PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 3, 2019

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement.

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The District will not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986. See "Tax Considerations" herein.

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

INDEPENDENT SCHOOL DISTRICT NO. 738
(HOLDINGFORD PUBLIC SCHOOLS), MINNESOTA
(Stearns and Morrison Counties)

(Minnesota School District Credit Enhancement Program)

$10,775,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2019A

PROPOSAL OPENING: January 14, 2019, 11:00 A.M., C.T. **CONSIDERATION**: January 14, 2019, 5:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $10,775,000* General Obligation School Building Bonds, Series 2019A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, and a special election held November 6, 2018, by Independent School District No. 738 (Holdingford Public Schools), Minnesota (the "District") for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

DATE OF BONDS: February 7, 2019

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2025	$500,000	2030	$660,000	2035	$805,000
2026	545,000	2031	685,000	2036	835,000
2027	570,000	2032	715,000	2037	870,000
2028	600,000	2033	740,000	2038	905,000
2029	630,000	2034	770,000	2039	945,000

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: Bonds maturing February 1, 2029 and thereafter are subject to call for prior redemption on February 1, 2028 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: $10,667,250.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $215,500 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Dorsey & Whitney LLP

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

TABLE OF CONTENTS

INTRODUCTORY STATEMENT. 1

THE BONDS. 1
- GENERAL. 1
- OPTIONAL REDEMPTION. 2
- AUTHORITY; PURPOSE. 2
- ESTIMATED SOURCES AND USES. 2
- SECURITY. 3
- RATING. 3
- STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS. 3
- CONTINUING DISCLOSURE. 4
- LEGAL OPINION. 5
- TAX CONSIDERATIONS. 5
- MUNICIPAL ADVISOR. 8
- MUNICIPAL ADVISOR AFFILIATED COMPANIES. 8
- INDEPENDENT AUDITORS. 8
- RISK FACTORS. 9

VALUATIONS. 11
- OVERVIEW. 11
- CURRENT PROPERTY VALUATIONS. 12
- 2017/18 NET TAX CAPACITY BY CLASSIFICATION. . . 13
- TREND OF VALUATIONS. 13
- LARGER TAXPAYERS. 14

DEBT. 15
- DIRECT DEBT. 15
- STATE AID FOR DEBT SERVICE. 15
- SCHEDULE OF BONDED INDEBTEDNESS. 16
- BONDED DEBT LIMIT. 18
- OVERLAPPING DEBT. 18
- DEBT PAYMENT HISTORY. 18
- DEBT RATIOS. 19
- FUTURE FINANCING. 19
- LEVY LIMITS. 19

TAX RATES, LEVIES AND COLLECTIONS. 20
- TAX LEVIES AND COLLECTIONS. 20
- TAX CAPACITY RATES. 21

THE ISSUER. 22
- EMPLOYEES. 22
- PENSIONS; UNIONS. 22
- POST EMPLOYMENT BENEFITS. 22
- STUDENT BODY. 23
- SCHOOL BUILDINGS. 23
- FUNDS ON HAND. 23
- LITIGATION. 24
- MUNICIPAL BANKRUPTCY. 24
- SUMMARY GENERAL FUND INFORMATION. 25

GENERAL INFORMATION. 26
- LOCATION. 26
- LARGER EMPLOYERS. 26
- U.S. CENSUS DATA. 27
- EMPLOYMENT/UNEMPLOYMENT DATA. 27

FINANCIAL STATEMENTS. A-1

FORM OF LEGAL OPINION. B-1

BOOK-ENTRY-ONLY SYSTEM. C-1

FORM OF CONTINUING DISCLOSURE COVENANTS (EXCERPTS FROM SALE RESOLUTION). D-1

TERMS OF PROPOSAL. E-1

HOLDINGFORD PUBLIC SCHOOLS
SCHOOL BOARD

		Term Expires
Michael Higgins	Board Member*	January 2020
Patrick Meier	Board Member*	January 2022
Benjamin Christensen	Board Member*	January 2022
Russ Wolter	Board Member*	January 2020
Edward Feia	Board Member*	January 2022
Evelyn Martini	Board Member*	January 2020
Dale Streit	Board Member*	January 2020

ADMINISTRATION

Chris Swenson, Superintendent of Schools
Beth Heinze, Business Manager

*Officers will be elected at the first meeting in January 2019.

PROFESSIONAL SERVICES

Dorsey & Whitney LLP, Bond Counsel, Minneapolis, Minnesota

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 738 (Holdingford Public Schools), Minnesota (the "District") and the issuance of its $10,775,000* General Obligation School Building Bonds, Series 2019A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the Board of Education on January 14, 2019.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the District's Municipal Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the link to the Bond Sales and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of $5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of February 7, 2019. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2019, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2025 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2029 shall be subject to optional redemption prior to maturity on February 1, 2028 or any date thereafter, at a price of par plus accrued interest.

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

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

AUTHORITY; PURPOSE

The Bonds are being issued by the District pursuant to Minnesota Statutes, Chapter 475, and a special election held November 6, 2018, at which voters approved a building program by a vote of 1,419 - 1,031. Proceeds of the Bonds will be used to provide funds for the acquisition and betterment of school sites and facilities, including but not limited to a new roof for the elementary and high school, secure entrances at the elementary and high school, and expanded high school commons, a six-classroom addition at the elementary school, traffic flow and parking lot improvements, fire sprinkler and life-safety code improvements, and building-wide security improvements.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	$10,775,000	
Reoffering Premium	411,465	
Total Sources		**$11,186,465**
Uses		
Total Underwriter's Discount (1.000%)	$107,750	
Costs of Issuance	76,790	
Deposit to Capitalized Interest (CIF) Fund	94,750	
Deposit to Project Construction Fund	10,907,175	
Total Uses		**$11,186,465**

*Preliminary, subject to change.

SECURITY

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

RATING

The District will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a rating from 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 a "Baa1" underlying rating from Moody's and will be requesting an underlying rating on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgement of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on December 19, 2018 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

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

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

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

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

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

CONTINUING DISCLOSURE

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

In the previous five years, the District believes it has not failed to comply in all material respects with its prior undertakings under the Rule.

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

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

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP, Minneapolis, Minnesota, bond counsel to the District.

TAX CONSIDERATIONS

The following is a summary of certain U.S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the "Code") and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS"), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Bonds. The District has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

Prospective purchasers of Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Bonds based on their own particular circumstances.

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Bonds. It does not address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent expressly specified herein. This summary is limited to consequences to U.S. holders that purchase the Bonds for cash at original issue and hold the Bonds as "capital assets" (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as: holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies; brokers, dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations subject to the branch profits tax; holders receiving payments in respect of the Bonds through foreign entities; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the "issue price" of a maturity of Bonds is the first price at which a substantial amount of Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

Tax Exempt Interest

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of Bond proceeds and other amounts. The District has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

Original Issue Discount

Bonds may be issued at a discount from their principal amount (any such Bonds being "Discount Bonds"). The excess of the principal amount payable on Bonds of a given maturity over their issue price constitutes "original issue discount" ("OID"). OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder's federal and Minnesota tax bases. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

OID on a Discount Bond generally accrues pursuant to a constant-yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of OID that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For this purpose, the adjusted issue price is determined by adding to the issue price for such Discount Bonds the OID that is treated as having accrued during all prior accrual periods. If a Discount Bond is sold or otherwise disposed of between compounding dates, then the original issue discount that would have accrued for that accrual period for federal income tax purposes is allocated ratably to the days in that accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued OID, the amount of OID that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of the Discount Bond. If the excess is greater than the amount of remaining OID, the basis reduction rules for amortizable bond premium may result in taxable gain upon sale or other disposition of the Bonds, even if the Bonds are sold, redeemed, or retired for an amount equal to or less than their cost.

It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual and may be deemed to accrue differently than under federal law.

Market Discount

If a Bond is purchased for a cost that is less than the Bond's issue price (plus accrued original issue discount, if any), the purchaser will be treated as having purchased the Bond with market discount (unless a statutory de minimis rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond).

Bond Premium

A holder that acquires a Bond for an amount in excess of its principal amount generally must, from time to time, reduce the holder's federal and Minnesota tax bases for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates, and trusts.

Related Tax Considerations

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally, no deduction is allowed under section 265(b) the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations." Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds. The Bonds are not "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

The ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may affect a holder's federal, state, or local tax liability in some additional circumstances. The nature and extent of these other tax consequences depends upon the particular tax status of the holder and the holder's other items of income or deduction.

Sale or Other Disposition

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Bond equal to the difference between (i) the amount realized less amounts attributable to any accrued but unpaid stated interest and (ii) the holder's adjusted tax basis in the Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Bond. A holder's adjusted tax basis in a Bond generally will be equal to the amount that the holder paid for the Bond, increased by any accrued original issue discount with respect to the Bond and reduced by the amount of any amortized bond premium on the Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Bond for more than one year. Long-term capital gains recognized by certain non-corporate persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

Information Reporting and Backup Withholding

Payments of interest on the Bonds (including any allocable bond premium or accrued original issue discount) and proceeds from the sale or other disposition of the Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2018 have been audited by BerganKDV, Ltd., St. Cloud, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

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

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

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

[3] Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2017/18 Economic Market Value $684,396,568[1]

2017/18 Assessor's Estimated Market Value

	Stearns County	Morrison County	Total
Real Estate	$595,931,700	$ 16,861,100	$ 612,792,800
Personal Property	1,689,500	14,900	1,704,400
Total Valuation	$597,621,200	$ 16,876,000	$ 614,497,200

2017/18 Net Tax Capacity

	Stearns County	Morrison County	Total
Real Estate	$4,319,603	$ 120,121	$ 4,439,724
Personal Property	33,499	298	33,797
Net Tax Capacity	$4,353,102	$ 120,419	$ 4,473,521
Less: Captured Tax Increment Tax Capacity[2]	(40,742)	0	(40,742)
Taxable Net Tax Capacity	$4,312,360	$ 120,419	$ 4,432,779

[1] According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for Independent School District No. 738 (Holdingford Public Schools) is about a 87.55% 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 $684,396,568.

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

2017/18 NET TAX CAPACITY BY CLASSIFICATION

	2017/18 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$2,035,888	45.51%
Agricultural	1,933,916	43.23%
Commercial/industrial	224,460	5.02%
Public utility	2,558	0.06%
Non-homestead residential	133,664	2.99%
Commercial & residential seasonal/rec.	107,928	2.41%
Other	1,310	0.03%
Personal property	33,797	0.76%
Total	$4,473,521	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Taxable Net Tax Capacity[2]	Percent +/- in Estimated Market Value
2013/14	$540,571,200	$ 446,972,100	$3,751,879	$3,747,601	+1.17%
2014/15	565,641,600	481,648,500	3,982,469	3,971,800	+4.64%
2015/16	595,358,400	512,382,900	4,243,749	4,224,044	+5.25%
2016/17	597,393,200	516,026,100	4,304,536	4,264,896	+0.34%
2017/18	614,497,200	533,081,400	4,473,521	4,432,779	+2.86%

[1] Net Tax Capacity includes tax increment values.

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

LARGER TAXPAYERS

Taxpayer	Type of Property	2017/18 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Polar Tank Trailer, Inc.	Commercial	$ 62,444	1.40%
Scepaniak Properties LLC	Commercial	37,850	0.85%
Stainless Kings LLC	Commercial	18,876	0.42%
Havco Inc.	Commercial	17,960	0.40%
Individual	Agricultural	16,571	0.37%
Great River Energy	Utility	15,216	0.34%
Individual	Agricultural	13,031	0.29%
Individual	Commercial	12,832	0.29%
Individual	Commercial	10,468	0.23%
Individual	Residential	10,172	0.23%
Total		$215,420	4.82%

District's Total 2017/18 Net Tax Capacity $4,473,521

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

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)*	$ 15,660,000

Lease Purchase Obligations (see schedule following)[3]

Total lease purchase obligations paid by annual appropriations[4]	$97,081

*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.

---

[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. 738 (HOLDINGFORD PUBLIC SCHOOLS), MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Taxes
(As of 2/7/19)

	Taxable OPEB Series 2009A		Taxable Capital Fac. (QSCBs) Series 2010A		Facilities Maintenance Series 2016A		Alternative Facilities Ref 1) Series 2018A		Building Series 2019A							
Dated	5/07/09		1/13/10		10/19/16		11/6/18		2/7/19							
Amount	$1,400,000		$2,375,000		$1,725,000		$2,060,000		$10,775,000*							
Maturity	2/01		12/15		2/01		2/01		2/01							
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2019	0	0	0	4,656	0	0	0	0	0	0	0	4,656	4,656	15,660,000	0.00%	**2019**
2020	315,000	15,750	160,000	8,544	100,000	46,200	170,000	127,319	0	462,816	745,000	660,629	1,405,629	14,915,000	4.76%	**2020**
2021			160,000	7,008	100,000	43,200	440,000	94,500	0	470,660	700,000	615,368	1,315,368	14,215,000	9.23%	**2021**
2022			160,000	5,472	105,000	40,200	460,000	72,500	0	470,660	725,000	588,832	1,313,832	13,490,000	13.86%	**2022**
2023			160,000	3,936	110,000	37,050	485,000	49,500	0	470,660	755,000	561,146	1,316,146	12,735,000	18.68%	**2023**
2024			165,000	2,376	110,000	33,750	505,000	25,250	0	470,660	780,000	532,036	1,312,036	11,955,000	23.66%	**2024**
2025			165,000	792	115,000	30,450			500,000	470,660	780,000	501,902	1,281,902	11,175,000	28.64%	**2025**
2026					120,000	27,000			545,000	445,660	665,000	472,660	1,137,660	10,510,000	32.89%	**2026**
2027					120,000	23,400			570,000	418,410	690,000	441,810	1,131,810	9,820,000	37.29%	**2027**
2028					125,000	19,800			600,000	389,910	725,000	409,710	1,134,710	9,095,000	41.92%	**2028**
2029					130,000	16,050			630,000	359,910	760,000	375,960	1,135,960	8,335,000	46.78%	**2029**
2030					130,000	12,150			660,000	328,410	790,000	340,560	1,130,560	7,545,000	51.82%	**2030**
2031					135,000	8,250			685,000	302,010	820,000	310,260	1,130,260	6,725,000	57.06%	**2031**
2032					140,000	4,200			715,000	274,610	855,000	278,810	1,133,810	5,870,000	62.52%	**2032**
2033									740,000	246,010	740,000	246,010	986,010	5,130,000	67.24%	**2033**
2034									770,000	216,410	770,000	216,410	986,410	4,360,000	72.16%	**2034**
2035									805,000	185,610	805,000	185,610	990,610	3,555,000	77.30%	**2035**
2036									835,000	153,410	835,000	153,410	988,410	2,720,000	82.63%	**2036**
2037									870,000	117,923	870,000	117,923	987,923	1,850,000	88.19%	**2037**
2038									905,000	80,948	905,000	80,948	985,948	945,000	93.97%	**2038**
2039									945,000	41,580	945,000	41,580	986,580	0	100.00%	**2039**
	315,000	15,750	970,000	32,784	1,540,000	341,700	2,060,000	369,069	10,775,000	6,376,926	15,660,000	7,136,229	22,796,229			

*Preliminary, subject to change.

1) This issue refunded the 2020 through 2024 maturities of the District's $2,780,000 General Obligation Alternative Facilities Bonds, Series 2009C, dated October 15, 2009.

INDEPENDENT SCHOOL DISTRICT NO. 738 (HOLDINGFORD PUBLIC SCHOOLS), MINNESOTA
Schedule of Bonded Indebtedness
Non-General Obligation Leases Payable from Annual Appropriations
(As of 2/7/19)
FISCAL YEAR BASIS

	Technology Lease		Bus Lease							
Dated	4/30/15		3/15/16							
Amount	$230,000		$90,330							
Maturity	7/30, 10/30, 1/30, 4/30		7/15							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2019	11,886	369	0	0	11,886	369	12,254	85,195	12.24%	**2019**
2020	48,275	542	18,215	989	66,490	1,531	68,021	18,706	80.73%	**2020**
2021			18,706	498	18,706	498	19,204	0	100.00%	**2021**
	60,161	910	36,920	1,488	97,081	2,398	99,479			

BONDED DEBT LIMIT

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

2017/18 Economic Market Value	$ 684,396,568
Multiply by 15%	0.15
Statutory Debt Limit	$ 102,659,485
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes[1] (includes the Bonds)*	(15,345,000)
Unused Debt Limit*	$ 87,314,485

*Preliminary, subject to change.

OVERLAPPING DEBT[2]

Taxing District	2017/18 Taxable Net Tax Capacity	% In District	Total G.O. Debt[3]	District's Proportionate Share
Stearns County	$147,729,404	2.9191%	$19,470,000	$ 568,349
Morrison County	31,126,930	0.3869%	12,805,000	49,543
City of Holdingford	328,708	100.0000%	785,000	785,000
City of St. Stephen	534,719	0.6510%	97,259	633
Town of Krain	1,282,985	18.7012%	260,838	48,780
Town of Avon	2,204,061	30.9219%	70,000	21,645
District's Share of Total Overlapping Debt				$ 1,473,950

DEBT PAYMENT HISTORY

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

---

[1] Does not include the $1,400,000 General Obligation Taxable OPEB Bonds, Series 2009A, as they are not subject to the debt limit calculation.

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value ($684,396,568)	Debt/ Current Population Estimate (4,919)
Direct G.O. Debt Being Paid From Taxes and State Aids (includes the Bonds)*	$ 15,660,000	2.29%	$3,183.57
District's Share of Total Overlapping Debt	$ 1,473,950	0.22%	$299.64
Total*	$ 17,133,950	2.50%	$3,483.22

*Preliminary, subject to change.

FUTURE FINANCING

The District plans to enter into a Lease Purchase agreement of approximately $185,000 for busses in July 2019.

LEVY LIMITS

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

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

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[1]	Total Collected Following Year	Collected to Date[2]	% Collected
2013/14	$ 1,583,002	$ 1,561,981	$ 1,581,897	99.93%
2014/15	1,853,412	1,837,256	1,849,595	99.79%
2015/16	1,847,510	1,826,185	1,839,424	99.56%
2016/17	2,079,918	2,059,637	2,066,505	99.36%
2017/18	1,654,200	In process of collection		

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

---

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

[2] Collections are through May 15, 2018 for Stearns County and through August 15, 2018 for Morrison County.

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

TAX CAPACITY RATES[1]

	2013/14	2014/15	2015/16	2016/17	2017/18
I.S.D. No. 738 (Holdingford Public Schools)	35.134%	36.391%	32.273%	35.314%	25.733%
Stearns County	54.791%	53.368%	51.673%	52.337%	52.488%
Morrison County	59.941%	59.763%	59.460%	59.934%	59.269%
City of Holdingford	95.932%	96.031%	90.737%	88.503%	71.085%
City of St. Stephen	50.621%	49.706%	47.420%	45.033%	42.182%
Town of Holding[2]	34.100%	31.883%	31.306%	32.785%	31.673%
Regional Railroad Authority	0.085%	0.177%	0.166%	0.106%	0.105%
Stearns County HRA	0.450%	0.427%	0.397%	0.390%	0.372%
Morrison County HRA	0.108%	0.106%	0.102%	0.108%	0.104%
Region 5 Development Commission	0.125%	0.132%	0.131%	0.134%	0.133%
Rural Dev. Finance Authority	0.271%	0.264%	0.289%	0.283%	0.273%
Referendum Market Value Rates:					
I.S.D. No. 738 (Holdingford Public Schools)	0.10771%	0.16232%	0.17737%	0.20418%	0.18505%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Stearns and Morrison Counties.

---

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

[2] Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 158, including 75 non-licensed employees and 83 licensed employees (79 of whom are teachers). The District provides education for 1,045 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

Public Employees' Retirement Association (PERA)

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

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Education Holdingford	June 30, 2019
Local No. 79 AFL-CIO (Assistants and Custodians)	June 30, 2019
Holdingford Principals Association	June 30, 2019

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent actuarial study of its OPEB obligations shows a total OPEB liability of $1,604,283 as of July 1, 2017. The District has been funding these obligations on a pay-as-you-go basis, but in May of 2009 they issued $1,400,000 in OPEB Bonds to fund a revocable trust. The net value of the trust was $381,533 as of June 30, 2018. 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	56	462	481	999
2015/16	72	455	513	1,040
2016/17	89	474	501	1,064
2017/18	76	498	504	1,078
2018/19	79	486	480	1,045

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2019/20	77	473	488	1,038
2020/21	75	475	481	1,031
2021/22	75	470	486	1,031

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Holdingford Elementary	1997	--
Holdingford JR/SR High School	1967	1971, 1989

FUNDS ON HAND (as of October 31, 2018)

Fund	Total Cash and Investments
General	$ 2,420,032
Food Service	256,828
Community Service	60,364
Debt Service	430,933
Building/Construction	399,757
OPEB Debt Service	217,333
Trust & Agency	381,533
Total Funds on Hand	$ 4,166,780

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

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

SUMMARY GENERAL FUND INFORMATION*

Following are summaries of the revenues and expenditures and fund balances for the District's General Fund. These summaries are not purported to be the complete audited financial statements of the District, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the District. Copies of the complete statements are available upon request. Appendix A includes the District's 2018 audited financial statements.

	FISCAL YEAR ENDING JUNE 30				
COMBINED STATEMENT	**2015 Audited**	**2016 Audited**	**2017 Audited**	**2018 Audited**	**2018-19 Adopted Budget[1]**
Revenues					
Local property taxes	$ 485,137	$ 767,473	$ 979,011	$ 1,337,540	$ 1,035,617
Other local and county revenues	295,736	274,305	270,934	345,737	372,146
Revenues from state sources	8,059,038	8,690,664	9,437,223	9,720,677	9,160,328
Revenues from federal sources	158,822	143,235	131,447	126,000	155,000
Sales and other conversion of assets	24,914	39,611	32,545	18,744	0
Total Revenues	$ 9,023,647	$ 9,915,288	$ 10,851,160	$ 11,548,698	$ 10,723,091
Expenditures					
Current					
Administration	$ 705,513	$ 725,597	$ 718,178	$ 726,449	$ 963,245
District support services	216,679	221,775	225,887	256,381	276,080
Elementary & secondary regular instruction	4,694,495	5,090,025	5,179,497	5,100,199	5,539,617
Vocational education instruction	187,991	189,262	183,543	211,395	147,187
Special education instruction	1,137,551	1,418,331	1,439,616	1,625,475	1,400,282
Instructional support services	422,169	442,320	411,962	441,886	609,709
Pupil support services	557,606	570,956	580,240	609,171	605,849
Sites and buildings	763,951	747,963	842,069	1,258,038	877,569
Fiscal and other fixed cost programs	38,616	0	36,447	28,669	0
Community education and services	0	0	12,501	0	30,000
Capital Outlay	910,499	293,310	208,987	117,667	0
Debt Service	164,314	225,739	208,180	110,262	130,691
Total Expenditures	$ 9,799,384	$ 9,925,278	$ 10,047,107	$ 10,485,592	$ 10,580,229
Excess of revenues over (under) expenditures	$ (775,737)	$ (9,990)	$ 804,053	$ 1,063,106	$ 142,862
Other Financing Sources (Uses)					
Sale of capital assets	$ 84	$ 0	$ 1,995	$ 0	
Proceeds from capital leases	508,322	90,330	0	3,225	
Operating transfers in (out)	0	0	0	0	
Total Other Financing Sources (Uses)	$ 508,406	$ 90,330	$ 1,995	$ 3,225	
Net Change in Fund Balances	$ (267,331)	$ 80,340	$ 806,048	$ 1,066,331	
General Fund Balance July 1	434,814	167,483	247,823	1,053,871	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance June 30	$ 167,483	$ 247,823	$ 1,053,871	$ 2,120,202	
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$ 0	$ 2,500	$ 0	0	
Restricted	91,888	73,055	322,922	692,101	
Assigned	39,106	37,744	32,300	54,388	
Unassigned	36,489	134,524	698,649	1,373,713	
Total	$ 167,483	$ 247,823	$ 1,053,871	$ 2,120,202	

*In addition to voter approval of the bond referendum question in the elsction held on November 6, 2018, District voters approved an operating regerendum question which provided an increase in operating referendum authority of $200 per pupil for ten years. This will result in an annual increase in general fund revenue of approximately $215, 000, beginning with fiscal year 2019-20. The additional revenue will be used primarily for technology costs.

[1] The 2018-19 budget was adopted on June 20, 2018.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 4,799, and a current population estimate of 4,919, and comprising an area of 110 square miles, is located approximately 86 miles northwest of the Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Polar Tank Trailer, Inc	Bulk tank manufacturing	400
I.S.D. No. 738 (Holdingford Public Schools)	Elementary and secondary education	158
Two Rivers Enterprises	Manufacture stainless steel kitchen equipment	41
City of Holdingford	Municipal government and services	37
Scepaniak, WMD, Inc.	Sand & gravel wholesalers	35
Larson Excavating Contractors	Excavating contractors	14
Holdingford Municipal Liquor	Liquors-retail	10
Central Minnesota Credit Union	Credit union	10
St. Mary's Church	Church	10
Berkon Outdoors	Trailers-boat-renting	9

Source: *ReferenceUSA*, *written and telephone survey (August 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. 738 (Holdingford Public Schools), Minnesota

2000 U.S. Census population	4,717
2010 U.S. Census population	4,799
2017 Population Estimate	4,919
Percent of Change 2000 - 2010	+ 1.74%

Income and Age Statistics

	Holdingford Public School District	Stearns County	State of Minnesota	United States
2017 per capita income	$33,916	$29,148	$34,712	$31,177
2017 median household income	$70,000	$59,564	$65,699	$57,652
2017 median family income	$79,583	$73,356	$82,785	$70,850
2017 median gross rent	$544	$774	$906	$982
2017 median value owner occupied units	$219,100	$171,300	$199,700	$193,500
2017 median age	41.4 yrs.	34.1 yrs.	37.9 yrs.	37.8 yrs.

	State of Minnesota	United States
District % of 2017 per capita income	93.80%	104.69%
District % of 2017 median family income	92.09%	107.70%

Source: *2000 and 2010 Census of Population and Housing, and 2017 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (www.factfinder2.census.gov).*

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	Average Unemployment	
Year	Stearns County	Stearns County	State of Minnesota
2014	83,808	4.1%	4.2%
2015	84,285	3.6%	3.7%
2016	84,696	3.8%	3.8%
2017	85,963	3.5%	3.5%
2018, November	88,603	2.2%	2.2%

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

APPENDIX A

FINANCIAL STATEMENTS

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

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

Independent School District No. 738
Holdingford, Minnesota

Financial Statements

June 30, 2018

bergankDV

Independent Auditor's Report

To the School Board
Independent School District No. 738
Holdingford, 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. 738, Holdingford, Minnesota, as of and for the year ended June 30, 2018, 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

bergankDV

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. 738, Holdingford, Minnesota, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 75
As discussed in Note 11 to the financial statements, the District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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.

bergankDV

Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BergenKDV, Ltd.

St. Cloud, Minnesota
October 29, 2018

As management of Independent School District No. 738 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District were lower than its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $931,248 (net position). This balance was less than the sum of the amounts *net investment in capital assets* and assets *restricted* for specific purposes, resulting in negative *unrestricted net position* of $11,216,095 at June 30, 2018.
- The District's total net position decreased $2,390,337.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $3,037,047 an increase of $122,835 in comparison with the prior year.
- At the end of the current fiscal year, general fund unassigned fund balance for general uses was $1,373,713 or 13.1% of the total general fund expenditures.
- The District's total debt decreased by $821,724 in the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The major features of the District's financial statements, including the portion of the District's activities they cover, and the types of information they contain, are summarized in the following table. The remainder of the overview section of the Management Discussion and Analysis highlights the structure and contents of each of the statements.

Independent School District No. 738
Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

	Government-Wide	Fund Financial Statements	
		Governmental Funds	Proprietary Fund
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary, such as special education and building maintenance, food service, and community education	Activities the District operates similar to private businesses: Internal Service Funds
Required financial statements	Statements of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Revenue, Expenses, and Changes in Fund Net Position Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial, and capital, short-term and long-term
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid

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

The *Statement of Net Position* presents information on all of the District's assets and deferred outflows of resources; and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Both of the government-wide financial statements report functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include administration, district support services, regular instruction, vocational instruction, special education instruction, community education and services, instructional support services, pupil support services, sites and buildings, fiscal and other fixed cost programs, food service, interest and other fiscal charges, and unallocated depreciation.

The government-wide financial statements start on page 16 of this report.

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

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

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

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

Independent School District No. 738
Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

***Governmental Funds* (Continued)**
The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 18 of this report.

Proprietary Funds
The District maintains one type of proprietary fund. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for the OPEB Revocable Trust. Because these services predominantly benefit the governmental functions, they have been included within the *governmental activities* in the government-wide financial statements.

The basic proprietary fund financial statements start on page 23 of this report.

Notes to the Financial Statements
The notes provide additional information essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to financial statements start on page 27 of this report.

Other Information
The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining fund statements start on page 70 of this report.

Net Position
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources were lower than liabilities and deferred inflows of resources by $931,248 at the close of the most recent fiscal year.

A significant portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position (Continued)

Net Position
Table 1

	Governmental Activities		
	2018	2017	Increase (Decrease)
Assets			
Current and other assets	$ 6,058,870	$ 7,580,801	$ (1,521,931)
Capital assets	14,192,727	13,411,405	781,322
Total assets	20,251,597	20,992,206	(740,609)
Deferred Outflows of Resources	9,866,371	12,992,521	(3,126,150)
Liabilities			
Current liabilities	1,918,117	2,883,738	(965,621)
Noncurrrent liabilities	24,452,989	27,187,015	138,615
Total liabilities	26,371,106	30,070,753	(827,006)
Deferred Inflows of Resources	4,678,110	2,454,885	2,223,225
Net Position			
Net investment in capital assets	9,141,378	8,768,516	372,862
Restricted	1,143,469	743,483	399,986
Unrestricted	(11,216,095)	(8,052,910)	(3,163,185)
Total net position	$ (931,248)	$ 1,459,089	$ (2,390,337)

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligations to citizens and creditors. The balance of unrestricted net position was negative $11,216,095 at year end.

Changes in Net Position

The District's net position decreased by $2,390,337 during the most recent fiscal year.

Independent School District No. 738
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Position
Table 2

	Governmental Activities		
	2018	2017	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	$ 661,197	$ 618,224	$ 42,973
Operating grants and contributions	2,351,800	2,241,355	110,445
Capital grants and contributions	228,071	276,575	(48,504)
General revenues			
Property taxes	2,106,091	1,863,432	242,659
State aid not restricted to specific programs	8,165,635	8,014,671	150,964
Earnings on investments	35,808	19,233	16,575
Miscellaneous	61,944	108,730	(46,786)
Total revenues	13,610,546	13,142,220	468,326
Expenses			
Administration	912,993	930,748	(17,755)
District support services	259,973	232,842	27,131
Regular instruction	6,884,234	7,147,260	(263,026)
Vocational instruction	258,413	233,032	25,381
Exceptional instruction	1,927,403	1,836,530	90,873
Instructional support services	559,960	526,170	33,790
Pupil support services	713,637	716,493	(2,856)
Sites and buildings	1,033,648	891,054	142,594
Fiscal and other fixed costs programs	28,669	36,447	(7,778)
Food service	593,760	604,488	(10,728)
Community education and services	421,544	411,995	9,549
Interest and other fiscal charges	234,793	242,595	(7,802)
Unallocated depreciation	459,437	376,054	83,383
Total expenses	14,288,464	14,185,708	102,756
Change in net position	(677,918)	(1,043,488)	365,570
Net position - beginning, as previously stated	1,459,089	2,502,577	(1,043,488)
Change in accounting principle	(1,712,419)	-	(1,712,419)
Net position - beginning , as restated	(253,330)	2,502,577	(2,755,907)
Net position - ending	$ (931,248)	$ 1,459,089	$ (2,390,337)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Position (Continued)

- The decrease in net position is a result of a 3.56% increase in revenues and a .72% increase in expenses during fiscal year 2018.
- Revenues increased as a result of the increase in the General Education Aid formula.
- Expenses increased due to approved contract increases for salaries and benefits as well as increased exceptional instruction costs.
- The main change to net position was due to a change in accounting principle.

Total and Net Cost of Governmental Activities

The net cost of governmental activities is their total costs less program revenues applicable to each category. The following table presents these total and net costs.

Total and Net Costs of Services
Table 3

	Total Cost of Services			Net Cost of Services		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Administration	$ 912,993	$ 930,748	$ (17,755)	$ 912,993	$ 930,748	$ (17,755)
District support services	259,973	232,842	27,131	259,973	232,842	27,131
Regular instruction	6,884,234	7,147,260	(263,026)	5,830,943	6,125,496	(294,553)
Vocational instruction	258,413	233,032	25,381	224,335	198,841	25,494
Exceptional instruction	1,927,403	1,836,530	90,873	992,189	985,017	7,172
Instructional support services	559,960	526,170	33,790	559,960	526,170	33,790
Pupil support services	713,637	716,493	(2,856)	713,637	716,493	(2,856)
Sites and buildings	1,033,648	891,054	142,594	796,842	603,772	193,070
Fiscal and other fixed costs programs	28,669	36,447	(7,778)	28,669	36,447	(7,778)
Food service	593,760	604,488	(10,728)	(62,500)	(39,853)	(22,647)
Community education and services	421,544	411,995	9,549	96,125	114,932	(18,807)
Interest and other fiscal charges	234,793	242,595	(7,802)	234,793	242,595	(7,802)
Unallocated depreciation	459,437	376,054	83,383	459,437	376,054	83,383
Totals	$ 14,288,464	$ 14,185,708	$ 102,756	$ 11,047,396	$ 11,049,554	$ (2,158)

Some significant items to note include the following:

- Regular instruction saw a large decrease due to the district putting off buying curriculum for the year.
- Sites and buildings saw the largest increase due to the district doing several deferred maintenance items.
- Exceptional instruction also saw a large increase due to an increase in the exceptional students being served and the number of staff needed to serve those students.

Independent School District No. 738
Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $3,037,047, an increase of $122,835 in comparison with the prior year. The following is a summary of the District's major funds:

Major Funds	Fund Balance June 30, 2018	Fund Balance June 30, 2017	Increase (Decrease)
General	$ 2,120,202	$ 1,053,871	$ 1,066,331
Debt Service	153,620	179,449	(25,829)
OPEB Debt Service	50,416	35,189	15,227

The General Fund total fund balance increased by $1,066.331. Revenues increased $697,538 due to increased General Education Aid. Expenditures increased $438,485 due to an increase in capital outlay and special education services. The Debt Service debt fund balance decreased $25,829 during the year due to a decrease in the property tax levy.

General Fund Budgetary Highlights

The District's general fund budget was amended during the year. The revenue budget was increased by $178,151 and the expenditures budget was increased overall by $107,307 from original to final. The final budget called for general fund expenditures of $10,694,417 and an increase in fund balances of $90,855. Actual general fund balances increased by $1,066,331.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2018, amounts to $14,192,727 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, equipment and vehicles.

Major Capital asset events during the current fiscal year included the following:

- New playground, HVAC upgrades and locker room/bathroom remodels.

Capital Assets Net of Depreciation
Table 4

	Governmental Activities		
	2018	2017	Increase (Decrease)
Land	$ 103,023	$ 103,023	$ -
Construction in progress	-	421,011	(421,011)
Land improvements	2,038,150	474,335	1,563,815
Buildings and improvements	11,220,003	11,571,491	(351,488)
Equipment and vehicles	831,551	841,545	(9,994)
Total	$ 14,192,727	$ 13,411,405	$ 781,322

Additional information on the District's capital assets can be found in Note 4 on page 39 of this report.

Independent School District No. 738
Management's Discussion and Analysis

Long-Term Debt

A summary of long-term debt activity for the year ended June 30, 2018, follows:

Long-Term Debt
Table 5

	Governmental Activities		
	2018	2017	Increase (Decrease)
G.O. Taxable OPEB Bonds	$ 610,000	$ 885,000	$ (275,000)
G.O. Alternative Facilities Bonds	2,425,000	2,650,000	(225,000)
G.O. Taxable Capital Facilities Bonds	1,130,000	1,290,000	(160,000)
G.O. Facilities Maintenance Bonds	1,635,000	1,725,000	(90,000)
Unamortized premium	84,808	93,565	(8,757)
Capital leases	185,874	284,115	(98,241)
Severance payable	86,914	51,640	35,274
Total	$ 6,157,596	$ 6,979,320	$ (821,724)

The District's total debt decreased $821,724 from the prior year due to the pay down of debt. Additional information on the District's long-term debt can be found in Note 6 on pages 40-42 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's appointed and elected officials considered many factors when setting the fiscal year 2019 budget. These factors included the following:

- The District's enrollment is projected to remain stable.
- Staffing is expected to increase due to an increase in special education student enrollment.
- Budgets include normal inflationary increases in expenditures.
- The district will be asking the voters for an operating referendum in the amount of $200 per pupil on November 6, 2019.
- The district will also be asking the voters for an $11.14 million building referendum to be used for increased instruction space, roof and deferred maintenance upgrades and increased security.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Business Manager, Beth Heinze, Independent School District No. 738, P.O. Box 250, 900 5th Street, Holdingford, MN 56340.

Independent School District No. 738
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash and investments	$ 3,895,912
Current property taxes receivable	860,420
Delinquent property taxes receivable	28,567
Interest receivable	415
Due from Department of Education	1,183,126
Due from Federal Government through Department of Education	45,796
Due from other Minnesota school districts	35,265
Inventory	9,369
Capital assets not being depreciated	
Land	103,023
Capital assets, net of accumulated depreciation	
Land improvements	1,489,211
Buildings and improvements	19,432,278
Equipment and vehicles	2,599,743
Less accumulated depreciation	(9,431,528)
Total assets	20,251,597
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	9,677,727
Deferred outflows of resources related to OPEB	188,644
Total deferred outflows of resources	9,866,371
Total assets and deferred outflows of resources	$ 30,117,968
Liabilities	
Accounts payable	$ 64,218
Salaries and benefits payable	823,173
Interest payable	71,904
Unearned revenue	30,995
Bond payable, net premium	
Payable within one year	775,000
Payable after one year	5,109,808
Capital lease payable	
Payable within one year	100,679
Payable after one year	85,195
Compensated absences and severance payable	
Payable within one year	52,148
Payable after one year	34,766
Other post employment benefits obligation	1,604,283
Net pension liability	17,618,937
Total liabilities	26,371,106
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	1,693,337
Deferred inflows of resources related to pensions	2,984,773
Total deferred inflows of resources	4,678,110
Net Position	
Net investment in capital assets	9,141,378
Restricted for	
Debt service	147,069
Other purposes	996,400
Unrestricted	(11,216,095)
Total net position	(931,248)
Total liabilities, deferred inflows of resources, and net position	$ 30,117,968

See notes to financial statements.

Independent School District No. 738
Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 912,993	$ -	$ -	$ -	$ (912,993)
District support services	259,973	-	-	-	(259,973)
Elementary and secondary regular instruction	6,884,234	97,820	939,839	-	(5,846,575)
Vocational education instruction	258,413	3,470	30,608	-	(224,335)
Special education instruction	1,927,403	15,632	935,214	-	(976,557)
Instructional support services	559,960	-	-	-	(559,960)
Pupil support services	713,637	-	-	-	(713,637)
Sites and buildings	1,033,648	8,735	-	228,071	(796,842)
Fiscal and other fixed cost programs	28,669	-	-	-	(28,669)
Food service	593,760	288,193	368,067	-	62,500
Community education and services	421,544	247,347	78,072	-	(96,125)
Unallocated depreciation	459,437	-	-	-	(459,437)
Interest and fiscal charges on long-term debt	234,793	-	-	-	(234,793)
Total governmental activities	$ 14,288,464	$ 661,197	$ 2,351,800	$ 228,071	(11,047,396)
General revenues					
Taxes					
Property taxes, levied for general purposes					1,343,182
Property taxes, levied for community service					60,426
Property taxes, levied for debt service					702,483
State aid-formula grants					8,165,635
Other general revenues					58,719
Investment income					35,808
Gain on sale of capital assets					3,225
Total general revenues					10,369,478
Change in net position					(677,918)
Net position - beginning					1,459,089
Change in accounting principle (see Note 11)					(1,712,419)
Net position - beginning, as restated					(253,330)
Net position - ending					$ (931,248)

See notes to financial statements.

Independent School District No. 738
Balance Sheet - Governmental Funds
June 30, 2018

	General	Debt Service	OPEB Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	$ 2,235,815	$ 269,135	$ 218,602	$ 790,827	$ 3,514,379
Current property taxes receivable	493,976	173,917	163,595	28,932	860,420
Delinquent property taxes receivable	15,354	8,914	3,476	823	28,567
Interest receivable	415	-	-	-	415
Due from Department of Education	1,147,194	23,664	1,557	10,711	1,183,126
Due from Federal Government through Department of Education	45,796	-	-	-	45,796
Due from other Minnesota school districts	35,265	-	-	-	35,265
Due from other funds	-	-	-	27,216	27,216
Inventory	-	-	-	9,369	9,369
Total assets	$ 3,973,815	$ 475,630	$ 387,230	$ 867,878	$ 5,704,553
Liabilities					
Accounts payable	$ 44,926	$ -	$ -	$ 19,292	$ 64,218
Salaries and benefits payable	787,023	-	-	36,150	823,173
Due to other funds	27,216	-		-	27,216
Unearned revenue	-	-	-	30,995	30,995
Total liabilities	859,165	-	-	86,437	945,602
Deferred Inflows of Resources					
Property taxes levied for subsequent year's expenditures	979,094	313,096	333,338	67,809	1,693,337
Unavailable revenue - delinquent property taxes	15,354	8,914	3,476	823	28,567
Total deferred inflows of resources	994,448	322,010	336,814	68,632	1,721,904
Fund Balances					
Nonspendable	-	-	-	9,369	9,369
Restricted	692,101	153,620	50,416	758,951	1,655,088
Assigned	54,388	-	-	-	54,388
Unassigned	1,373,713	-	-	(55,511)	1,318,202
Total fund balances	2,120,202	153,620	50,416	712,809	3,037,047
Total liabilities, deferred inflows of resources, and fund balances	$ 3,973,815	$ 475,630	$ 387,230	$ 867,878	$ 5,704,553

See notes to financial statements.

Independent School District No. 738
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2018

Total fund balances - governmental funds	$ 3,037,047
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	23,624,255
Less accumulated depreciation	(9,431,528)
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	(5,800,000)
Net premium on bonds payable	(84,808)
Capital lease payable	(185,874)
Compensated absences and severance payable	(86,914)
OPEB liability	(1,604,283)
Net pension liability	(17,618,937)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	9,677,727
Deferred inflows of resources related to pensions	(2,984,773)
Deferred outflows of resources related to OPEB	188,644
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.	28,567
The OPEB Revocable Trust Internal Service Fund is used by management to charge the costs of other post employment benefits. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	381,533
Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.	(71,904)
Total net position - governmental activities	$ (931,248)

See notes to financial statements.

Independent School District No. 738
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2018

	General	Debt Service	OPEB Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	$ 1,337,540	$ 386,665	$ 315,329	$ 60,268	$ 2,099,802
Other local and county revenues	345,737	2,070	1,267	294,858	643,932
Revenue from state sources	9,720,677	238,754	15,571	159,685	10,134,687
Revenue from federal sources	126,000	-	-	286,337	412,337
Sales and other conversion of assets	18,744	-	-	288,193	306,937
Total revenues	11,548,698	627,489	332,167	1,089,341	13,597,695
Expenditures					
Current					
Administration	726,449	-	-	-	726,449
District support services	256,381	-	-	-	256,381
Elementary and secondary regular instruction	5,100,199	-	-	-	5,100,199
Vocational education instruction	211,395	-	-	-	211,395
Special education instruction	1,625,475	-	-	-	1,625,475
Instructional support services	441,886	-	-	-	441,886
Pupil support services	609,171	-	-	-	609,171
Sites and buildings	1,258,038	-	-	1,028,930	2,286,968
Fiscal and other fixed cost programs	28,669	-	-	-	28,669
Food service	-	-	-	560,912	560,912
Community education and services	-	-	-	372,155	372,155
Capital outlay					
District support services	1,750	-	-	-	1,750
Elementary and secondary regular instruction	13,189	-		-	13,189
Special education instruction	1,249	-	-	-	1,249
Instructional support services	74,709	-		-	74,709
Sites and buildings	26,770	-	-	-	26,770
Food service	-	-	-	60,238	60,238
Debt service					
Principal	98,241	475,000	275,000	-	848,241
Interest and fiscal charges	12,021	178,318	41,940	-	232,279
Total expenditures	10,485,592	653,318	316,940	2,022,235	13,478,085
Excess of revenues over (under) expenditures	1,063,106	(25,829)	15,227	(932,894)	119,610
Other Financing Sources					
Proceeds from sale of capital assets	3,225	-	-	-	3,225
Net change in fund balances	1,066,331	(25,829)	15,227	(932,894)	122,835
Fund Balances					
Beginning of year	1,053,871	179,449	35,189	1,645,703	2,914,212
End of year	$ 2,120,202	$ 153,620	$ 50,416	$ 712,809	$ 3,037,047

See notes to financial statements.

Independent School District No. 738
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Funds
Year Ended June 30, 2018

Net change in fund balances - total governmental funds	$ 122,835
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	1,354,526
Depreciation expense	(573,204)
OPEB, severance, and compensated absences amounts are reported as expenditures in the governmental funds when they are paid. They are expensed, as incurred in the Statement of Activities.	28,614
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.	(2,468,341)
Principal payments on long-term bonds and leases are recognized as expenditures in the governmental funds but have no effect on the net position in the Statement of Activities.	848,241
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.	(11,271)
Governmental funds report the effect of bond discounts and premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	8,757
The OPEB revocable trust internal service fund is used by management to charge the costs of other post employment benefits. The increase in net position is reported within the governmental activities column in the Statement of Activities.	5,636
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	6,289
Change in net position - governmental activities	$ (677,918)

See notes to financial statements.

Independent School District No. 738
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 1,373,436	$ 1,339,537	$ 1,337,540	$ (1,997)
Other local and county revenues	177,400	193,848	345,737	151,889
Revenue from state sources	8,930,060	9,108,625	9,720,677	612,052
Revenue from federal sources	117,000	137,000	126,000	(11,000)
Sales and other conversion of assets	6,000	3,037	18,744	15,707
Total revenues	10,603,896	10,782,047	11,548,698	766,651
Expenditures				
Current				
Administration	946,623	947,691	726,449	(221,242)
District support services	254,750	266,386	256,381	(10,005)
Elementary and secondary regular instruction	5,211,834	5,270,134	5,100,199	(169,935)
Vocational education instruction	186,639	186,639	211,395	24,756
Special education instruction	1,317,507	1,323,262	1,625,475	302,213
Instructional support services	446,903	449,127	441,886	(7,241)
Pupil support services	538,616	541,710	609,171	67,461
Sites and buildings	1,188,433	1,292,913	1,258,038	(34,875)
Fiscal and other fixed cost programs	128,129	128,129	28,669	(99,460)
Capital outlay				
District support services	-	1,750	1,750	-
Elementary and secondary regular instruction	8,263	8,263	13,189	4,926
Special education instruction	17,200	17,200	1,249	(15,951)
Instructional support services	113,000	113,000	74,709	(38,291)
Pupil support services	90,000	9,000	-	(9,000)
Sites and buildings	34,300	34,300	26,770	(7,530)
Debt service				
Principal	98,704	98,704	98,241	(463)
Interest and fiscal charges	6,209	6,209	12,021	5,812
Total expenditures	10,587,110	10,694,417	10,485,592	(208,825)
Excess of revenues over expenditures	16,786	87,630	1,063,106	975,476
Other Financing Sources				
Proceeds from sale of capital assets	-	3,225	3,225	-
Net change in fund balances	$ 16,786	$ 90,855	1,066,331	$ 975,476
Fund Balances				
Beginning of year			1,053,871	
End of year			$ 2,120,202	

See notes to financial statements.

Independent School District No. 738
Statement of Net Position - Proprietary Fund
June 30, 2018

	Governmental Activities - Internal Service Fund
Assets	
Cash and cash equivalents	$ 381,533
Net position	
Unrestricted	$ 381,533

See notes to financial statements.

Independent School District No. 738
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Fund
Year Ended June 30, 2018

	Governmental Activities - Internal Service Fund
Operating Expense	
Employee benefits	$ 250
Operating loss	(250)
Nonoperating Revenue	
Investment Income	5,886
Change in net position	5,636
Net Position	
Beginning of year	375,897
End of year	$ 381,533

See notes to financial statements.

Independent School District No. 738
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2018

	Governmental Activities - Internal Service Fund
Cash Flows - Operating Activities	
Employee benefits paid	$ (250)
Cash Flows - Investing Activities	
Interest received	5,886
Net change in cash and cash equivalents	5,636
Cash and Cash Equivalents	
Beginning of year	375,897
End of year	$ 381,533
Reconciliation of Operating Loss to Net Cash Flows - Operating Activities	
Operating loss	$ (250)
Net cash flows - operating activities	$ (250)

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 seven 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.

Independent School District No. 738
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated 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.

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available.

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental 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.

The District applies resources in the following order when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available: restricted, committed, assigned, and unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures (Continued)
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 would be employee and District contributions. Operating expenses for proprietary funds include claims paid and administrative expenses. All revenues and expenses not meeting the above definition are reported as nonoperating revenues and expenses.

Description of Funds:

Major Funds:

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

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

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

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, and other similar services.

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

Proprietary Fund:

OPEB Revocable Trust Internal Service Fund – This fund is used to account for a revocable trust fund, the purpose of which is to fund postemployment benefits (other than pension benefits) accrued by the employees of the District to be paid as they come due. The fund accounts for these assets held in trust.

Independent School District No. 738
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments

District Governmental Funds
Cash and investments at June 30, 2018 were comprised of deposits, shares in the Minnesota School District Liquid Asset Fund (MSDLAF) and shares in Minnesota Trust (MNTrust).

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

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.

Cash and investments include balances from all governmental funds that are combined and invested to the extent available in various securities as authorized by state law. State statutes authorize the government and the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. 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.

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

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF or MNTrust. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

Other Post Employment Benefits Deposits and Investments
These funds represent investments administered by the District's OPEB Fund Investment Managers. As of June 30, 2018, they were comprised of MNTrust Investment Shares Portfolio and a certificate of deposit.

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments.

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

F. Property Taxes Levied for Subsequent Year's Expenditures
Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2017, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2018. The remaining portion of the levy will be recognized when measurable and available.

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

H. 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. Stearns and Morrison Counties are the collecting agency for the levy and remit the collections to the District three times a year. The Tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

Independent School District No. 738
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Property Taxes (Continued)
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.

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

Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of five years. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at its acquisition value at the date of donation.

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

Capital assets are depreciated using the straight-line method 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 improvements and 3 to 20 years for equipment and vehicles.

Capital assets not being depreciated include land. 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.

J. 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. A deferred outflow relating to pensions and a deferred outflow of resources related to OPEB are reported in the government-wide Statement of Net Position. A deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows/Inflows of Resources (Continued)
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. This amount is recorded on the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

K. 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 are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt issued, premium, and discount are reported as other financing sources (uses), and principal payments are reported as expenditures when paid. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Compensated Absences
The District permits some employees to accumulate varying amounts of vacation pay as determined by their contract. All vacation is accrued in the government-wide financial statements, and is included in severance payable.

Independent School District No. 738
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

N. Severance
District employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment, however, unused sick leave does enter into the calculation of an employee's severance pay upon termination as described below.

Teachers who leave employment after reaching 55 years of age and have ten years of uninterrupted service are entitled to severance. Severance is calculated at a base rate of $15,000, less total accumulated employer contributions to employee's 403(b) plan.

Severance that is earned and unused as of June 30, 2018, is shown as a liability in the Statement of Net Position.

O. Fund Equity
In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor the constraints on the specific purpose for which amounts in these funds can be spent.

- 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 items that are inherently unspendable, such as, but not limited to, inventory, prepaid items, long-term receivables, nonfinancial assets held for resale, or the permanent principal of endowment funds.

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

- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the School Board (highest level of decision making authority) through resolution.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

- Assigned Fund Balance – These are amounts that are constrained by the District's intent to be used for specific purposes but do not meet the criteria of restricted or committed. Assignments are made by the Business Manager.

- Unassigned Fund Balance – This is the amount that is the residual in the General Fund not reported in any other classification. The unassigned amount in the General Fund is technically available for expenditure for any purpose. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

- Minimum Fund Balance Policy – The District will strive to maintain a minimum unassigned General Fund balance of 8% of annual budgeted General Fund expenditures.

P. 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.

Q. 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.

R. 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.

Independent School District No. 738
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Budgetary Information (Continued)

3. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Debt Service, Building Construction Fund and OPEB Debt Service Funds.
4. Budgets for the General, Special Revenue, Debt Service, Building Construction Fund and OPEB Debt Service 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: For a deposit, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy that requires the District's deposits to be collateralized as required by *Minnesota Statutes* 118.03 for an amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage. As of June 30, 2018, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

1. District Governmental Funds Pooled

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

Checking	$ 681,878

2. OPEB Revocable Trust Fund Not Pooled

As of June 30, 2018, the District's OPEB Revocable Trust Fund had the following deposits:

Certificates of deposit	$ 164,740

NOTE 2 – DEPOSITS AND INVESTMENTS

B. Investments

1. District Governmental Funds Pooled

As of June 30, 2018, the District's governmental funds had the following investments:

Type	Fair Value	Ratings (S&P)
MSDLAF Liquid Class	$ 443	AAA
MSDLAF MAX Class	22,006	AAA
MN Trust investment shares portfolio	1,310,052	AAA
MN Trust Term Series	1,500,000	AAA
Total	$ 2,832,501	

Credit Risk: This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District's investment policy refers to *Minnesota Statutes* 118A.01 through 118A.06. Statutes limit investments in the top two ratings issued by nationally recognized statistical rating organizations.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy indicates the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The District's investment policy places no specific limits on the amount the District may invest in any one issuer.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy states all investment securities purchased shall be held in third party safekeeping by an institution designated as custodial agent.

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

Independent School District No. 738
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

2. OPEB Revocable Trust Fund Not Pooled

As of June 30, 2018, the District's OPEB Revocable Trust Fund had the following investments:

Type	Fair Value	Ratings (S&P)
MN Trust Investment Shares	$ 216,793	AAA

C. Deposits and Investments

The following is a summary of total deposits and investments:

District governmental funds	
Deposits	$ 681,878
Investments	2,832,501
OPEB Revocable Trust Fund	
Deposits	164,740
Investments	216,793
Total deposits and investments	$ 3,895,912

Deposits and investments are presented in the June 30, 2018, basic financial statements as shown on the below.

Statement of Net Position	
Cash and investments	$ 3,895,912

NOTE 3 – INTERFUND ACTIVITY

Due From Other Funds	Due to Other Funds General Fund
Community Service	$ 27,216

The amount due to the Community Service Fund from the General Fund is to cover services provided but not yet paid.

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 103,023	$ -	$ -	$ 103,023
Construction in progress	421,011	-	421,011	-
Total capital assets not depreciated	524,034	-	421,011	103,023
Capital assets being depreciated				
Land improvements	1,181,102	308,108	-	1,489,210
Buildings and improvements	18,049,502	1,382,777	-	19,432,279
Equipment and vehicles	2,541,391	84,652	26,300	2,599,743
Total capital assets being depreciated	21,771,995	1,775,537	26,300	23,521,232
Less accumulated depreciation for				
Land improvements	706,767	57,931	-	764,698
Buildings and improvements	6,478,011	420,627	-	6,898,638
Equipment and vehicles	1,699,846	94,646	26,300	1,768,192
Total accumulated depreciation	8,884,624	573,204	26,300	9,431,528
Total capital assets being depreciated, net	12,887,371	1,202,333	-	14,089,704
Governmental activities, capital assets, net	$ 13,411,405	$ 1,202,333	$ 421,011	$ 14,192,727

Depreciation expense for the year ended June 30, 2018, was charged to the following functions:

Elementary and secondary regular instruction	$ 24,118
Vocational education instruction	431
Instructional support services	20,859
Pupil support services	47,206
Sites and buildings	15,133
Food service	6,020
Unallocated	459,437
Total depreciation expense	$ 573,204

Independent School District No. 738
Notes to Financial Statements

NOTE 5 – SHORT-TERM DEBT

At June 30, 2017, the District had Aid Anticipation Certificates of Indebtedness of 2016B outstanding for $1,000,000. The Certificates were fully paid on September 29, 2017.

NOTE 6 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. bonds						
2009A G.O. Taxable OPEB Bonds	11/05/09	3.20%-5.00%	$ 1,400,000	02/01/20	$ 610,000	$ 295,000
2009C G.O. Alternative Facilities Bonds	08/25/11	3.00%-4.00%	2,780,000	02/01/24	2,425,000	225,000
2010A G.O. Capital Facilities Bonds	12/01/11	0.96%	2,375,000	12/15/24	1,130,000	160,000
2016A G.O. Facilities Maintenance Bonds, Series 2016A	10/19/16	3.00%	1,725,000	02/01/32	1,635,000	95,000
Total G.O. Bonds					5,800,000	775,000
Unamortized net premium on bonds					84,808	-
Total G.O. Bonds, net of premium					5,884,808	775,000
Capital leases					185,874	100,679
Severance					86,914	52,148
Total all long-term liabilities					$ 6,157,596	$ 927,827

The long-term bond and loan liabilities listed above were issued to finance acquisition and construction of capital facilities, to refinance (refund) previous bond issues or to fund the District's OPEB liabilities. The Debt Service Funds are responsible for the payment of bond principal and interest. The General Fund liquidates the remaining long-term liabilities.

NOTE 6 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds

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

Year Ending June 30,	G.O. Bonds Principal	G.O. Bonds Interest
2019	$ 775,000	$ 175,450
2020	800,000	149,887
2021	730,000	122,288
2022	750,000	102,477
2023	770,000	81,786
2024-2028	1,440,000	158,368
2029-2032	535,000	40,650
Total	$ 5,800,000	$ 830,906

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	$ 6,550,000	$ -	$ 750,000	$ 5,800,000
Unamortized net premuim on bonds	93,565	-	8,757	84,808
Capital leases	284,115	-	98,241	185,874
Compensated Absences and Severance	51,640	108,010	72,736	86,914
Total long-term liabilities	$ 6,979,320	$ 108,010	$ 929,734	$ 6,157,596

D. Capital Lease Obligations

On July 15, 2014, the District entered into a lease purchase agreement for the acquisition of two buses. The capital lease obligation and corresponding equipment totaled $174,702. The capital lease agreement includes annual principal and interest payments of $36,692 for August 15, 2014, through August 15, 2018.

On April 30, 2015, the District entered into a lease purchase agreement for the acquisition of technology equipment. The capital lease obligation and the corresponding equipment totaled $230,000. The capital lease agreement includes quarterly principal and interest payments of $12,254 for July 2015 through April, 2020. Assets valued at $123,166 were capitalized in relation to this capital lease. All other assets acquired were under the District's capitalization threshold and therefore were not capitalized

Independent School District No. 738
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations (Continued)

On March 14, 2016, the district entered into a lease purchase agreement for the acquisition of a bus. The capital lease obligation and corresponding equipment totaled $90,330. The capital lease agreement included annual principal and interest payments of $19,204, for July 15, 2016 through July 15, 2020.

The remaining assets acquired with the capital leases were as follows:

Carrying value	$ 388,198
Less accumulated depreciation	(154,069)
Assets net of depreciation	$ 234,129

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

Year Ending June 30,	
2019	$ 104,913
2020	68,220
2021	19,204
Total minimum lease payments	192,337
Less amount representing interest	(6,463)
Present value of minimum lease payments	$ 185,874

NOTE 7 – FUND BALANCES/NET POSITION

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

NOTE 7 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances

Fund balances are classified as listed below to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service	OPEB Debt Service	Nonmajor Funds	Total
Nonspendable for Inventory	$ -	$ -	$ -	$ 9,369	$ 9,369
Restricted/reserved for Operating Capital	263,316	-	-	-	263,316
Long Term Facilities Maintenance	304,686	-	-	-	304,686
Staff Development	78,608	-	-	-	78,608
Playground	20,000				20,000
Safe Schools	4,213				4,213
Medical Assistance	21,278	-	-	-	21,278
Debt Service	-	153,620	50,416	-	204,036
Building Construction	-	-		409,333	409,333
Food Service	-	-	-	279,049	279,049
Early Childhood and Family Education	-	-		40,226	40,226
School Readiness	-	-		30,343	30,343
Total	692,101	153,620	50,416	758,951	1,655,088
Assigned for District Activity Accounts	54,388	-	-	-	54,388
Unassigned	1,373,713	-	-	(55,511)	1,318,202
Total fund balance	$ 2,120,202	$ 153,620	$ 50,416	$ 712,809	$ 3,037,047

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

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 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).

Independent School District No. 738
Notes to Financial Statements

NOTE 7 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

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

Restricted/Reserved for Playground This balance represents unspent donations received for future playground improvements.

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

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

Restricted for Debt Service – This balance represents the resources available for the payment of bond principal, interest, and related costs.

Restricted for Building Construction – This balance represents resources available to provide for the District's school building and capital project.

Restricted for Food Service – This balance represents the accumulation of the activity to provide the food service program.

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

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

Assigned for District Activity Accounts – This balance represents resources that have been assigned for district activities under board control.

B. Net Position

Net Position restricted for other purposes on the Statement of Net Position is comprised of the total positive restricted fund balances of the General, Food Service, and Community Service funds adjusted to full accrual.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans, total pension expense for the year ended June 30, 2018, was $2,960,241. The components of pension expense are noted in the following plan summaries.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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.

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

Independent School District No. 738
Notes to Financial Statements

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

With these provisions:

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

Tier II Benefits

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

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

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2016, June 30, 2017, and June 30, 2018, were:

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

The following is a reconciliation of employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations. Amounts are reported in thousands.

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 367,791
Deduct Employer contributions not related to future contribution efforts	810
Deduct TRA's contributions not included in allocation	(456)
Total employer contributions	368,145
Total non-employer contributions	35,588
Total contributions reported in schedule of employer and non-employer pension allocations	$ 403,733

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.

Independent School District No. 738
Notes to Financial Statements

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2017
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	5.12%, from the single equivalent interest rate calculation
Price inflation	2.50%
Wage growth rate	2.85% for ten years and 3.25% thereafter
Projected salary increase	2.85% to 8.85% for ten years and 3.25% to 9.25% thereafter
Cost of living adjustment	2.00%
Mortality Assumption	
Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of set rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

Asset Class	Target	Long-Term Expected Real Rate of Return
Domestic stocks	39 %	5.10 %
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Unallocated cash	2	0.00
Total	100 %	

The TRA actuary has determined the average of the expected remaining service 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.

Changes in actuarial assumptions since the 2016 valuation:

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Independent School District No. 738
Notes to Financial Statements

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

E. Discount Rate

The discount rate used to measure the total pension liability was 5.12%. This is an increase from the discount rate at the prior measurement date of 4.66%. 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 2053 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 (7.5%) was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56% was applied to periods on and after 2053, resulting in a SEIR of 5.12%. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01%).

F. Net Pension Liability

On June 30, 2018, the District reported a liability of $16,029,337 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.0803% at the end of the measurement period and .0801% 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	$ 16,029,337
State's proportionate share of the net pension liability associated with the District	1,550,167

For the year ended June 30, 2018, the District recognized pension expense of $2,763,484. It recognized $29,731 as an increase to this pension expense for the support provided by direct aid.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)
On June 30, 2018, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 130,621	$ 112,559
Net difference between projected and actual earnings on plan investments	-	145,373
Changes of assumptions	8,701,724	2,245,457
Changes in proportion	39,754	128,308
Contributions to TRA subsequent to the measurement date	337,075	-
Total	$ 9,209,174	$ 2,631,697

$337,075 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, 2019.

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

2019	$ 1,625,155
2020	1,925,865
2021	1,736,866
2022	1,416,086
2023	(463,570)
Total	$ 6,240,402

Independent School District No. 738
Notes to Financial Statements

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.12% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower and 1 percent higher than the current rate.

District proportionate share of NPL		
1% decrease (4.12%)	Current (5.12%)	1% increase (6.12%)
$ 21,155,636	$ 16,029,337	$ 11,707,243

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.

Public Employees' Retirement Association

A. Plan Description
The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plan is tax qualified plan 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.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

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. 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 services.

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.

Benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

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 2018. The District was required to contribute 7.5% for Coordinated Plan members in fiscal year 2018. The District's contributions to the General Employees Fund for the year ended June 30, 2018, were $124,517. The District's contributions were equal to the required contributions as set by state statute.

Independent School District No. 738
Notes to Financial Statements

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2018, the District reported a liability of $1,589,600 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 $16 million to the fund in 2018. 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 $19,992. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the District's proportion was 0.0249%, which was an increase of 0.0005% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $196,757 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $577 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)
At June 30, 2018, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 52,388	$ 100,123
Changes in actuarial assumptions	258,609	159,358
Difference between projected and actual investments earnings	-	77,154
Change in proportion	33,039	16,441
Contributions paid to PERA subsequent to the measurement date	124,517	-
Total	$ 468,553	$ 353,076

$124,517 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2019	$ (19,651)
2020	99,507
2021	(21,421)
2022	(67,475)
Total	$ (9,040)

E. Actuarial Assumptions

The total pension liability in the June 30, 2017, 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 %

Independent School District No. 738
Notes to Financial Statements

NOTE 8 – 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 to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year for the General Employees Plan through 2044 and then 2.5% thereafter.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred in 2017:

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	39%	5.10 %
International stocks	19%	5.30
Bonds	20%	0.75
Alternative assets	20%	5.90
Cash	2%	0.00
Total	100%	

NOTE 8 – 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 2017 was 7.5%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the PERA net pension liability	$ 2,465,587	$ 1,589,600	$ 872,445

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 9 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description
The District's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by Medica. 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. No assets are acclimated in a trust.

B. Benefits Paid
Teachers hired before July 1, 2011, who apply for early retirement shall remain eligible to receive certain health insurance benefits toward single medical insurance to the earlier of five years or Medicare eligibility. One retired principal is receiving full single coverage of a Medicare Supplement Plan, benefits to continue for nine years.

Independent School District No. 738
Notes to Financial Statements

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

C. Members

As of July 1, 2017, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Active employees	144
Total	157

D. Contributions
Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Medica. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2018, the District contributed $188,644 to the plan.

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Investment rate of return	3.40%, net of investment expense
Salary increases	3.00%, including inflation
Inflation	2.50%
Healthcare cost trend increases	6.5% initially, decreasing graudally to an ultimate rate of 5.0% over six years
Mortality Assumption	RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale

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

The discount rate used to measure the total OPEB liability was 3.4% based on the 20- Year Municipal Bond Yield.

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability

The District's total OPEB liability of $1,604,283 was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at July 1, 2016	$ 1,712,842
Changes for the year	
Service cost	68,136
Interest	56,620
Benefit payments	(233,315)
Net changes	(108,559)
Balances at July 1, 2017	$ 1,604,283

Changes of assumptions and other inputs reflect a change in the discount rate from 3.0% in 2017 to 3.4% in 2018.

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 3.4% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% decrease (2.4%)	Current (3.4%)	1% increase (4.4%)
Total OPEB liability (asset)	$ 1,686,821	$ 1,604,283	$ 1,524,194

Independent School District No. 738
Notes to Financial Statements

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

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

	1% decrease (5.5% decreasing to 4.0%)	Current (6.5% decreasing to 5.0%)	1% increase (7.5% decreasing to 6.0%)
Total OPEB liability (asset)	$ 1,494,350	$ 1,604,283	$ 1,732,598

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

For the year ended June 30, 2018, the District recognized OPEB expense of $124,756. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	$ 188,644	$ -

$188,644 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2018.

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This resulted in an adjustment to the beginning net position on the Statement of Activities of $1,712,419 to add the beginning total OPEB liability.

NOTE 12 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 84, Fiduciary Activities establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will be effective for the year ending June 30, 2020.

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending June 30, 2021.

Independent School District No. 738
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2018
Total OPEB Liability	
Service cost	$ 68,136
Interest	56,620
Differenced between expected and actual experience	-
Changes of assumptions	-
Changes of benefit terms	-
Benefit payments	(233,315)
Other changes	-
Net change in total OPEB Liability	(108,559)
Beginning of year	1,712,842
End of Year	$ 1,604,283
Covered payroll	$ 5,585,253
Total OPEB Liability as a percentage of covered-employee payroll	28.72%

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

Independent School District No. 738
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) 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 of 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	0.0257	$ 1,207,257	$ -	$ -	$ 1,347,917	89.6%	78.7%
2015	0.0243	1,259,352	-	-	1,407,347	89.5%	78.2%
2016	0.0244	1,981,159	25,855	2,007,014	1,513,347	130.9%	68.9%
2017	0.0249	1,589,600	19,992	1,609,592	1,604,413	99.1%	75.9%

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
(if Applicable) of Net Pension Liability
Last Ten Years TRA Retirement Funds

For Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered 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	0.0870%	$ 4,008,897	$ 281,959	$ 4,290,856	$ 3,973,286	100.9%	81.5%
2015	0.0824%	5,097,255	625,179	5,722,434	4,183,840	121.8%	76.8%
2016	0.0801%	19,105,761	1,916,851	21,022,612	4,165,867	458.6%	44.9%
2017	0.0803%	16,029,337	1,550,167	17,579,504	4,323,427	370.8%	51.6%

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

See notes to the required supplementary information

Independent School District No. 738
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	$ 97,724	$ 97,724	$ -	$ 1,347,917	7.25%
2015	105,551	105,551	-	1,407,347	7.50%
2016	113,501	113,501	-	1,513,347	7.50%
2017	120,331	120,331	-	1,604,413	7.50%
2018	124,517	124,517	-	1,660,227	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	$ 278,130	$ 278,130	$ -	$ 3,973,286	7.0%
2015	313,788	313,788	-	4,183,840	7.5%
2016	312,440	312,440	-	4,165,867	7.5%
2017	324,257	324,257	-	4,323,427	7.5%
2018	337,075	337,075	-	4,494,333	7.5%

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

See notes to the required supplementary information

Independent School District No. 738
Notes to the Required Supplementary Information

TRA Retirement Fund

2017 Changes

Changes in Actuarial Assumptions

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes

Changes in Actuarial Assumptions

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

TRA Retirement Fund (Continued)

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

2017 Changes
Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

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.

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. 738
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue		Capital Project Fund	Total Nonmajor Funds
	Food Service	Community Service	Building Construction	
Assets				
Cash and investments	$ 320,922	$ 60,572	$ 409,333	$ 790,827
Current property taxes receivable	-	28,932	-	28,932
Delinquent property taxes receivable	-	823	-	823
Due from Department of Education	-	10,711	-	10,711
Due from other funds	-	27,216	-	27,216
Inventory	9,369	-	-	9,369
Total assets	$ 330,291	$ 128,254	$ 409,333	$ 867,878
Liabilities				
Accounts payable	$ 18,739	$ 553	$ -	$ 19,292
Salaries and benefits payable	48	36,102	-	36,150
Unearned revenue	23,086	7,909	-	30,995
Total liabilities	41,873	44,564	-	86,437
Deferred Inflows of Resources				
Property taxes levied for subsequent Year's expenditures	-	67,809	-	67,809
Unavailable revenue - delinquent Property taxes	-	823		823
Total deferred inflows of resources	-	68,632	-	68,632
Fund Balances				
Nonspendable	9,369	-	-	9,369
Restricted	279,049	70,569	409,333	758,951
Unassigned	-	(55,511)	-	(55,511)
Total fund balances	288,418	15,058	409,333	712,809
Total liabilities, deferred inflows of resources, and fund balances	$ 330,291	$ 128,254	$ 409,333	$ 867,878

Independent School District No. 738
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2018

	Special Revenue		Capital Project	
	Food Service	Community Service	Building Construction	Total Nonmajor Funds
Revenues				
Local property taxes	$ -	$ 60,268	$ -	$ 60,268
Other local and county revenues	5,522	250,864	38,472	294,858
Revenue from state sources	78,771	80,914	-	159,685
Revenue from federal sources	286,337	-	-	286,337
Sales and other conversion of assets	288,193	-	-	288,193
Total revenues	658,823	392,046	38,472	1,089,341
Expenditures				
Current				
Sites and buildings	-	-	1,028,930	1,028,930
Food service	560,912	-	-	560,912
Community education and services	-	372,155	-	372,155
Capital outlay				
Food service	60,238	-	-	60,238
Total expenditures	621,150	372,155	1,028,930	2,022,235
Net change in fund balances	37,673	19,891	(990,458)	(932,894)
Fund Balances				
Beginning of year	250,745	(4,833)	1,399,791	1,645,703
End of year	$ 288,418	$ 15,058	$ 409,333	$ 712,809

Independent School District No. 738
Uniform Financial Accounting and Reporting Standards Compliance Table
Year Ended June 30, 2018

	Audited	UFARS	Audit-UFARS
01 General Fund			
Total revenue	$ 11,548,698	$ 11,548,697	$ 1
Total expenditures	10,485,592	10,485,592	-
Nonspendable:			
460 Nonspendable fund balance	-	-	-
Restricted/reserved:			
403 Staff Development	78,608	78,608	-
406 Health and Safety	-	-	-
407 Capital Projects Levy	-	-	-
408 Cooperative Programs	-	-	-
409 Alternative Facility Program	-	-	-
413 Building Projects Funded by COP/LP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
419 Encumbrances	-	-	-
424 Operating Capital	263,316	263,317	(1)
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	-	-	-
440 Teacher Development and Evaluation	-	-	-
441 Basic Skills Programs	-	-	-
445 Career Technical Programs	-	-	-
448 Achievement and Integration Revenue	-	-	-
449 Safe School Crime	4,213	4,213	-
450 Transition for Pre-Kindergarten	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liabilities not Held in Trust	-	-	-
453 Unfunded Severance and Retirement Levy	-	-	-
459 Basic Skills Extended Time	-	-	-
467 Long-term Facilities Maintenance	304,686	304,686	-
472 Medical Assistance	21,278	21,278	-
475 Title VII - Impact Aid	-	-	-
476 Payments in Lieu of Taxes	-	-	-
Restricted:			
464 Restricted fund balance	20,000	20,000	-
Committed:			
418 Committed for separation	-	-	-
461 Committed	-	-	-
Assigned:			
462 Assigned fund balance	54,388	54,388	-
Unassigned:			
422 Unassigned fund balance (net position)	$ 1,373,713	$ 1,373,710	$ 3
02 Food Services Fund			
Total revenue	658,823	658,823	-
Total expenditures	621,150	621,149	1
Nonspendable:			
460 Nonspendable fund balance	9,369	9,369	-
Restricted/reserved:			
452 OPEB liabilities not held in trust	-	-	-
Restricted:			
464 Restricted fund balance	279,049	279,050	(1)
Unassigned:			
463 Unassigned fund balance	$ -	$ -	$ -
04 Community Service Fund			
Total revenue	392,046	392,047	(1)
Total expenditures	372,155	372,158	(3)
Nonspendable:			
460 Nonspendable fund balance	-	-	-
Restricted/reserved:			
426 $25 Taconite	-	-	-
431 Community Education	(55,511)	(55,511)	-
432 ECFE	40,226	40,226	-
440 Teacher Development and Evaluation	-	-	-
444 School Readiness	30,343	30,343	-
447 Adult Basic Education	-	-	-
452 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
464 Restricted fund balance	-	-	-
Unassigned:			
463 Unassigned fund balance	-	-	-

	Audited	UFARS	Audit-UFARS
06 Building Construction Fund			
Total revenue	$ 38,472	$ 38,473	$ (1)
Total expenditures	1,028,930	1,028,931	(1)
Nonspendable:			
460 Nonspendable fund balance	-	-	-
Restricted/reserved:			
407 Capital Projects Levy	-	-	-
413 Building Projects funded by COP/LP	-	-	-
Restricted:			
464 Restricted fund balance	409,333	409,333	-
467 Long-Term Facilities Maintenance	-	-	-
Unassigned:			
463 Unassigned fund balance	-	-	-
07 Debt Service Fund			
Total revenue	$ 627,489	$ 627,489	$ -
Total expenditures	653,318	653,319	(1)
Nonspendable:			
460 Nonspendable fund balance	-	-	-
Restricted/reserved:			
425 Bond refundings	-	-	-
433 Maximum effort loan aid	-	-	-
451 QZAB payments	-	-	-
Restricted:			
464 Restricted fund balance	153,620	153,621	(1)
Unassigned:			
463 Unassigned fund balance	-	-	-
08 Trust Fund			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
422 Net position	-	-	-
20 Internal Service Fund			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
422 Net position	-	-	-
25 OPEB Revocable Trust			
Total revenue	$ 5,886	$ 5,886	$ -
Total expenditures	250	250	-
Unassigned:			
422 Net position	381,533	381,533	-
45 OPEB Irrevocable Trust			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
422 Net position	-	-	-
47 OPEB Debt Service			
Total revenue	$ 332,167	$ 332,167	$ -
Total expenditures	316,940	316,940	-
Nonspendable:			
460 Nonspendable fund balance	-	-	-
Restricted:			
425 Bond refundings	-	-	-
464 Restricted fund balance	50,416	50,416	-
Unassigned:			
463 Unassigned fund balance	-	-	-

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. 738
Holdingford, 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. 738, Holdingford, Minnesota, as of and for the year ending June 30, 2018, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 29, 2018.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

BerganKDV, Ltd.
bergankdv.com

bergankdv

Internal Control over Financial Reporting
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Corrective Action Plans on Legal Compliance and Internal Control that we consider to be material weaknesses, Audit Findings 2018-001 and 2018-002.

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
October 29, 2018

bergankdv

Report on Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 738
Holdingford, 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. 738, Holdingford, Minnesota, as of and for the year ended June 30, 2018, and the related notes to financial statements, and have issued our report thereon dated October 29, 2018.

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*, except as described in the Schedule of Findings and Corrective Action Plans on Legal Compliance and Internal Control. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

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

BerganKDV, Ltd.

St. Cloud, Minnesota
October 29, 2018

BerganKDV, Ltd.
bergankdv.com

Independent School District No. 738
Schedule of Findings and Corrective Action Plans on Legal Compliance and Internal Control

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING

Audit Finding 2018-001 – Lack of Segregation of Accounting Duties

During the year ended June 30, 2018, the District had a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. 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 Business Manager prepares all journal entries without anyone reviewing them.
- The Business Manager processes received invoices for payment, has access to the electronic signatures, and completes the monthly bank reconciliations. The bank reconciliations are not reviewed by anyone else.
- The Business Office Assistant processes payroll and prints related checks or direct deposit notices.
- The Business Manager adds and disposes assets, calculates depreciation, and maintains the master listing of capital assets.

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

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
   The District reviews and makes improvements to its internal controls on an ongoing basis and attempts to maximize the segregation of duties in all areas within the limits of the staff available.

3. Official Responsible for Ensuring CAP
   Chris Swenson, Superintendent, 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 ongoing.

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

CURRENT YEAR INTERNAL CONTROL FINDING

Audit Finding 2018-002 – Material Audit Adjustment

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the District's existing internal controls and, therefore, could have resulted in a material misstatement of the District's financial statements.

In order to ensure financial statements were free from material misstatement, audit adjustments were required to properly adjust contracts payable.

CORRECTIVE ACTION PLAN (CAP):

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

2. Actions Planned in Response to Finding
   Administration will review current processes and related internal control to determine if training could be provided to current employees to prepare the financial statements.

3. Official Responsible for Ensuring CAP
   Chris Swenson, Superintendent, 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, 2019.

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

Independent School District No. 738
Schedule of Findings and Corrective Action Plans on Legal
Compliance and Internal Control

CURRENT AND PRIOR YEAR LEGAL COMPLIANCE FINDING

Obtain All Contract Information for Bids

Minnesota Statutes 16C.285, 123B.52 and 574.26 discuss requirements for contracts. During 2017 and 2018, we noted some of the contract information was not obtained.

CORRECTIVE ACTION PLAN:

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

2. Actions Planned in Response to Finding
   Administration will review current practices to ensure all contracting requirements are appropriately followed for future projects.

3. Official Responsible for Ensuring CAP
   Chris Swenson, Superintendent, 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, 2019

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

APPENDIX B

FORM OF LEGAL OPINION

(See following page)

FORM OF LEGAL OPINION

DORSEY

Independent School District No. 738
Holdingford, Minnesota

[Original Purchaser]

Re: $10,775,000 General Obligation Bonds, Series 2019A
Independent School District No. 738 (Holdingford Public Schools), Minnesota
Stearns and Morrison Counties, Minnesota

As Bond Counsel in connection with the authorization, issuance and sale by Independent School District No. 738 (Holdingford Public Schools), Minnesota (the District), of the obligations described above, dated, as originally issued, as of February 7, 2019 (the Bonds), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the District in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds are valid and binding general obligations of the District, enforceable in accordance with their terms.

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

3. The resolution authorizing the issuance of the Bonds obligates the District to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of such law against the State of Minnesota in the absence of legally appropriated and available funds to pay the obligations of the State thereunder.

4. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the Code) and (b) is not an

DORSEY & WHITNEY LLP · WWW.DORSEY.COM · T 612.340.2600 · F 612.340.2868
SUITE 1500 · 50 SOUTH SIXTH STREET · MINNEAPOLIS, MINNESOTA 55402-1498
USA CANADA EUROPE ASIA

item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.

5. Interest on the Bonds (a) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, estates, and trusts.

The opinions expressed in paragraphs 1, 2, and 3 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 4 and 5 above are subject to the compliance by the District with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that notwithstanding the opinion expressed in paragraph 5 above, interest on the Bonds is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

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

Dated this 7th day of February, 2019.

Very truly yours,

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 COVENANTS (EXCERPTS FROM SALE RESOLUTION)

(See following page)

FORM OF CONTINUING DISCLOSURE

Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the District hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the outstanding Bonds. The District is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the District fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The District will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the District, the following information at the following times:

(1) on or before twelve (12) months after the end of each fiscal year of the District, commencing with the fiscal year ending June 30, 2019, the following financial information and operating data in respect of the District (the Disclosure Information):

(A) the audited financial statements of the District for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the District, noting the discrepancies therefrom and the effect thereof, and

certified as to accuracy and completeness in all material respects by the fiscal officer of the District; and

(B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: Current Property Valuations; Direct Debt; Tax Levies and Collections; Student Body; and Employment/ Unemployment Data, which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the District shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the District shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board (the MSRB) through its Electronic Municipal Market Access System (EMMA) or the SEC. The District shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the District have materially changed or been discontinued, such Disclosure Information need no longer be provided if the District includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other District operations in respect of which data is not included in the Disclosure Information and the District determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the District shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner, not in excess of 10 business days, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a "Material Fact," as hereinafter defined):

(A) principal and interest payment delinquencies;
(B) non-payment related defaults, if material;
(C) unscheduled draws on debt service reserves reflecting financial difficulties;
(D) unscheduled draws on credit enhancements reflecting financial difficulties;
(E) substitution of credit or liquidity providers, or their failure to perform;
(F) 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 Bonds or other material events affecting the tax status of the Bonds;
(G) modifications to rights of Bond holders, if material;

(H) Bond calls, if material and tender offers;
(I) defeasances;
(J) release, substitution, or sale of property securing repayment of the Bonds if material;
(K) rating changes;
(L) bankruptcy, insolvency, receivership, or similar event of the obligated person;
(M) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(N) appointment of a successor or additional trustee or the change of name of a trustee, if material.

As used herein, for those events that must be reported if material, a "Material Fact" is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a Material Fact is also a fact that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(3) In a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:

(A) the failure of the District to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
(B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the District under subsection (d)(2);
(C) the termination of the obligations of the District under this section pursuant to subsection (d);

(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and

(E) any change in the fiscal year of the District.

(c) Manner of Disclosure.

(1) The District agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).

(2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

(1) The covenants of the District in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the District under this section shall terminate and be without further effect as of any date on which the District delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the District to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the District from time to time, without notice to (except as provided in paragraph (c)(2) hereof) or the consent of the Owners of any Bonds, by a resolution of this Board filed in the office of the recording officer of the District accompanied by an opinion of Bond Counsel, who may rely on certificates of the District and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the District or the type of operations conducted by the District, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the District agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

APPENDIX E

TERMS OF PROPOSAL

$10,775,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2019A
INDEPENDENT SCHOOL DISTRICT NO. 738 (HOLDINGFORD PUBLIC SCHOOLS), MINNESOTA

Proposals for the purchase of $10,775,000* General Obligation School Building Bonds, Series 2019A (the "Bonds") of Independent School District No. 738 (Holdingford Public Schools), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the District, until 11:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 11:00 A.M. Central Time, on January 14, 2019, at which time they will be opened, read and tabulated. The proposals will be presented to the Board of Education for consideration for award by resolution at a meeting to be held at 5:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

PURPOSE

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

DATES AND MATURITIES

The Bonds will be dated February 7, 2019, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2025	$500,000	2030	$660,000	2035	$805,000
2026	545,000	2031	685,000	2036	835,000
2027	570,000	2032	715,000	2037	870,000
2028	600,000	2033	740,000	2038	905,000
2029	630,000	2034	770,000	2039	945,000

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2019, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2025 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2029 shall be subject to optional redemption prior to maturity on February 1, 2028 or any date thereafter, at a price of par plus accrued interest.

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

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

DELIVERY

On or about February 7, 2019, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP, Minneapolis, Minnesota, bond counsel to the District.

SUBMISSION OF PROPOSALS

Proposals must not be for less than $10,667,250 plus accrued interest on the principal sum of $10,775,000 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 11:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the District nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of $215,500 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers and Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

In order to establish the issue price of the Bonds for federal income tax purposes, the District requires bidders to agree to the following, and by submitting a proposal, each bidder agrees to the following.

If a proposal is submitted by a potential underwriter, the bidder confirms that (i) the underwriters have offered or reasonably expect to offer the Bonds to the public on or before the date of the award at the offering price (the "initial offering price") for each maturity as set forth in the proposal and (ii) the bidder, if it is the winning bidder, shall require any agreement among underwriters, selling group agreement, retail distribution agreement or other agreement relating to the initial sale of the Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Bonds with a separate CUSIP number constitute a separate "maturity", and the public does not include underwriters (including members of a selling group or retail distribution group) or persons related to underwriters.

If, however, a proposal is submitted for the bidder's own account in a capacity other than as an underwriter of the Bonds, and the bidder has no current intention to sell, reoffer, or otherwise dispose of the Bonds, the bidder shall notify the District to that effect at the time it submits its proposal and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the winning bidder intends to act as an underwriter, the District shall advise the winning bidder at or prior to the time of award whether (i) the competitive sale rule or (ii) the "hold-the-offering price" rule applies.

If the District advises the Purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the Purchaser will be required to deliver to the District at or prior to closing a certification, in a form reasonably acceptable to bond counsel, as to the reasonably expected initial offering price as of the award date.

If the District advises the Purchaser that the requirements for a competitive sale have not been satisfied and that the hold-the-offering price rule applies, the Purchaser shall (1) upon the request of the District confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the District a certification as to such matters, in a form reasonably acceptable to bond counsel, together with a copy of the pricing wire.

Any action taken or documentation to be received by the District pursuant hereto may be taken or received on behalf of the District by Ehlers & Associates, Inc.

Bidders should prepare their proposals on the assumption that the Bonds will be subject to the "hold-the-offering-price" rule. Any proposal submitted pursuant to the Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, and Bonds submitted will not be subject to cancellation or withdrawal.

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. 738
(Holdingford Public Schools), Minnesota

PROPOSAL FORM

The Board of Education **January 14, 2019**
Independent School District No. 738 (Holdingford Public Schools), Minnesota

RE: $10,775,000* General Obligation School Building Bonds, Series 2019A
DATED: February 7, 2019

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you $_____ (not less than $10,667,250) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____	% due	2025	_____	% due	2030	_____	% due	2035
_____	% due	2026	_____	% due	2031	_____	% due	2036
_____	% due	2027	_____	% due	2032	_____	% due	2037
_____	% due	2028	_____	% due	2033	_____	% due	2038
_____	% due	2029	_____	% due	2034	_____	% due	2039

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

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2025 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our Deposit in the amount of $215,500, to be held by the District pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers and Associates Good Faith Account No. 3208138.** Such Deposit shall be received by Ehlers and Associates no later than two hours after the proposal opening time. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. If our proposal is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about February 7, 2019.

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

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

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

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

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

Account Manager: _____ By: _____
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from February 7, 2019 of the above proposal is $_____and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the Board of Education of Independent School District No. 738 (Holdingford Public Schools), Minnesota, on January 14, 2019.

By: _____ By: _____

Title: _____ Title: _____