statutes* 124D.16.

Restricted/Reserved for Capital Projects – This amount represents available resources for capital projects.

Restricted/Reserved for Capital Projects Levy – This amount represents available resources from the capital projects levy to be used for building construction and other projects.

Restricted/Reserved for Debt Service – This balance represents the positive fund balance of the Debt Service Fund.

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

Restricted for Community Service – This balance represents the positive fund balance of the Community Service Fund not set aside in other restrictions.

Assigned for Students – This balance represents resources set aside for each building based on fundraising done by students and donations for various programs.

Assigned for Capital Projects – This balance represents resources set aside for future capital projects.

NOTE 6 – FUND BALANCES (CONTINUED)

Fund Equity (Continued)

A. Restricted Fund Balance (Continued)
Assigned for Separation/Retirement Benefits – This balance represents resources set aside for future separation and retirement obligations.

Assigned for Medical Assistance Revenue – This balance represents medical assistance revenues that have been received but not yet spent and are available for future obligations.

Assigned for Self-Funding Health Insurance Startup – This balance represents resources set aside for the District self-funding health insurance and the costs associated with this.

Unassigned 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.

Unassigned 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).

B. Net Position
Net position restricted for other purposes is comprised of the positive General Fund and total Special Revenue Funds restricted balances.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans, total pension expense for the year ended June 30, 2017, was $12,690,879. 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 cities of Duluth and St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by the Minnesota State College and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

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.

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

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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

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

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

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the 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 each fiscal year ended June 30, 2015, June 30, 2016, and June 30, 2017, were:

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)
The following is a reconciliation of employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

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 7 – 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 7 – 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 $74,657,968 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 0.3130% at the end of the measurement period and 0.3011% 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	$ 74,657,968
State's proportionate share of the net pension liability associated with the District	7,493,341

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 $111,881,031. It also recognized $1,046,321 as an increase to 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	$ 733,961	$ 2,080
Net difference between projected and actual earnings on plan investments	3,164,872	-
Changes in assumptions	42,528,189	-
Changes in proportion	613,445	748,266
District's contributions subsequent to measurement date	1,349,999	-
Total	$ 48,390,466	$ 750,346

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Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)
$1,349,999 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

2018	$ 9,037,166
2019	9,037,173
2020	10,173,652
2021	9,640,052
2022	8,402,078
Total	$ 46,290,121

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%)
$ 96,178,124	$ 74,657,968	$ 57,130,503

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

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 7 – 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 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 7 – 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

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 $462,526. 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 $7,737,887 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 $101,013. 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 0.0953%, which was an increase/decrease of 0.0033% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of $809,848 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $30,119 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.

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 26,457	$ 634,336
Changes in actuarial assumptions	1,692,758	-
Difference between projected and actual investments earnings	782,100	-
Change in proportion	-	398,374
Contributions paid to PERA subsequent to the measurement date	462,526	-
Total	$ 2,963,841	$ 1,032,710

$462,526 reported as deferred outflows of resources related to pensions resulting from District contributions 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 pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2018	$ 342,357
2019	138,226
2020	708,519
2021	279,503
Total	$ 1,468,605

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	3.25 % Per year
Investment rate of return	7.50 %

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)
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.

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
Domestic stocks	45%	5.50%
Internal stocks	15%	6.00
Bonds	18%	1.45
Alternative assets	20%	6.40
Cash	2%	0.50
Total	100%	

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

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 proprinate share of the PERA net pension liability	$ 10,990,093	$ 7,737,887	$ 5,058,955

H. Pension Plan Fiduciary Net Position

Detailed information 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 8 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by HealthPartners. 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.

The District provides post employment retirement benefits to pay health and life insurance premiums for certain retired District personnel. Benefits are paid on behalf of retired administrative personnel to Medicare eligibility and other qualified staff to Medicare eligibility at which time benefits cease.

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

B. Funding Policy

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 HealthPartners. The required contributions are based on projected pay-as-you-go financing requirements. For year 2017, the District contributed $303,571 to the plan. As of June 30, 2017, there were approximately 18 retirees receiving health benefits from the District's health plan.

C. Annual Other Post Employment Benefits Cost and Net Other Post Employment Benefits Obligation

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

ARC	$ 488,290
Interest on net OPEB obligation	(14,434)
Adjustment to ARC	24,186
Annual OPEB cost (expense)	498,042
Contributions made	(303,571)
Increase in net OPEB obligation	194,471
Net OPEB obligation - beginning of year	(481,117)
Net OPEB obligation - end of year	$ (286,646)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015, 2016, and 2017 was as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
06/30/15	$ 553,680	$ 350,129	63%	$ (731,554)
06/30/16	545,593	295,156	54%	(481,117)
06/30/17	498,042	303,571	61%	(286,646)

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

D. Funded Status and Funding Progress
As of July 1, 2016, the most recent actuarial valuation date, the District had no assets deposited to fund the plan. The actuarial accrued liability for benefits was $3,541,366 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $3,541,366. The covered payroll (annual payroll of active employees covered by the plan) was $21,180,465, and the ratio of the UAAL to the covered payroll was 16.7%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress – Other Post Employment Benefits, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

On July 2, 2009, the District issued $5,485,000 G.O. Taxable OPEB Bonds, Series 2009A to fund part of the OPEB liability. Since these proceeds were placed in a revocable trust, the funding of the obligation does not qualify as funding the liability under GASB Statement No. 45. The activity related to the OPEB revocable trust can be noted in the OPEB Internal Service Fund. As of June 30, 2017, the ending market value of these assets was $4,419,964.

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

At the July 1, 2016, the actuarial valuation date, the projected unit credit with 30 year amortization of the market value of assets method was used. The actuarial assumptions included a 3.0% discount rate. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 6.75% initially, reduced incrementally to an ultimate rate of 5% after 7 years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017 was 30 years.

NOTE 9 – COMMITMENTS

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

Project	Contractor	Original Contract Amount	Remaining Commitment
Pavement Improvements	Bituminous Roadways Inc	$ 869,000	$ 820,000
HS/MS Remodel	Morcon Construction	5,785,000	3,538,842
RLS Alternations	Karkela Construction	892,890	341,313

NOTE 10 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB has issued GASB statement 75 relating to accounting and financial reporting for postemployment benefits other than pensions. The new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities.

Independent School District No. 14
Schedule of Funding Progress - Other Post Employment Benefits
June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/08	$ -	$ 5,378,025	$ 5,378,025	0.0%	$ 15,753,694	34.1%
07/01/10	-	4,387,147	4,387,147	0.0%	16,920,884	25.9%
07/01/12	-	4,123,951	4,123,951	0.0%	17,298,049	23.8%
07/01/14	-	3,965,795	3,965,795	0.0%	20,248,125	19.6%
07/01/16	-	3,541,366	3,541,366	0.0%	21,180,465	16.7%

Independent School District No. 14
Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
Last Ten Years General Employees Retirement Fund

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 Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1101%	$ 5,171,946	$ -	$ 5,171,946	$ 5,778,869	89.5%	78.7%
2015	0.0986%	5,109,964	-	5,109,964	5,696,880	89.7%	76.8%
2016	0.0953%	7,737,887	101,013	7,838,900	5,910,760	130.9%	68.9%

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 of Net Pension Liability
Last Ten Years TRA Retirement Fund

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 Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.3144%	$ 14,487,326	$ 1,019,111	$ 15,506,437	$ 14,351,614	100.9%	81.5%
2015	0.3011%	18,626,013	2,284,436	20,910,449	15,281,867	121.9%	76.8%
2016	0.3130%	74,657,968	7,493,341	82,151,309	16,280,760	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. 14
Schedule of District Contributions
General Employees Retirement Fund
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 Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 418,968	$ 418,968	$ -	$ 5,778,869	7.25%
2015	427,266	427,266	-	5,696,880	7.50%
2016	443,307	443,307	-	5,910,760	7.50%
2017	462,526	462,526	-	6,167,013	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 Fund
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 Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 1,004,613	$ 1,004,613	$ -	$ 14,351,614	7.0%
2015	1,146,140	1,146,140	-	15,281,867	7.5%
2016	1,221,057	1,221,057	-	16,280,760	7.5%
2017	1,349,999	1,349,999	-	17,999,987	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. 14
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 six years, and female rates set back five 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 three years, and female rates set back three 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%.
- 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.

Independent School District No. 14
Notes to the Required Supplementary Information

General Employees Fund (Continued)

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. 14
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2017

	Special Revenue		
	Food Service	Community Service	Total
Assets			
Cash and investments	$ 588,016	$ 639,895	$ 1,227,911
Current property taxes receivable	-	153,855	153,855
Delinquent property taxes receivable	-	2,931	2,931
Accounts receivable, net of allowance	380	22,553	22,933
Due from Department of Education	764	19,970	20,734
Due from other Minnesota school districts	-	3,433	3,433
Due from other governmental units	346	41,631	41,977
Inventory	10,052	-	10,052
Prepaid items	175	4,275	4,450
Total assets	$ 599,733	$ 888,543	$ 1,488,276
Liabilities			
Accounts payable	$ 8,064	$ 26,223	$ 34,287
Salaries and benefits payable	10,966	72,216	83,182
Due to other Minnesota districts	-	25,406	25,406
Due to other governmental units	-	8,278	8,278
Unearned revenue	17,622	9,548	27,170
Total liabilities	36,652	141,671	178,323
Deferred Outflows of Resources			
Unavailable revenue - delinquent property taxes	-	2,323	2,323
Property taxes levied for subsequent year's expenditures	-	329,630	329,630
Total deferred inflows of resources	-	331,953	331,953
Fund Balances			
Nonspendable	10,227	4,275	14,502
Restricted	552,854	410,644	963,498
Total fund balances	563,081	414,919	978,000
Total liabilities, deferred inflows of resources, and fund balances	$ 599,733	$ 888,543	$ 1,488,276

Debt Service Post Employment Benefits Debt Service	Total Nonmajor Funds
$ 437,210	$ 1,665,121
275,668	429,523
4,547	7,478
-	22,933
-	20,734
-	3,433
-	41,977
-	10,052
-	4,450
$ 717,425	$ 2,205,701
$ -	$ 34,287
-	83,182
-	25,406
-	8,278
-	27,170
-	178,323
3,758	6,081
562,043	891,673
565,801	897,754
-	14,502
151,624	1,115,122
151,624	1,129,624
$ 717,425	$ 2,205,701

Independent School District No. 14
Combining Statement of Revenues, Expenditures, and Changes and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue		
	Food Service	Community Service	Total
Revenues			
Local property taxes	$ -	$ 358,741	$ 358,741
Other local and county revenues	18,995	1,878,151	1,897,146
Revenue from state sources	140,563	617,491	758,054
Revenue from federal sources	1,614,790	-	1,614,790
Sales and other conversion of assets	355,851	-	355,851
Total revenues	2,130,199	2,854,383	4,984,582
Expenditures			
Current			
Food service	1,793,440	-	1,793,440
Community education and services	-	2,741,436	2,741,436
Capital outlay			
Food service	331,692	-	331,692
Community education and services	-	7,789	7,789
Debt service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	2,125,132	2,749,225	4,874,357
Excess of revenues over expenditures	5,067	105,158	110,225
Other Financing Sources			
Transfers in	-	101,587	101,587
Net change in fund balances	5,067	206,745	211,812
Fund Balances			
Beginning of year	558,014	208,174	766,188
End of year	$ 563,081	$ 414,919	$ 978,000

Debt Service Post Employment Benefits Debt Service	Total Nonmajor Funds
$ 580,521	$ 939,262
-	1,897,146
-	758,054
-	1,614,790
-	355,851
580,521	5,565,103
-	1,793,440
-	2,741,436
-	331,692
-	7,789
375,000	375,000
189,827	189,827
564,827	5,439,184
15,694	125,919
-	101,587
15,694	227,506
135,930	902,118
$ 151,624	$ 1,129,624

Independent School District No. 14
Combining Statement of Net Position - Internal Service Funds
June 30, 2017

	Self Insurance	OPEB Revocable Trust	Total Internal Service Funds
Assets			
Cash and cash equivalents	$ 1,403,676	$ 247,213	$ 1,650,889
Investments	-	4,172,751	4,172,751
Accounts receivable	6,096	8,046	14,142
Interest receivable	-	76,277	76,277
Total assets	$ 1,409,772	$ 4,504,287	$ 5,914,059
Liabilities			
Accounts payable	$ 2,310	$ -	$ 2,310
Incurred but not reported claims	165,657	-	165,657
Total liabilities	167,967	-	167,967
Net Position			
Unrestricted	1,241,805	4,504,287	5,746,092
Total liabilities and net position	$ 1,409,772	$ 4,504,287	$ 5,914,059

Independent School District No. 14
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Internal Service Funds
Year Ended June 30, 2017

	Self Insurance	OPEB Revocable Trust	Total Internal Service Funds
Operating Revenues			
Charges for services	$ 5,380,427	$ 93,636	$ 5,474,063
Operating Expense			
Insurance	4,579,887	171,109	4,750,996
Administrative	585,110	-	585,110
Total Operating Expenses	5,164,997	171,109	5,336,106
Operating income (loss)	215,430	(77,473)	137,957
Nonoperating Revenues			
Investment income	-	43,652	43,652
Change in net position	215,430	(33,821)	181,609
Net Position			
Beginning of year	1,026,375	4,538,108	5,564,483
End of year	$ 1,241,805	$ 4,504,287	$ 5,746,092

Independent School District No. 14
Combining Statement of Cash Flows - Internal Service Funds
Year Ended June 30, 2017

	Self Insurance	OPEB Revocable Trust	Total Internal Service Funds
Cash Flows - Operating Activities			
Receipts from district contribution	$ -	$ 85,590	$ 85,590
Receipts from employees	5,374,331	-	5,374,331
Payments to vendors	(5,218,688)	(171,109)	(5,389,797)
Net cash flows - operating activities	155,643	(85,519)	70,124
Cash Flows - Investing Activities			
Net sale/(purchase) of investments	-	73,383	73,383
Interest received	-	26,727	26,727
Net cash flows - investing activities	-	100,110	100,110
Net change in cash and cash equivalents	155,643	14,591	170,234
Cash and Cash Equivalents			
Beginning of year	1,248,033	232,622	1,480,655
End of year	$ 1,403,676	$ 247,213	$ 1,650,889
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities			
Operating income (loss)	$ 215,430	$ (77,473)	$ 137,957
Adjustments to reconcile operating income (loss) to net cash flows - operating activities			
Accounts Receivable	(6,096)	(8,046)	(14,142)
Change in assets and liabilities accounts payable	(53,691)	-	(53,691)
Net cash flows - operating activities	$ 155,643	$ (85,519)	$ 70,124
Non Cash Financing Activities			
Purchase (sale) of investments	$ -	$ (73,383)	$ (73,383)

Independent School District No. 14
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2017

	Audit	UFARS	Audit-UFARS
01 General Fund			
Total revenue	$ 41,992,375	$ 41,992,374	$ 1
Total expenditures	41,030,863	41,030,862	1
Nonspendable:			
460 Nonspendable fund balance	152,204	152,204	-
Restricted/reserved:			
403 Staff Development	-	-	-
406 Health And Safety	(136,755)	(136,756)	1
407 Capital Projects Levy	4,876	4,874	2
408 Cooperative Programs	-	-	-
413 Alternative Facility Program	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maintenance	-	-	-
424 Operating Capital	266,547	266,547	-
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	-	1	(1)
441 Basic Skills Programs	-	-	-
445 Career Technical Programs	-	-	-
448 Achievement And Integration Revenue	-	-	-
449 Safe School Crime	53,251	53,250	1
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	(327,235)	(327,234)	(1)
472 Medical Assistance	72,125	72,125	-
Restricted:			
464 Restricted fund balance	-	-	-
Committed:			
418 Committed for separation	-	-	-
461 Committed	-	-	-
Assigned:			
462 Assigned fund balance	2,809,964	2,809,964	-
Unassigned:			
422 Unassigned fund balance (net position)	2,458,210	2,458,211	(1)
02 Food Services Fund			
Total revenue	$ 2,130,199	$ 2,130,199	$ -
	2,125,132	2,125,134	(2)
Nonspendable:			
460 Nonspendable fund balance	10,227	10,227	-
See notes to required supplementary information			
452 OPEB liabilities not held in trust	-	-	-
Restricted:			
464 Restricted fund balance	552,854	552,853	1
Unassigned:			
463 Unassigned fund balance	-	-	-
04 Community Service Fund			
Total revenue	$ 2,854,383	$ 2,854,384	$ (1)
Total expenditures	2,749,225	2,749,224	1
Nonspendable:			
460 Nonspendable fund balance	4,275	4,275	-
Restricted/reserved:			
426 $25 taconite	-	-	-
431 Community Education	254,936	254,936	-
440 ECFE	69,774	69,774	-
444 School Readiness	47,766	47,766	-
447 Adult Basic Education	-	-	-
452 OPEB liabilities not held in trust	-	-	-
Restricted:			
464 Restricted fund balance	38,168	38,169	(1)
Unassigned:			
463 Unassigned fund balance	-	-	-

	Audit	UFARS	Audit-UFARS
06 Building Construction Fund			
Total revenue	$ 117,662	$ 117,662	$ -
Total expenditures	15,121,152	15,121,151	1
Nonspendable:			
460 Nonspendable fund balance	-	-	-
Restricted/reserved:			
407 Capital Projects Levy	875,974	875,974	-
413 Building Projects funded by COP	-	-	-
467 Long-term Facilities Maintenance	-	-	-
Restricted:			
464 Restricted fund balance	7,887,187	7,887,187	-
Unassigned:			
463 Unassigned fund balance	-	-	-
07 Debt Service Fund			
Total revenue	$ 4,127,201	$ 4,127,200	$ 1
Total expenditures	23,989,882	23,989,882	-
Nonspendable:			
460 Nonspendable fund balance	-	-	-
Restricted/reserved:			
425 Bond refunding	0	-	-
451 QZAB and QSCB payments	-	-	-
Restricted:			
464 Restricted fund balance	903,841	903,840	1
Unassigned:			
463 Unassigned fund balance	-	-	-
08 Trust Fund			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
422 Unassigned fund balance (net position)	-	-	-
20 Internal Service Fund			
Total revenue	$ 5,380,427	$ 5,380,427	$ -
Total expenditures	5,164,997	5,164,996	1
Unassigned:			
422 Unassigned fund balance (net position)	1,241,805	1,241,806	(1)
25 OPEB Revocable Trust			
Total revenue	$ 137,288	$ 137,289	$ (1)
Total expenditures	171,109	171,109	-
Unassigned:			
422 Unassigned fund balance (net position)		4,504,288	(4,504,288)
45 OPEB Irrevocable Trust	4,504,287		
	$ -	$ -	$ -
Total expenditures	-	-	-
Total revenue			
422 Unassigned fund balance (net position)	-	-	-
47 OPEB Debt Service			
Total revenue	$ 580,521	$ 580,521	$ -
Total expenditures	564,827	564,828	(1)
Nonspendable:			
460 Nonspendable fund balance	-	-	-
Restricted:			
425 Bond refundings	-	-	-
464 Restricted fund balance	151,624	151,624	-
Unassigned:			
463 Unassigned fund balance	-	-	-

Independent School District No. 14
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	10.555	$ 129,711
School Breakfast	10.553	420,642
National School Lunch	10.555	962,852
Summer Food Service	10.559	26,516
National School Lunch Program- Equipment Grant	10.555	18,765
Ship Grant	10.555	4,878
Total Child Nutrition Cluster		1,563,364
Fresh Fruit and Vegetables	10.582	56,304
Total U.S. Department of Agriculture		1,619,668
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A	84.010	518,042
Title II, Part A - Improving Teacher Quality	84.367	109,450
Title III, Part A - English Language Acquisition	84.365	53,177
Special Education Cluster		
Special Education	84.027	443,688
Special Education Family Engagement Training	84.027A	2,156
Special Education - Preschool Grant	84.173	14,071
Total Special Education Cluster		459,915
Infants and Toddlers	84.181	4,134
Carl Perkins	84.048A	18,197
Total U.S. Department of Education		1,162,915
U.S. Department Homeland Security		
Direct from U.S. Department of Homeland Security		
FEMA	97.036	1,835
Total federal expenditures		$ 2,784,418

See notes to schedule of expenditures of federal awards.

Independent School District No. 14
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.

bergankDV

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. 14
Fridley, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 14, Fridley, 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 December 11, 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 (Continued)
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance that we consider to be a significant deficiency in internal control, described as Audit Finding 2002-001.

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 Findings
The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned 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.

Minneapolis, Minnesota
December 11, 2017

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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. 14
Fridley, Minnesota

Report on Compliance for Each Major Federal Program
We have audited Independent School District No. 14, Fridley, 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. 14 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.

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.

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.

Minneapolis, Minnesota
December 11, 2017

Independent School District No. 14
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(es) identified?	No
• Significant deficiency(ies) identified?	Yes, Audit Finding 2002-001
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.:	10.553, 10.555, 10.556, and 10.559
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?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2002-001

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:
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 Accounts Payable Clerk enters invoices into the system and prepares the checks.
- The Accounting Supervisor has access to all areas of the accounting system.

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

Effect:
The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, 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.

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

Independent School District No. 14
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2002-01 (Continued)

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
   a. As a mitigating control, the Accounting Supervisor receives a system report of checks prior to the preparation of checks for review. In addition, the Accounting Supervisor reviews the edit to the check register to verify that the edit was not changed after review.
   b. The Accounting Supervisor has access to all areas of the accounting system. Segregation will be reviewed to determine whether access can feasibly be limited.

3. Official Responsible for Ensuring CAP
   Matt Hammer, Director of Finance, 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 are no federal award findings or questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There are no prior year federal award findings or questioned costs.

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Report on Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 14
Fridley, 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. 14, Fridley, Minnesota, as of and for the year ended June 30, 2017, and the related notes to financial statements, and have issued our report thereon dated December 11, 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, and uniform financial accounting and reporting standards for school districts. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Bergan KDV Ltd.

Minneapolis, Minnesota
December 11, 2017

BerganKDV, Ltd.
bergankdv.com

APPENDIX B

FORM OF LEGAL OPINION

(See following page)

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

$2,460,000*
GENERAL OBLIGATION TAXABLE OPEB
REFUNDING BONDS, SERIES 2018A
INDEPENDENT SCHOOL DISTRICT NO. 14
(FRIDLEY PUBLIC SCHOOLS)
ANOKA COUNTY, MINNESOTA

We have acted as Bond Counsel in connection with the issuance by Independent School District No. 14 (Fridley Public Schools), Anoka County, Minnesota (the "District"), of its General Obligation Taxable OPEB Refunding Bonds, Series 2018A (the "Bonds"), in the aggregate principal amount of $2,460,000*, bearing a date of original issue of November 8, 2018. The Bonds are fully registered as to principal and interest and are originally issued using a global book-entry system.

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

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

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

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

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

(3) Interest on the Bonds is includable in gross income for federal income tax purposes and in taxable net income of individuals, estates or trusts for Minnesota income tax purposes.

(4) Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences caused by the receipt or accrual of interest on or arising with respect to ownership of the Bonds.

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

DATED at Mendota Heights, Minnesota, this 8th day of November, 2018.

KNUTSON, FLYNN & DEANS
Professional Association

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following page)

CONTINUING DISCLOSURE CERTIFICATE
(Full Disclosure)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 14 (Fridley Public Schools), State of Minnesota (the "District"), in connection with the issuance of its General Obligation Taxable OPEB Refunding Bonds, Series 2018A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the School Board on October 16, 2018 (the "Resolution"). The District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 (the "State Payment Law" described in the Official Statement for the Bonds) which provides for payment by the State of Minnesota in the event of a potential default of a District obligation. The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

SECTION 3. Provision of Annual Reports.

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

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

(c) The Dissemination Agent shall:

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

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

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

1. An annual Audited Financial Statement.

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

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

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 14. District Contact Information.

Title:	Superintendent
Name of District:	Independent School District No. 14 (Fridley Public Schools)
Address:	6000 West Moore Lake Drive Fridley, MN 55432
Telephone No.	(763) 502-5000

Dated as of this 8th day of November, 2018.

INDEPENDENT SCHOOL DISTRICT NO. 14
FRIDLEY, MINNESOTA

By: ______________________________________
Chair

And: ______________________________________
Clerk

[Signature Page for Continuing Disclosure Certificate]

APPENDIX E

TERMS OF PROPOSAL

$2,460,000* GENERAL OBLIGATION TAXABLE OPEB REFUNDING BONDS, SERIES 2018A INDEPENDENT SCHOOL DISTRICT NO. 14 (FRIDLEY PUBLIC SCHOOLS), MINNESOTA

Proposals for the purchase of $2,460,000* General Obligation Taxable OPEB Refunding Bonds, Series 2018A (the "Bonds") of Independent School District No. 14 (Fridley Public Schools), Minnesota (the "District") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the District, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on October 16, 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 7:30 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are authorized pursuant to Minnesota Statutes, Chapter 475, and Sections 475.52, Subdivision 6 and 475.67, by the District, for the purpose of effecting 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 8, 2018, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2020	$450,000	2022	$495,000	2024	$525,000
2021	480,000	2023	510,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

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

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

The Bonds are being offered without option of prior redemption.

DELIVERY

On or about November 8, 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 will be furnished by Knutson, Flynn & Deans, P.A., of Mendota Heights, Minnesota, bond counsel to the District. The legal opinion will be issued on the basis of existing law and 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).

SUBMISSION OF PROPOSALS

Proposals must not be for less than $2,415,720 plus accrued interest on the principal sum of $2,460,000 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 10:30 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 $49,200 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.

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.

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. 14
(Fridley Public Schools), Minnesota

PROPOSAL FORM

The Board of Education **October 16, 2018**
Independent School District No. 14 (Fridley Public Schools), Minnesota

RE: $2,460,000* General Obligation Taxable OPEB Refunding Bonds, Series 2018A
DATED: November 8, 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 $2,415,720) 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	2024
________	% 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 $49,200, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138.** Such Deposit shall be received by Ehlers & Associates no later than two hours after the proposal opening time. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. If our proposal is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about November 8, 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: ____.

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 8, 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. 14 (Fridley Public Schools), Minnesota, on October 16, 2018.

By: ______________________ By: ______________________

Title: ______________________ Title: ______________________