

# PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 11, 2018

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 federal or Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations with respect to taxable years beginning before January 1, 2018 and 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" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

**New Issue**

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

## INDEPENDENT SCHOOL DISTRICT NO. 279 (OSSEO AREA SCHOOLS), MINNESOTA (Hennepin County)

### (Minnesota School District Credit Enhancement Program) **\$44,375,000\* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2018B**

**PROPOSAL OPENING:** October 23, 2018, 10:00 A.M., C.T.

**CONSIDERATION:** October 23, 2018, 6:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$44,375,000\* General Obligation Facilities Maintenance Bonds, Series 2018B (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475 by Independent School District No. 279 (Osseo Area Schools), Minnesota (the "District") to provide funds for facility maintenance projects included in the ten-year facility plan of the District and approved by the Commissioner of Education. 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:** November 15, 2018

**MATURITY:** February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2026	\$3,525,000	2032	\$980,000	2035	\$7,905,000
2027	2,080,000	2033	6,025,000	2036	8,095,000
2028	2,110,000	2034	7,455,000	2037	6,200,000

**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, 2028 and thereafter are subject to call for prior redemption on February 1, 2027 and any date thereafter, at a price of par plus accrued interest.

**MINIMUM PROPOSAL:** \$43,931,250.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$887,500 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).

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.



## REPRESENTATIONS

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

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

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

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

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

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

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

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

## CLOSING CERTIFICATES

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

# TABLE OF CONTENTS

<p>INTRODUCTORY STATEMENT ..... 1</p> <p>THE BONDS ..... 1</p> <p style="padding-left: 20px;">GENERAL ..... 1</p> <p style="padding-left: 20px;">OPTIONAL REDEMPTION ..... 2</p> <p style="padding-left: 20px;">AUTHORITY; PURPOSE ..... 2</p> <p style="padding-left: 20px;">ESTIMATED SOURCES AND USES ..... 2</p> <p style="padding-left: 20px;">SECURITY ..... 3</p> <p style="padding-left: 20px;">CONCURRENT FINANCING ..... 3</p> <p style="padding-left: 20px;">RATING ..... 3</p> <p style="padding-left: 20px;">STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS ..... 4</p> <p style="padding-left: 20px;">CONTINUING DISCLOSURE ..... 5</p> <p style="padding-left: 20px;">LEGAL OPINION ..... 5</p> <p style="padding-left: 20px;">TAX CONSIDERATIONS ..... 5</p> <p style="padding-left: 20px;">NON-QUALIFIED TAX-EXEMPT OBLIGATIONS ..... 8</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR ..... 8</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR AFFILIATED COMPANIES ..... 8</p> <p style="padding-left: 20px;">INDEPENDENT AUDITORS ..... 9</p> <p style="padding-left: 20px;">RISK FACTORS ..... 9</p> <p>VALUATIONS ..... 11</p> <p style="padding-left: 20px;">OVERVIEW ..... 11</p> <p style="padding-left: 20px;">CURRENT PROPERTY VALUATIONS ..... 12</p> <p style="padding-left: 20px;">2017/18 NET TAX CAPACITY BY CLASSIFICATION .. 13</p> <p style="padding-left: 20px;">TREND OF VALUATIONS ..... 13</p> <p style="padding-left: 20px;">LARGER TAXPAYING PARCELS ..... 14</p> <p>DEBT ..... 15</p> <p style="padding-left: 20px;">DIRECT DEBT ..... 15</p> <p style="padding-left: 20px;">STATE AID FOR DEBT SERVICE ..... 16</p> <p style="padding-left: 20px;">SCHEDULE OF BONDED INDEBTEDNESS ..... 17</p> <p style="padding-left: 20px;">BONDED DEBT LIMIT ..... 21</p> <p style="padding-left: 20px;">OVERLAPPING DEBT ..... 22</p> <p style="padding-left: 20px;">DEBT PAYMENT HISTORY ..... 22</p> <p style="padding-left: 20px;">DEBT RATIOS ..... 23</p> <p style="padding-left: 20px;">FUTURE FINANCING ..... 23</p> <p style="padding-left: 20px;">LEVY LIMITS ..... 23</p> <p>TAX RATES, LEVIES AND COLLECTIONS ..... 24</p> <p style="padding-left: 20px;">TAX LEVIES AND COLLECTIONS ..... 24</p> <p style="padding-left: 20px;">TAX CAPACITY RATES ..... 25</p> <p>THE ISSUER ..... 26</p> <p style="padding-left: 20px;">EMPLOYEES ..... 26</p> <p style="padding-left: 20px;">PENSIONS; UNIONS ..... 26</p> <p style="padding-left: 20px;">POST EMPLOYMENT BENEFITS ..... 27</p> <p style="padding-left: 20px;">STUDENT BODY ..... 28</p> <p style="padding-left: 20px;">SCHOOL BUILDINGS ..... 29</p> <p style="padding-left: 20px;">FUNDS ON HAND ..... 30</p> <p style="padding-left: 20px;">LITIGATION ..... 30</p> <p style="padding-left: 20px;">MUNICIPAL BANKRUPTCY ..... 30</p> <p style="padding-left: 20px;">SUMMARY GENERAL FUND INFORMATION ..... 31</p>	<p>GENERAL INFORMATION ..... 32</p> <p style="padding-left: 20px;">LOCATION ..... 32</p> <p style="padding-left: 20px;">LARGER EMPLOYERS ..... 32</p> <p style="padding-left: 20px;">U.S. CENSUS DATA ..... 33</p> <p style="padding-left: 20px;">EMPLOYMENT/UNEMPLOYMENT DATA ..... 33</p> <p>FINANCIAL STATEMENTS ..... A-1</p> <p>FORM OF LEGAL OPINION ..... B-1</p> <p>BOOK-ENTRY-ONLY SYSTEM ..... C-1</p> <p>FORM OF CONTINUING DISCLOSURE COVENANTS (EXCERPTS FROM SALE RESOLUTION) ..... D-1</p> <p>TERMS OF PROPOSAL ..... E-1</p>
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## OSSEO AREA SCHOOLS SCHOOL BOARD

		<u>Term Expires</u>
Mike Ostaffe	Chairperson	January 2021
Jim Burgett	Vice Chairperson	January 2019
Jessica Craig	Clerk	January 2019
Heather Douglass	Treasurer	January 2021
Dean Henke	Member	January 2019
Vacant	Member	January 2021

## ADMINISTRATION

Kim Riesgraf, Superintendent of Schools  
Patricia Magnuson, Executive Director of Finance and Operations  
Kelly Benusa, Director of Business Services

## PROFESSIONAL SERVICES

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

## INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 279 (Osseo Area Schools), Minnesota (the "District") and the issuance of its \$44,375,000\* General Obligation Facilities Maintenance Bonds, Series 2018B (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the sale of the Bonds ("Award Resolution") to be adopted by the Board of Education on October 23, 2018.

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

## THE BONDS

### GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of November 15, 2018. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2019, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **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 2026 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, 2028 shall be subject to optional redemption prior to maturity on February 1, 2027 and on 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.

## AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 by the District to provide funds for deferred capital expenditure and maintenance projects in fiscal years 2020 and 2021 included in the District's ten-year facility plan, approved by the Commissioner of Education.

## ESTIMATED SOURCES AND USES\*

<b>Sources</b>		
Par Amount	\$44,375,000	
Original Issue Premium	1,093,230	
Planned Issuer Equity contribution	<u>150,000</u>	
<b>Total Sources</b>		<b>\$45,618,230</b>
<b>Uses</b>		
Total Underwriter's Discount (1.000%)	\$443,750	
Costs of Issuance	132,500	
Deposit to Capitalized Interest (CIF) Fund	2,080,017	
Deposit to Project Construction Fund	<u>42,961,964</u>	
<b>Total Uses</b>		<b>\$45,618,231</b>

\*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.

## **CONCURRENT FINANCING**

By means of separate Preliminary Official Statements, the District will be issuing its General Obligation Alternative Facilities Refunding Bonds, Series 2018C (the "Concurrent Obligations" or the "Series 2018C Bonds") and its General Obligation Taxable OPEB Refunding Bonds, Series 2018D (the "Concurrent Obligations" or the "Series 2018D Bonds") on November 15, 2018.

## **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 "Aa1" underlying rating from Moody's and will be requesting an underlying rating on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgement of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

## STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

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

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

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

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

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

In its Official Statement dated 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.

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

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

The District will file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system or any system that may be prescribed in the future. Investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://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 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 the 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; 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 federal or Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations with respect to taxable years beginning before January 1, 2018 and 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 of 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 semiannual 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 such 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 such 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 basis 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 may 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, or 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 reduction 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) of 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" for purposes of Section 265(b)(3) of the Code. 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 generally will 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.

### **NON-QUALIFIED TAX-EXEMPT OBLIGATIONS**

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

### **MUNICIPAL ADVISOR**

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

### **MUNICIPAL ADVISOR AFFILIATED COMPANIES**

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

## INDEPENDENT AUDITORS

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

## RISK FACTORS

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

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

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

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

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

**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 <sup>1</sup>	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 <sup>1</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,140,000 - 0.50% <sup>2</sup> Over \$2,140,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,050,000 - 0.50% <sup>2</sup> Over \$2,050,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,940,000 - 0.50% <sup>2</sup> Over \$1,940,000 - 1.00% <sup>2</sup>
Agricultural non-homestead	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>
Seasonal recreational residential	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>
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 <sup>4</sup> - 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 <sup>4</sup> - 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 <sup>4</sup> - 1.25% Affordable Rental: First \$121,000 - .75% Over \$121,000 - .25%
Industrial/Commercial/Utility <sup>5</sup>	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%

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

<sup>2</sup> Applies to land and buildings. Exempt from referendum market value tax.

<sup>3</sup> Exempt from referendum market value tax.

<sup>4</sup> 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.

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

## CURRENT PROPERTY VALUATIONS

2017/18 Economic Market Value \$16,634,844,874<sup>1</sup>

	<b>2017/18 Assessor's Estimated Market Value</b>	<b>2017/18 Net Tax Capacity</b>
Real Estate	\$ 15,775,452,000	\$ 184,368,414
Personal Property	149,778,500	2,968,412
Total Valuation	<u>\$ 15,925,230,500</u>	<u>\$ 187,336,826</u>
Less: Captured Tax Increment Tax Capacity <sup>2</sup>		(3,307,665)
Power Line Adjustment <sup>3</sup>		(7,398)
Fiscal Disparities Contribution <sup>4</sup>		<u>(23,271,057)</u>
Taxable Net Tax Capacity		\$ 160,750,706
Plus: Fiscal Disparities Distribution <sup>4</sup>		<u>20,605,099</u>
Adjusted Taxable Net Tax Capacity		<u>\$ 181,355,805</u>

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<sup>1</sup> According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for Independent School District No. 279 (Osseo Area Schools) is about 95.15% 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 \$16,634,844,874.

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

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

<sup>4</sup> Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base since 1972 to an area pool which is then distributed among the municipalities on the basis of population, special needs, etc. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.



## 2017/18 NET TAX CAPACITY BY CLASSIFICATION

	<b>2017/18 Net Tax Capacity</b>	<b>Percent of Total Net Tax Capacity</b>
Residential homestead	\$109,669,481	58.54%
Agricultural	886,656	0.47%
Commercial/industrial	61,437,300	32.80%
Public utility	395,338	0.21%
Railroad operating property	252,558	0.13%
Non-homestead residential	10,891,053	5.81%
Commercial & residential seasonal/rec.	751,329	0.40%
Other	84,699	0.05%
Personal property	2,968,412	1.58%
Total	<u>\$187,336,826</u>	<u>100.00%</u>

## TREND OF VALUATIONS

<b>Levy Year</b>	<b>Assessor's Estimated Market Value</b>	<b>Assessor's Taxable Market Value</b>	<b>Net Tax Capacity<sup>1</sup></b>	<b>Adjusted Taxable Net Tax Capacity<sup>2</sup></b>	<b>Percent +/- in Estimated Market Value</b>
2013/14	\$12,032,929,900	\$11,245,037,794	\$140,276,251	\$135,179,525	+ 0.43%
2014/15	13,117,972,200	12,386,210,426	152,502,276	147,235,170	+ 9.02%
2015/16	13,913,604,700	13,203,800,348	162,226,380	156,333,069	+ 6.07%
2016/17	14,790,857,500	14,098,947,039	173,229,352	167,582,411	+ 6.31%
2017/18	15,925,230,500	15,274,014,244	187,336,826	181,355,805	+ 7.67%

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

<sup>2</sup> Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments and does not include tax increment or power line values.

**LARGER TAXPAYING PARCELS<sup>1</sup>**

<b>Taxpayer</b>	<b>Type of Property</b>	<b>2017/18 Net Tax Capacity</b>	<b>Percent of District's Total Net Tax Capacity</b>
Target Corporation	Commercial	\$2,449,030	1.31%
Prisa Arbor Lakes, LLC	Commercial	1,403,078	0.75%
KIR Maple Grove L P	Commercial	1,061,534	0.57%
Xcel Energy	Utility	1,054,446	0.56%
Weidner Property Management	Apartment	802,300	0.43%
Kimco Realty Corporation	Commercial	701,158	0.37%
Maple Grove, LLC	Apartment	674,713	0.36%
BPP, LLC	Industrial	600,754	0.32%
Brooklyn Park 73 <sup>rd</sup> (DLB), LL	Apartment	600,000	0.32%
Skye at Arbor Lakes, LLLP	Apartment	577,549	0.31%
<b>Total</b>		<u><u>\$9,924,562</u></u>	<u><u>5.30%</u></u>

District's Total 2017/18 Net Tax Capacity      \$187,336,826

**Source:** Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpaying parcels have been furnished by Hennepin County.

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<sup>1</sup> Hennepin County has provided only the ten largest taxpaying *parcels* which appear on the tax rolls of the County, and therefore the information stated above may not be reflective of the entire valuation of all parcels and may not include all classifications of property.

## DEBT

### DIRECT DEBT<sup>1</sup>

#### General Obligation Debt (see schedule following)

Total g.o. debt being paid from taxes and state aids <sup>2</sup> (includes the Series 2018B, 2018C, and 2018D Bonds)*	<u><u>\$192,850,000</u></u>
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#### Lease Purchase Obligations (see schedule following)<sup>3</sup>

Total lease purchase obligations paid by annual appropriations <sup>4</sup>	<u><u>\$ 11,870,000</u></u>
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\*Preliminary, subject to change.

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<sup>1</sup> Outstanding debt is as of the dated date of the Bonds.

<sup>2</sup> 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.

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

<sup>4</sup> Non-general obligation debt has not been included in the debt ratios.

## **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.

**INDEPENDENT SCHOOL DISTRICT NO. 279 (OSSEO AREA SCHOOLS), MINNESOTA**

Schedule of Bonded Indebtedness

General Obligation Debt Being Paid From Taxes

(As of 11/15/18)

**FISCAL YEAR BASIS**

Fiscal Year Ending	OPEB Series 2009A		Alternative Facilities Series 2009B		Refunding 1) Series 2010A		Alternative Facilities Series 2011A		Alternative Facilities Series 2013A		Capital Facilities Series 2014A	
	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity
2019	2,275,000	2/01	0	2/01	4,285,000	2/01	0	2/01	0	2/01	355,000	2/01
2020	298,050		160,988		292,625		176,503		56,563		360,000	
2021					371,000		353,006		113,125		370,000	
2022					189,800		353,006		113,125		375,000	
2023							4,200,000		425,000		385,000	
2024							4,485,000		6,100,000		405,000	
2025									106,750		415,000	
2026											425,000	
2027											440,000	
2028											455,000	
2029											465,000	
2030												
2031												
2032												
2033												
2034												
2035												
2036												
2037												
	2,275,000		0		13,560,000		8,685,000		6,525,000		4,450,000	
					853,425		1,420,528		502,688		773,250	

1) This issue refunded the 2013 through 2021 maturities of the District's \$56,400,000 General Obligation School Building Bonds, Series 2002A, dated March 1, 2002.

Continued on next page -

**INDEPENDENT SCHOOL DISTRICT NO. 279 (OSSEO AREA SCHOOLS), MINNESOTA**

**Schedule of Bonded Indebtedness**

**General Obligation Debt Being Paid From Taxes**

(As of 11/15/18)

**FISCAL YEAR BASIS**

Fiscal Year Ending	Alternative Facilities Series 2015A		Capital Notes Series 2015B		School Building Refunding 2) Series 2015C		Facilities Maintenance Series 2016A		School Building Refunding 3) Series 2018A		Facilities Maintenance Series 2018B	
	Dated Amount	Maturity	5/06/15	5/06/15	5/06/15	11/16/16	5/10/18	11/15/18	5/10/18	5/10/18	11/15/18	11/15/18
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	0	131,875	140,000	12,725	7,070,000	555,750	0	792,828	4,110,000	467,625	0	0
2020	0	263,750	140,000	22,650	7,410,000	758,000	0	1,585,656	4,270,000	439,500	0	2,080,017
2021	0	263,750	145,000	19,850	7,750,000	387,500	0	1,585,656	4,520,000	226,000	0	1,717,445
2022	0	263,750	150,000	16,950			0	1,585,656			0	1,717,445
2023	825,000	263,750	150,000	13,950			380,000	1,585,656			0	1,717,445
2024	6,800,000	247,250	155,000	9,450			0	1,570,456			0	1,717,445
2025	1,730,000	43,250	160,000	4,800			4,185,000	1,570,456			0	1,717,445
2026							3,695,000	1,403,056			3,525,000	1,717,445
2027							5,935,000	1,255,256			2,080,000	1,541,195
2028							6,900,000	1,077,206			2,110,000	1,437,195
2029							7,140,000	870,206			0	1,352,795
2030							7,530,000	673,856			0	1,352,795
2031							8,605,000	457,369			0	1,352,795
2032							6,375,000	199,219			980,000	1,352,795
2033											6,025,000	1,318,495
2034											7,455,000	1,104,608
2035											7,905,000	832,500
2036											8,095,000	536,063
2037											6,200,000	232,500
	9,355,000	1,477,375	1,040,000	100,375	22,230,000	1,701,250	50,745,000	16,212,535	12,900,000	1,133,125	44,375,000	24,798,422

\* Preliminary, subject to change.

2) This issue refunded the 2016 through 2021 maturities of the District's \$67,055,000 General Obligation School Building Refunding Bonds, Series 2005A, dated October 18, 2015.

3) This issue refunded the 2019 through 2021 maturities of the District's \$35,790,000 General Obligation School Building Bonds, Series 2010A, dated March 25, 2010.

Continued on next page -

**INDEPENDENT SCHOOL DISTRICT NO. 279 (OSSEO AREA SCHOOLS), MINNESOTA**

**Schedule of Bonded Indebtedness**

**General Obligation Debt Being Paid From Taxes**

(As of 11/15/18)

**FISCAL YEAR BASIS**

Fiscal Year Ending	Altn. Facilities Refunding 4) Series 2018C		Taxable OPEB Refunding 5) Series 2018D		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	11/15/18	2/01	11/15/18	2/01						
<b>Dated Amount</b>	\$9,000,000*		\$7,710,000*							
<b>Maturity</b>	2/01		2/01							
<b>Fiscal Year Ending</b>	<b>Principal</b>	<b>Estimated Interest</b>	<b>Principal</b>	<b>Estimated Interest</b>						
2019	0	128,804	0	163,632	18,235,000	3,301,217	21,536,217	174,615,000	9.46%	2019
2020	2,240,000	160,410	2,565,000	193,556	21,515,000	6,460,070	27,975,070	153,100,000	20.61%	2020
2021	2,270,000	116,990	2,490,000	119,655	22,290,000	5,204,978	27,494,978	130,810,000	32.17%	2021
2022	4,490,000	47,145	2,655,000	41,153	12,295,000	4,243,030	16,538,030	118,515,000	38.55%	2022
2023					12,325,000	3,966,108	16,291,108	106,190,000	44.94%	2023
2024					7,360,000	3,622,751	10,982,751	98,830,000	48.75%	2024
2025					6,490,000	3,401,951	9,891,951	92,340,000	52.12%	2025
2026					7,645,000	3,174,051	10,819,051	84,695,000	56.08%	2026
2027					8,455,000	2,837,251	11,292,251	76,240,000	60.47%	2027
2028					9,465,000	2,542,001	12,007,001	66,775,000	65.37%	2028
2029					7,605,000	2,236,951	9,841,951	59,170,000	69.32%	2029
2030					7,530,000	2,026,651	9,556,651	51,640,000	73.22%	2030
2031					8,605,000	1,810,164	10,415,164	43,035,000	77.68%	2031
2032					7,355,000	1,552,014	8,907,014	35,680,000	81.50%	2032
2033					6,025,000	1,318,495	7,343,495	29,655,000	84.62%	2033
2034					7,455,000	1,104,608	8,559,608	22,200,000	88.49%	2034
2035					7,905,000	832,500	8,737,500	14,295,000	92.59%	2035
2036					8,095,000	536,063	8,631,063	6,200,000	96.79%	2036
2037					6,200,000	232,500	6,432,500	0	100.00%	2037
	9,000,000	453,349	7,710,000	517,996	192,850,000	50,403,354	243,253,354			

\* Preliminary, subject to change.

4) This issue will refund the 2020 through 2022 maturities of the District's \$8,945,000 General Obligation Alternative Facilities Bonds, Series 2009B, dated June 11, 2009. The District is responsible for paying the principal and interest on the non-refunded maturities through February 1, 2019, and the principal being refunded on the Call Date. Therefore, the refunded issue has been included above and has not been included in the calculation of debt ratios.

5) This issue will refund the 2020 through 2022 maturities of the District's \$16,000,000 General Obligation Taxable OPEB Bonds, Series 2009A, dated January 7, 2009. The District is responsible for paying the principal and interest on the non-refunded maturities through February 1, 2019, and the principal being refunded on the Call Date. Therefore, the refunded issue has not been included above and has not been included in the calculation of debt ratios.

**INDEPENDENT SCHOOL DISTRICT NO. 279 (OSSEO AREA SCHOOLS), MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**Non - General Obligation Lease Debt Being Paid From Annual Appropriations**  
**(As of 11/15/18)**

**Cert. of Participation**  
**Series 2014B**

Fiscal Year Ending	11/18/14		Fiscal Year Ending
	Principal	Interest	
2019	810,000	215,988	2019
2020	835,000	407,675	2020
2021	860,000	382,625	2021
2022	885,000	356,825	2022
2023	920,000	321,425	2023
2024	960,000	284,625	2024
2025	995,000	246,225	2025
2026	1,035,000	206,425	2026
2027	1,080,000	165,025	2027
2028	1,120,000	121,825	2028
2029	1,165,000	77,025	2029
2030	1,205,000	39,163	2030
	11,870,000	2,824,850	

Fiscal Year Ending	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year
						Ending
2019	810,000	215,988	1,025,988	11,060,000	6.82%	2019
2020	835,000	407,675	1,242,675	10,225,000	13.86%	2020
2021	860,000	382,625	1,242,625	9,365,000	21.10%	2021
2022	885,000	356,825	1,241,825	8,480,000	28.56%	2022
2023	920,000	321,425	1,241,425	7,560,000	36.31%	2023
2024	960,000	284,625	1,244,625	6,600,000	44.40%	2024
2025	995,000	246,225	1,241,225	5,605,000	52.78%	2025
2026	1,035,000	206,425	1,241,425	4,570,000	61.50%	2026
2027	1,080,000	165,025	1,245,025	3,490,000	70.60%	2027
2028	1,120,000	121,825	1,241,825	2,370,000	80.03%	2028
2029	1,165,000	77,025	1,242,025	1,205,000	89.85%	2029
2030	1,205,000	39,163	1,244,163	0	100.00%	2030
	11,870,000	2,824,850	14,694,850			



## 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	\$16,634,844,874
Multiply by 15%	<u>0.15</u>
Statutory Debt Limit	\$ 2,495,226,731
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes <sup>1</sup> (includes the Series 2018B & 2018C Bonds)*	(182,865,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	<u>(11,870,000)</u>
Unused Debt Limit*	<u><u>\$ 2,300,491,731</u></u>

\*Preliminary, subject to change.

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<sup>1</sup> Does not include the \$16,000,000 General Obligation Taxable OPEB Bonds, Series 2009A, or Series 2018D Bonds, as they are not subject to the debt limit calculation.

**OVERLAPPING DEBT<sup>1</sup>**

<b>Taxing District</b>	<b>2017/18 Adjusted Taxable Net Tax Capacity</b>	<b>% In District</b>	<b>Total G.O. Debt<sup>2</sup></b>	<b>District's Proportionate Share</b>
Hennepin County	\$1,838,226,093	9.8658%	\$1,025,550,000	\$ 101,178,712
City of Brooklyn Center	25,120,921	32.1975%	27,970,000	9,005,641
City of Brooklyn Park	83,442,143	74.3061%	24,500,000	18,204,995
City of Corcoran	8,778,154	6.6242%	6,834,000	452,698
City of Dayton	7,340,400	17.8931%	21,380,000	3,825,545
City of Maple Grove	97,776,963	91.8109%	77,260,000	70,933,101
City of Osseo	2,703,426	100.0000%	10,045,000	10,045,000
City of Plymouth	126,107,826	13.3703%	9,320,000	1,246,112
City of Rogers	20,870,810	0.1708%	10,450,000	17,849
Metropolitan Council	3,971,779,581	4.5661%	147,660,000	6,742,303
Three Rivers Park District	1,304,690,419	13.9003%	53,355,000	7,416,505
HCRRA	1,838,226,093	9.8658%	31,535,000	3,111,180
District's Share of Total Overlapping Debt				<u><u>\$ 232,179,640</u></u>

**DEBT PAYMENT HISTORY**

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

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<sup>1</sup> 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.

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

## DEBT RATIOS

	<b>G.O. Debt</b>	<b>Debt/Economic Market Value (\$16,634,844,874)</b>	<b>Debt/ Current Population Estimate (148,029)</b>
Direct G.O. Debt Being Paid From Taxes and State Aids*	\$192,850,000	1.16%	\$1,302.79
District's Share of Total Overlapping Debt	<u>\$232,179,640</u>	<u>1.40%</u>	<u>\$1,568.47</u>
Total*	<u><u>\$425,029,640</u></u>	<u><u>2.56%</u></u>	<u><u>\$2,871.26</u></u>

\*Preliminary, subject to change.

## FUTURE FINANCING

In addition to the Concurrent Obligations, the District may issue Certificates of Participation in 2019 to finance additions to one or more schools; a dollar amount has not been determined.

## 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 <sup>1</sup>	Total Collected Following Year	Collected to Date <sup>2</sup>	% Collected
2013/14	\$81,440,065	\$81,079,592	\$81,397,939	99.95%
2014/15	83,736,838	83,403,183	83,659,723	99.91%
2015/16	84,410,199	83,937,346	84,322,809	99.90%
2016/17	89,825,978	89,701,143	89,701,143	99.86%
2017/18	92,782,925	In process of collection		

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

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

<sup>2</sup> Collections are through January 1, 2018.

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

**TAX CAPACITY RATES<sup>1</sup>**

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
I.S.D. No. 279 (Osseo Area Schools)	29.819%	27.156%	26.267%	26.730%	24.921%
Hennepin County	49.858%	46.398%	45.356%	44.087%	42.808%
City of Brooklyn Center	75.742%	71.256%	73.292%	71.904%	68.432%
City of Brooklyn Park	62.034%	57.494%	56.690%	55.207%	52.373%
City of Corcoran	49.743%	45.311%	45.691%	45.994%	45.357%
City of Dayton	65.833%	57.232%	57.340%	55.646%	56.382%
City of Maple Grove	42.463%	39.831%	39.368%	38.408%	36.862%
City of Osseo	76.941%	72.935%	70.645%	69.097%	63.157%
City of Plymouth	30.114%	28.374%	27.838%	26.959%	26.804%
City of Rogers	40.541%	40.377%	37.879%	38.308%	36.810%
Metropolitan Mosquito	0.563%	0.507%	0.483%	0.475%	0.456%
Metropolitan Council	1.069%	0.976%	0.925%	0.883%	0.844%
Three Rivers Park District	4.169%	3.789%	3.601%	3.365%	3.161%
Park Museum	0.766%	0.702%	0.712%	0.711%	0.710%
HCRRA	1.777%	1.817%	1.879%	1.925%	1.962%
Hennepin County HRA	0.514%	0.471%	0.439%	0.497%	0.457%
<i>Referendum Market Value Rates:</i>					
I.S.D. No. 279 (Osseo Area Schools)	0.30947%	0.29426%	0.27820%	0.27516%	0.26582%
City of Brooklyn Park	0.02847%	0.02589%	0.02399%	0.02464%	0.01584%
City of Plymouth	0.00585%	0.00698%	0.00531%	0.00499%	0.00475%

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

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

## **THE ISSUER**

### **EMPLOYEES**

The District is governed by an elected school board and employs a staff of 3,146, including 1,479 non-licensed employees and 1,667 licensed employees (1,592 of whom are teachers). The District provides education for 20,820 students in grades pre-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

<b>Bargaining Unit</b>	<b>Expiration Date of Current Contract</b>
School Executives	June 30, 2019
Teachers	June 30, 2019
Administrative ESP	June 30, 2020
Confidential Support Specialists	June 30, 2020
Custodians	June 30, 2020
Directors and Confidential Managers	June 30, 2019
School Nutrition	June 30, 2020
Registered Nurses/Licensed Practical Nurses	June 30, 2018
Kidstop Instructors	June 30, 2020
Hourly Technical	June 30, 2019
Licensed Coordinators	June 30, 2019
Management 1-M	June 30, 2019
Educational Support Professionals	June 30, 2020
Salaried Professionals	June 30, 2019
Principals	June 30, 2019
Equity Staff	June 30, 2018

### Status of Contracts

Contracts which expired on June 30, 2018 are currently in negotiations.

### POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 45 (GASB 45). The District's most recent actuarial study of its OPEB obligations shows an actuarial accrued liability of \$18,189,955 as of March 1, 2016. In January of 2009 the District issued \$16,000,000 in OPEB Bonds. The proceeds of those bonds, less issuance expenses and capitalized interest, were deposited in a revocable trust to fund the District's OPEB liabilities. The net position in the revocable trust as of June 30, 2017 was \$13,058,441. 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:

<b>Year</b>	<b>Kindergarten</b>	<b>Grades 1-6</b>	<b>Grades 7-12</b>	<b>Total</b>
2014/15	1,605	9,397	9,161	20,163
2015/16	1,555	9,307	9,234	20,096
2016/17	1,531	9,237	9,551	20,319
2017/18	1,548	9,453	9,582	20,583
2018/19	1,575	9,459	9,786	20,820

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

<b>Year</b>	<b>Kindergarten</b>	<b>Grades 1-6</b>	<b>Grades 7-12</b>	<b>Total</b>
2019/20	1,592	9,486	9,936	21,014
2020/21	1,598	9,416	10,200	21,214
2021/22	1,565	9,481	10,337	21,383



## SCHOOL BUILDINGS

<b>School Building</b>	<b>Year Constructed</b>	<b>Years of Additions/ Remodelings</b>
Arbor View Early Childhood Center	1983	2001
Willow Lane Early Childhood Center	1956	1957, 1987
Basswood Elementary	1995	2002
Birch Grove Elementary School for the Arts	1966	1991, 2004
Cedar Island Elementary	1970	--
Crest View Elementary	1960	1990, 1999, 2003
Edinbrook Elementary	1988	2002
Elm Creek Elementary	1980	--
Fair Oaks Elementary	1962	1991, 2004
Fernbrook Elementary	1988	2003
Garden City Elementary	1959	1994, 2004
Oak View Elementary	1991	--
Palmer Lake Elementary	1964	1991, 2005
Park Brook Elementary	1959	1994, 2004
Rice Lake Elementary	1980	--
Rush Creek Elementary	1995	2002
Weaver Lake Elementary: A Science, Math and Technology School	1991	--
Woodland Elementary	2002	--
Zanewood Community School	1967	2002
Brooklyn Middle School: A Science, Technology, Engineering, Arts and Math School	1963	1969, 1980, 2003
Maple Grove Middle School	1990	2003
North View Middle School: An International Baccalaureate World School	1970	1986, 2002, 2007
Osseo Middle School	1966	1969, 2002, 2004
Maple Grove Senior High	1996	2002, 2004, 2015
Osseo Senior High	1952	1957, 1960, 1962, 1964, 1966, 1975, 1988, 2015
Park Center Senior High: An International Baccalaureate World School	1964	1966, 1971, 1975, 1987, 1988, 2002, 2003, 2015
Osseo Area Learning Center	1973	2000
Osseo Education Center	1954	1957, 1987, 2005

**FUNDS ON HAND** (as of August 31, 2018)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$104,369,375
Food Service	4,493,584
Community Service	2,992,142
Debt Service	11,065,634
Building/Construction	8,885,805
Trust & Agency	1,886,097
Internal Service	32,507,407
<b>Total Funds on Hand</b>	<b><u>\$166,200,044</u></b>

**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 and the Concurrent Obligations or otherwise questioning the validity of the Bonds and the Concurrent Obligations.

**MUNICIPAL BANKRUPTCY**

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

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

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

## SUMMARY GENERAL FUND INFORMATION

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

<b>FISCAL YEAR ENDING JUNE 30</b>					
<b>COMBINED STATEMENT</b>	<b>2015 Audited</b>	<b>2016 Audited</b>	<b>2017 Audited</b>	<b>2018 Unaudited<sup>1</sup></b>	<b>2018-19 Adopted Budget<sup>2</sup></b>
<b>Revenues</b>					
Local property taxes	\$ 58,770,557	\$ 61,356,156	\$ 64,453,408	\$ 69,621,125	\$ 58,427,334
Investment earnings	135,739	286,468	678,911	1,015,188	1,575,000
Other local and county revenues	6,129,092	5,648,090	5,674,541	6,165,267	4,614,000
Revenues from state sources	190,034,147	194,656,081	197,130,962	204,440,245	220,651,118
Revenues from federal sources	7,987,321	8,184,157	9,076,514	9,800,950	10,465,853
<b>Total Revenues</b>	<b>\$ 263,056,856</b>	<b>\$ 270,130,952</b>	<b>\$ 277,014,336</b>	<b>\$ 291,042,775</b>	<b>\$ 295,733,305</b>
<b>Expenditures</b>					
Administration	\$ 10,381,868	\$ 10,818,228	\$ 11,001,338	\$ 11,514,190	\$ 8,997,234
District support services	5,622,720	6,172,803	6,460,730	6,915,379	7,207,073
Elementary & secondary regular instruction	130,841,833	133,079,885	136,536,746	143,008,212	120,922,055
Vocational education instruction	2,573,885	3,380,229	3,509,419	3,874,645	3,173,340
Special education instruction	46,296,441	48,125,942	48,194,816	49,252,015	43,335,203
Instructional support services	18,270,519	19,590,144	19,265,127	19,937,273	16,597,790
Pupil support services	21,259,449	20,059,076	21,774,370	23,150,651	22,531,524
Sites and buildings	17,581,741	19,359,537	23,465,235	28,143,409	26,964,121
Fiscal and other fixed cost programs	607,963	529,352	501,639	437,569	50,387,749
Debt service	1,299,670	4,373,064	4,617,809	0	0
<b>Total Expenditures</b>	<b>\$ 254,736,089</b>	<b>\$ 265,488,260</b>	<b>\$ 275,327,229</b>	<b>\$ 286,233,343</b>	<b>\$ 300,116,089</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ 8,320,767</b>	<b>\$ 4,642,692</b>	<b>\$ 1,687,107</b>	<b>\$ 4,809,432</b>	<b>\$ (4,382,784)</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of assets	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Capital lease issued	4,759,147	6,281,320	959,875	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 4,759,147</b>	<b>\$ 6,281,320</b>	<b>\$ 959,875</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Net Change in Fund Balances</b>	<b>\$ 13,079,914</b>	<b>\$ 10,924,012</b>	<b>\$ 2,646,982</b>	<b>\$ 4,809,432</b>	
General Fund Balance July 1	51,775,038	64,854,952	75,778,964		
Prior Period Adjustment	0	0	0		
Residual Equity Transfer in (out)	0	0	0		
General Fund Balance June 30	<b>\$ 64,854,952</b>	<b>\$ 75,778,964</b>	<b>\$ 78,425,946</b>		
<b>DETAILS OF JUNE 30 FUND BALANCE</b>					
Nonspendable	\$ 360,735	\$ 389,880	\$ 297,954		
Restricted	9,238,249	9,032,632	10,639,121		
Assigned	0	3,628,175	4,258,291		
Unassigned	55,255,968	62,728,277	63,230,580		
<b>Total</b>	<b>\$ 64,854,952</b>	<b>\$ 75,778,964</b>	<b>\$ 78,425,946</b>		

<sup>1</sup> The 2018 unaudited data is as of September 13, 2018.

<sup>2</sup> The 2018-19 budget was adopted on June 19, 2018. The District has a long and consistent history of adopting conservative budgets and of producing actual financial results that are substantially more favorable than the budget. Over the previous five years, the actual year-end general fund balance has exceeded the budgeted fund balance by an average of over \$6.3 million.

## GENERAL INFORMATION

### LOCATION

The District, with a 2010 U.S. Census population of 135,140, and a current population estimate of 148,029, and comprising an area of 42,560 acres, is located in the northern portion of Hennepin County in the Minneapolis-St. Paul metropolitan area. The District is comprised of all or a portion of the Cities of Brooklyn Center, Brooklyn Park, Corcoran, Dayton, Maple Grove, Osseo, Plymouth and Rogers.

### LARGER EMPLOYERS<sup>1</sup>

Larger employers in the District include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
Target Corporation	Corporate location and retail stores	3,700
I.S.D. No. 279 (Osseo Area Schools)	Elementary and secondary education	3,146
Boston Scientific/SciMed	Manufacture medical devices	3,000
Medtronic	Design and manufacture medical devices	1,520 <sup>2</sup>
Upsher-Smith Laboratories	Drug manufacturer	700
Caterpillar Paving Products	Commercial asphalt construction	700
Hy-Vee	Grocery store - retail store	700
United Parcel Service	Postal service - customer center	700
Maple Grove Hospital	Hospital	650
North Hennepin Community College	Community College	610

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

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<sup>1</sup> 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.

<sup>2</sup> Includes locations in Brooklyn Park and Brooklyn Center.

## U.S. CENSUS DATA

**Population Trend:** Independent School District No. 279 (Osseo Area Schools), Minnesota

2000 U.S. Census population	116,896
2010 U.S. Census population	135,140
2018 Population Estimate	148,029
Percent of Change 2000 - 2010	+ 15.61%

## Income and Age Statistics

	Osseo Area Schools District	Hennepin County	State of Minnesota	United States
2016 per capita income	\$36,058	\$39,939	\$33,225	\$29,829
2016 median household income	\$78,607	\$67,989	\$63,217	\$55,322
2016 median family income	\$91,559	\$90,932	\$79,595	\$67,871
2016 median gross rent	\$1,123	\$982	\$873	\$928
2016 median value owner occupied units	\$214,300	\$235,800	\$191,500	\$184,700
2016 median age	36.0 yrs.	36.2 yrs.	37.8 yrs.	37.7 yrs.

	State of Minnesota	United States
District % of 2016 per capita income	108.53%	120.88%
District % of 2016 median family income	115.03%	134.90%

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

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Hennepin County	Hennepin County	State of Minnesota	State of Minnesota
2014	644,430	3.8%	4.2%	
2015	649,491	3.3%	3.7%	
2016	649,426	3.4%	3.8%	
2017	672,278	3.1%	3.5%	
2018, August	694,000	2.4%	2.5%	

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

**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.

OSSEO AREA SCHOOLS

ISD  279

# Comprehensive ANNUAL FINANCIAL REPORT

*For the fiscal year ended June 30, 2017*

## OUR MISSION

*is to inspire and prepare all students with the confidence, courage and competence  
to achieve their dreams; contribute to community;  
and engage in a lifetime of learning.*

**2016-17**

**INDEPENDENT SCHOOL DISTRICT 279**

**OSSEO AREA SCHOOLS**

**Maple Grove, Minnesota**



**PRINCIPALS**

Thomas A. Karnowski, CPA  
Paul A. Radosevich, CPA  
William J. Lauer, CPA  
James H. Eichten, CPA  
Aaron J. Nielsen, CPA  
Victoria L. Holinka, CPA/CMA

**INDEPENDENT AUDITOR'S REPORT**

To the School Board and Management of  
Independent School District No. 279 – Osseo Area Schools  
Maple Grove, 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. 279 – Osseo Area Schools (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

**AUDITOR'S RESPONSIBILITY**

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

(continued)



## **OPINIONS**

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

## **OTHER MATTERS**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The supplemental information 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

### **Prior Year Comparative Information**

We have previously audited the District's 2016 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 9, 2016. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

**OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Malloy, Montague, Karnowski, Radosevich & Co., P.A.*

Minneapolis, Minnesota

November 7, 2017

INDEPENDENT SCHOOL DISTRICT NO. 279

Management's Discussion and Analysis  
Year Ended June 30, 2017

This section of Independent School District No. 279 – Osseo Area Schools' (the District) Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

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

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2017 by \$51,529,345 (net position). The District's total net position decreased by \$58,331,867 during the fiscal year ended June 30, 2017. This decrease is mostly related to increases in net pension related liabilities in the state-wide pension plans the District participates in.
- Overall actual revenues in the Statement of Activities were \$335 million and \$58.3 million less than expenses.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the CAFR consists of five parts: independent auditor's report, MD&A (this section), the basic financial statements, required supplementary information, and the combining and individual fund statements and schedules, which are presented as supplemental information. The basic financial statements include several kinds of statements which present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide financial statements.
- The *governmental fund financial statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
- The *proprietary fund financial statements* offer *short-term* and *long-term* financial information about the activities the District operates *like businesses*.
- The *fiduciary fund financial statements* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A shows how the various parts of this CAFR are arranged and relate to one another:

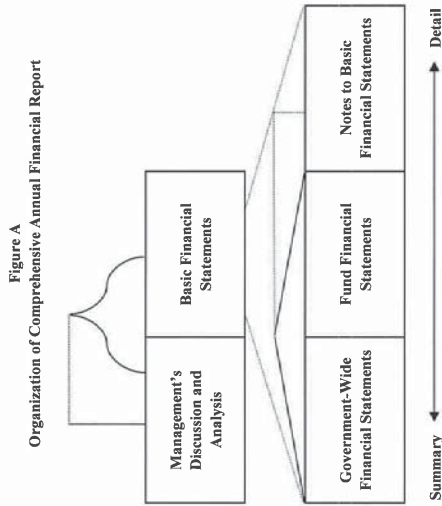


Figure B summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and content of each of the statements.

Figure B – Major Features of the Government-Wide and Fund Financial Statements	
	Fund Financial Statements
	Governmental Funds
Scope	<p>The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance, food service, and community education</p> <ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenue, Expenditures, and Changes in Fund Balances</li> </ul>
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>
Accounting basis and measurement focus	Modified accrual accounting and current financial focus
Type of asset/liability information	<p>Generally, assets expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities are included</p>
Type of inflow/outflow information	<p>Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable</p>

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
  - To assess the overall health of the District you need to consider additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.
- In the government-wide financial statements, the District's activities are shown in one category:
- **Governmental Activities** – All of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's *funds*—focusing on its most significant or major funds—rather than the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has three kinds of funds:

- **Governmental Funds** – Most of the District's basic services are included in governmental funds, which generally focus on: (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information in the governmental fund financial statements that explains the relationship (or differences) between them.
- **Proprietary Funds** – Internal service fund services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities. The District currently has four internal service funds consisting of a self-insured dental plan, self-insured medical plan, retirement incentive pay, and a post-employment benefits revocable trust.
- **Fiduciary Funds** – The District is the trustee, or *fiduciary*, for assets that belong to others, such as the Flexible Benefit Plan, Local Collaborative Time Study Grant, and Northwest Family Service Center. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position** – The District’s combined net position was \$51,529,345 on June 30, 2017. This was a decrease of 53.1 percent from the prior year.

**Table 1**  
**Summary Statement of Net Position – Governmental Activities**  
**as of June 30, 2017 and 2016**

	2017	2016
<b>Assets</b>		
Current and other assets	\$ 267,868,226	\$ 216,025,273
Capital assets, net of depreciation	321,649,178	314,983,139
Total assets	<u>\$ 589,517,404</u>	<u>\$ 531,008,412</u>
<b>Deferred outflows of resources</b>		
Pension plan deferrals – PERA and TRA	\$ 372,589,586	\$ 33,819,237
<b>Liabilities</b>		
Long-term liabilities	\$ 800,362,086	\$ 338,936,059
Other liabilities	14,822,579	11,238,958
Total liabilities	<u>\$ 815,184,665</u>	<u>\$ 350,175,017</u>
<b>Deferred inflows of resources</b>		
Property taxes levied for subsequent year	\$ 85,738,168	\$ 80,177,954
Pension plan deferrals – PERA and TRA	9,654,812	24,613,466
Total deferred inflows of resources	<u>\$ 95,392,980</u>	<u>\$ 104,791,420</u>
<b>Net position</b>		
Net investment in capital assets	\$ 201,669,570	\$ 193,342,167
Restricted	19,153,181	15,552,674
Unrestricted	<u>(169,293,406)</u>	<u>(99,033,629)</u>
Total net position	<u>\$ 51,529,345</u>	<u>\$ 109,861,212</u>

The District’s financial position is the product of many factors. For example, the determination of the District’s net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. The other major factor in determining net position as compared to fund balances is the liability for long-term severance, pension, and other post-employment benefits (OPEB), which impact the unrestricted portion of net position.

Total net position decreased by \$58,331,867, which primarily reflects an increase in the District’s share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans, which also contributed to the change in unrestricted net position. An increase in the District’s share of the PERA and the TRA pension plans also contributed to the change in deferred outflows of resources, long-term liabilities, and unrestricted net position.

**Table 2**  
**Summary Statement of Activities**  
**for the Years Ended June 30, 2017 and 2016**

	2017	2016
<b>Revenues</b>		
Program revenues	\$ 17,519,134	\$ 16,639,045
Charges for services	70,475,866	69,859,744
Operating grants and contributions	8,419,910	8,831,507
Capital grants and contributions		
General revenues	84,652,054	83,773,847
Property taxes	150,549,947	138,867,011
General grants and aids	3,355,590	2,607,264
Other	334,972,501	320,578,418
Total revenues		
Expenses		
Administration	11,001,338	10,818,228
District support services	8,567,156	8,179,156
Elementary and secondary regular instruction	199,497,344	132,739,729
Vocational education instruction	3,512,275	3,382,640
Special education instruction	63,245,199	47,918,552
Instructional support services	19,301,766	19,542,885
Pupil support services	21,774,370	20,057,132
Sites and buildings	20,886,238	18,587,008
Fiscal and other fixed cost programs	501,639	579,352
Food service	12,579,723	12,207,490
Community service	19,965,214	16,419,921
Unallocated depreciation expense	8,015,144	7,814,428
Interest and fiscal charges on debt	4,456,962	4,063,175
Total expenses	<u>393,304,368</u>	<u>302,259,696</u>
Change in net position	(58,331,867)	18,318,722
Beginning of year net position	109,861,212	91,542,490
End of year net position	<u>\$ 51,529,345</u>	<u>\$ 109,861,212</u>

**Change in Net Position** – The District’s total revenues were \$334,972,501 for the year ended June 30, 2017. Property taxes and general grants and aids accounted for 70.2 percent (see Figure C) of total revenue for the year.

The total cost of all programs and services was \$393,304,368. The District’s expenses are predominantly related to educating and caring for students (80.3 percent) (see Figure D). The administrative activities of the District accounted for 2.8 percent of total costs.

Figure C – Sources of Revenues for Fiscal Year 2017

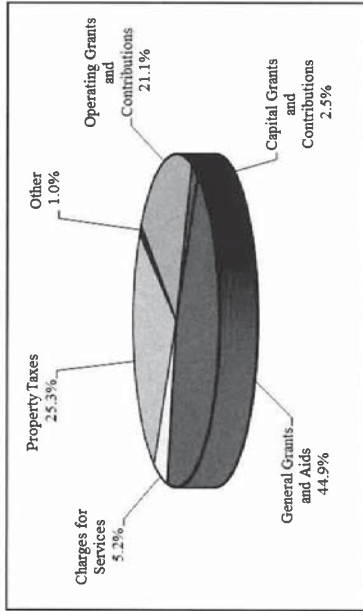
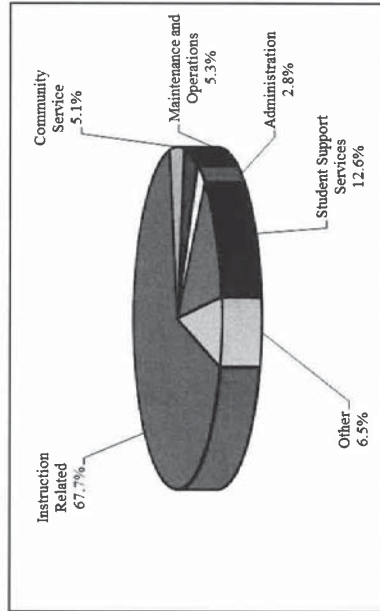


Figure D – Expenses for Fiscal Year 2017



- The cost of all governmental activities for fiscal year 2017 was \$393,304,368.
- Some of the cost, \$17,519,134, was paid by the users of the District's programs.
- The federal and state governments subsidized certain programs with operating grants and contributions of \$70,475,866.

- Most of the District's costs were paid for by district taxpayers and the taxpayers of our state through general grants and aids totaling \$235,202,001. This portion of governmental activities was paid for with \$84,652,054 in property taxes and \$150,549,947 of state aid based on the state-wide education aid formula.
- The elementary and secondary regular instruction and special education instruction increases are attributed to the change in the PERA and the TRA multi-employer defined benefit pension plans mentioned earlier.
- In the area of community service, the 21.6 percent increase is mainly due to program growth in Kidstop, 4Star Express, and School Readiness for fiscal year 2017.

Table 3  
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services		Total Percent Change 2016-2017
	2017	2016	2017	2016	
Administration	\$ 11,001,338	\$ 10,818,228	\$ 10,628,457	\$ 10,228,479	3.9%
District support services	8,567,156	8,179,156	8,497,818	8,266,993	2.8%
Elementary and secondary regular instruction	199,497,344	132,739,729	174,202,505	106,923,529	63.5%
Vocational education instruction	3,512,275	3,385,640	3,352,155	3,204,741	4.6%
Special education instruction	63,245,199	47,918,552	35,659,443	20,507,766	73.9%
Instructional support services	19,301,766	19,542,885	16,003,195	16,605,329	(3.6%)
Pupil support services	21,774,370	20,057,132	19,678,319	17,924,721	9.8%
Sites and buildings	20,886,238	18,587,008	12,381,317	9,647,802	28.3%
Fiscal and other fixed cost programs	501,639	529,332	501,639	529,352	(5.2%)
Food service	12,579,723	12,207,490	(346,246)	28,274	(1,324.6%)
Community service	19,965,214	16,419,921	3,858,750	1,384,811	143.5%
Unallocated depreciation expense	8,015,144	7,814,428	8,015,144	7,814,428	2.6%
Interest and fiscal charges on debt	4,456,962	4,063,175	4,456,962	4,063,175	9.7%
Total	\$ 393,304,368	\$ 302,259,696	\$ 296,859,458	\$ 206,929,400	43.5%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

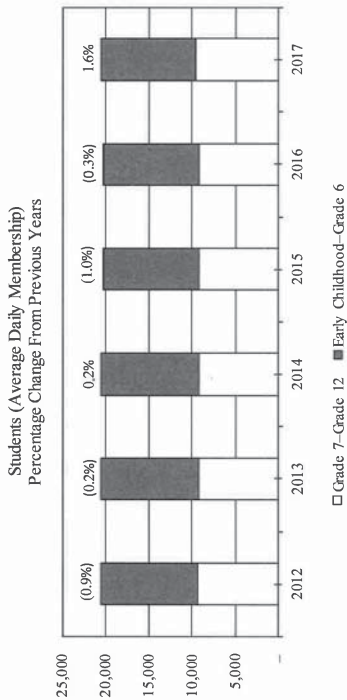
As the District completed the year, its governmental funds reported a combined fund balance of \$132,529,166, an increase from last year's ending fund balance of \$89,285,713, or 48.4 percent. This is primarily due to the \$50,745,000 sale of General Obligation Facilities Maintenance Bonds in fiscal 2017.

Revenues for the District's governmental funds were \$326,953,069, while total expenditures were \$337,647,001.

**GENERAL FUND**

The General Fund includes the primary operations of the District in providing educational services to students from pre-kindergarten through Grade 12, including pupil transportation activities and capital outlay projects.

The following graph shows the percentage change in the number of students over the last several years:



Over the last six years, the District has seen a 0.6 percent decrease in the number of students. Enrollment projections predict relatively flat enrollment over the next several years.

The following schedule presents a summary of General Fund revenues:

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2017	2016		
Local sources				
Property taxes	\$ 64,453,408	\$ 61,356,156	\$ 3,097,252	5.0%
Investment earnings	678,911	286,468	392,443	137.0%
Other	5,674,541	5,648,090	26,451	0.5%
State sources	197,130,962	194,656,081	2,474,881	1.3%
Federal sources	9,076,514	8,184,157	892,357	10.9%
<b>Total General Fund revenue</b>	<b>\$ 277,014,336</b>	<b>\$ 270,130,952</b>	<b>\$ 6,883,384</b>	<b>2.5%</b>

Total General Fund revenue increased by \$6,883,384, or 2.5 percent, in fiscal year 2017 compared with fiscal year 2016. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including the excess levy referendum, involves an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue.

Property taxes increased in two areas. First, operating referendum allowance increased as a result of the voter-approved inflationary adjustment. Secondly, basic revenue increased due to a shift from aid to levy for the current year.

The increase in state sources was due to an increase of \$2.6 million, which was due to the increase in the basic formula allowance for general education state aid and an additional 395 adjusted pupil units over the previous year. This increase was partially offset by a decrease of \$2.1 million in the TRA and the PERA direct aid.

The following schedule presents a summary of General Fund expenditures:

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2017	2016		
Salaries	\$ 163,939,921	\$ 155,836,566	\$ 8,103,355	5.2%
Employee benefits	58,244,530	55,627,101	2,617,429	4.7%
Purchased services	29,692,278	30,021,776	(329,498)	(1.1%)
Supplies, materials, and equipment	16,847,113	18,523,288	(1,676,175)	(9.0%)
Other expenditures	6,603,387	5,479,529	1,123,858	20.5%
<b>Total expenditures</b>	<b>\$ 275,327,229</b>	<b>\$ 265,488,260</b>	<b>\$ 9,838,969</b>	<b>3.7%</b>

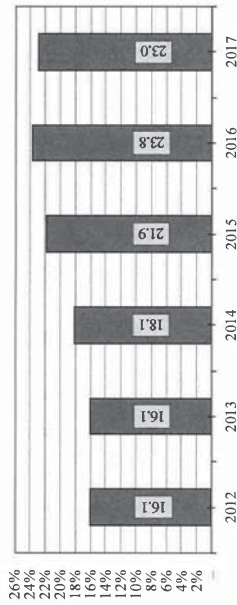
Total General Fund expenditures increased \$9,838,969, or 3.7 percent, from the previous year.

In fiscal year 2017, salaries increased 5.2 percent and employee benefits increased 4.7 percent. The increase in salaries and benefits is attributed to Board approved additional staff of \$2.6 million and employee contract improvements. This increase was partially offset by the fiscal year 2016 TRA direct aid of \$3 million that was reported in benefits, which has been reported in other expenditures for fiscal year 2017, per guidance from the Minnesota Department of Education (MDE).

Supplies, materials and equipment decreased by \$1,676,175 from the prior year. The decrease can be attributed to health and safety expenditures for long-term facility maintenance being reported in a Capital Fund instead of the General Fund for fiscal year 2017, per guidance from the MDE.

Other expenditures increased primarily due to the \$913,648 in the TRA and the PERA direct aid that offsets the revenue increase by the same amount.

The following graph shows the General Fund unassigned fund balance (without including any restricted account deficits) as a percentage of expenditures:



In fiscal year 2017, General Fund revenue and other financing sources were more than expenditures by \$2,646,982. Therefore, total fund balance increased to \$78,425,946 at June 30, 2017. After deducting nonspendable, assigned, and restricted amounts (including restricted account deficits), the unassigned fund balance increased from \$63,161,707 at June 30, 2016 to \$63,266,128 at June 30, 2017.

The graph above is the single best measure of overall financial health. The unassigned fund balance of \$63,266,128 at June 30, 2017 represents 23.0 percent of annual expenditures, or 12 weeks of operations. The District closely monitors its fund balances.

#### General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories:

1. Implementing budgets for specially funded projects, which include both federal and state grants; reinstating prior year purchase orders being carried over; and budgeting for clearing, resale, and gifts.
2. Changes in appropriations for significant unbudgeted costs.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues and other financing sources by \$4,892,366, the actual results for the year show an increase of \$2,646,982.

- Actual revenues were \$1,420,064 more than expected. State sources were over budget by \$1,228,844 primarily due to three areas. General education aid was higher by \$1,107,392 due to an additional 131 actual adjusted pupil units from budgeted amounts, and the TRA and PERA direct aid of \$913,648 referred to earlier. Both of those items were partially offset by special education current and prior year over accrual of \$848,257. Federal sources were under budgeted entitlement amounts by \$1,018,878. These grants contain carryover provisions and will be spent down during the next fiscal year as planned. Property tax collections were \$677,547 more than budgeted. Other revenue sources were over budget by \$383,640 mainly due to fees from admissions and gate receipts exceeding budgeted amounts.
- Actual expenditures were \$5,159,409 under budget, or a 1.8 percent variance.
- Other financing sources were \$959,875 over budget, due to the issuance of a capital lease for iPads.

#### CAPITAL PROJECTS AND DEBT SERVICE FUNDS

The Capital Projects – Building Construction Fund revenues and other financing sources exceeded expenditures by \$38,297,523, resulting in a fund balance of \$43,249,779 at June 30, 2017. The increase was mostly due to the issuance of the 2016A General Obligation Facilities Maintenance Bonds for \$50,745,000. The remaining decrease is due to the planned spend down in accordance with long-term facilities maintenance plan.

The Debt Service Fund revenues and other financing sources exceeded expenditures by \$1,153,542 in fiscal year 2017. The remaining fund balance of \$4,105,000 at June 30, 2017 is available for meeting future debt service obligations.

#### NONMAJOR FUNDS

Revenues exceeded expenditures in the nonmajor funds by \$1,145,406. The Food Service Special Revenue Fund had an increase in fund balance of \$706,210. This was more than budgeted due to increased revenue caused by sales from special events programs and increased commodities and commodity rebates and lower than projected expenditures in three areas: purchases of pre-cut food, commodities, and salaries. The Community Service Special Revenue Fund had an increase in fund balance of \$439,196. From the standpoint of maintaining current operating expenditures within the range of annual revenue, these funds continue to operate on a sound financial basis and are monitored throughout the year.

#### INTERNAL SERVICE FUNDS

During fiscal year 2017, the District operated a Dental Self-Insurance Internal Service Fund. This fund accounts for the District's self-insured dental insurance program. Net position in this fund increased \$78,899, resulting in a net position of \$577,233 at June 30, 2017.

During fiscal year 2017, the District started a Medical Self-Insurance Internal Service Fund. This fund accounts for the District's self-insured medical insurance program. Net position in this fund increased \$672,647, resulting in a net position of \$672,647 at June 30, 2017.

The Retirement Incentive Pay Internal Service Fund change in net position increased \$279,494, resulting in a net position of \$4,177,762 at June 30, 2017. This increase is attributed to decreased severance expenses as a result of the projections in an independent actuarial valuation study dated March 1, 2016, which computes future costs in this area.

Over the next several years, the District's annual obligation to pay post-employment benefits will remain at its current level because a large block of employees will be reaching retirement age. Accordingly, the District established a Retirement Incentive Pay Internal Service Fund and adopted a plan to fund its early retirement incentive (severance) as the benefits are earned in accordance with governmental accounting standards. The Retirement Incentive Pay Internal Service Fund is used to finance the early retirement incentive benefits provided by all of the departments and funds of the District on a cost-reimbursement basis.

The Post-Employment Benefits Revocable Trust Internal Service Fund was established to fund OPEB. This revocable trust fund was established to provide a source of funds to fund current and future benefit obligations to employees. On June 30, 2017, this fund has a net position of \$13,058,441. The assets held in this fund are dedicated for the purpose of paying these obligations.



The most recent independent actuarial study dated March 1, 2016, computed the present value of these benefits. The long-term liability represents net OPEB pension benefit obligations based on actuarial estimates. The District has been strategic by prefunding a portion of this post-employment benefit liability. This funding is built into the ongoing annual budget. By funding the plan now, the District will avoid the future reductions of regular programming that would have been necessary to pay for these post-employment benefits.

For information on the funding progress of the OPEB obligations of the District, refer to the notes to basic financial statements.

#### POST-EMPLOYMENT BENEFITS IRREVOCABLE TRUST FUND

During the fiscal year 2016, the District closed the Post-Employment Benefits Irrevocable Trust Fund that was established to fund OPEB in accordance with standards described in the Governmental Accounting Standards Board. This irrevocable trust fund was established to provide a source of funds to fund current and future benefit obligations to employees. During fiscal 2017, the remaining balance of \$611 of the Trust Fund was used to cover administrative costs from its closure in the prior year.

For information on the funding progress of the OPEB obligations of the District, refer to the notes to basic financial statements.

#### CAPITAL ASSETS, DEBT ADMINISTRATION, AND LONG-TERM LIABILITIES

##### Capital Assets

By the end of fiscal year 2017, the District had invested \$502.2 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table 4). The major increase in capital assets can be attributed to various long-term facilities maintenance projects for fiscal year 2017. (More detailed information about capital assets can be found in Note 3 of the notes to basic financial statements.) Total depreciation expense for the year was \$10.5 million as compared to a prior year depreciation expense of \$10.3 million.

	2017	2016	Total Percent Change 2016–2017
Land	\$ 8,323,417	\$ 8,323,417	—
Land improvements	32,672,400	31,479,888	3.8%
Buildings	443,751,224	428,532,037	3.6%
Furniture and equipment	10,744,070	10,098,560	6.4%
Construction in progress	6,699,868	6,655,427	0.7%
Less accumulated depreciation	(180,541,801)	(170,106,190)	6.1%
Total	\$ 321,649,178	\$ 314,983,139	2.1%

#### Debt Administration

At June 30, 2017, the District had bonded debt of \$161,580,000. Under current state statutes, the District's general obligation bonded debt issuances are subject to a legal limitation equal to 15 percent of the actual value of all taxable property within the District. The District is within its legal authority for bonded debt.

#### Long-Term Liabilities

	2017	2016	Total Percent Change
General obligation bonds and notes payable	\$ 148,925,000	\$ 111,020,000	34.1%
Certificates of participation	12,655,000	13,425,000	(5.7%)
Capital leases	4,393,589	6,731,949	(34.7%)
Unamortized premiums on debt issued	9,350,798	8,901,279	5.1%
Net pension liability – PERA	60,587,736	38,423,195	57.7%
Net pension liability – TRA	546,171,934	141,628,218	285.6%
Post-employment severance benefits payable	8,733,767	10,216,130	(14.5%)
Net OPEB obligation	9,544,262	8,590,288	11.1%
Total	\$ 800,362,086	\$ 338,936,059	136.1%

More detailed information about the District's long-term liabilities is presented in Note 4 of the notes to basic financial statements.

#### Bond Ratings

The District's general obligation bonds carry a rating of Aa1.

#### Limitations on Debt

The state limits the amount of general obligation debt the District can issue to 15 percent of the assessed value of all taxable property within the District's corporate limits. The District's outstanding debt is significantly below this limit, which is currently \$2,016,623,956.

#### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

The Legislature approved an increase of 2 percent in the general education formula for fiscal year 2018. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs due to increased costs from inflation and required mandates. The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility. The District will continue to use the long-range financial model and annual budget framework to ensure that expenditures are aligned with revenues. Efforts will continue to be made to influence legislators to recommit to their financial support for public education.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT TEAM**

This CAFR is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Services Department, Independent School District No. 279, Educational Service Center, 11200 – 93rd Avenue North, Maple Grove, Minnesota 55369-6605.

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Net Position  
as of June 30, 2017  
(With Partial Comparative Information as of June 30, 2016)

	Governmental Activities	
	2017	2016
<b>Assets</b>		
Cash and temporary investments	\$ 172,967,914	\$ 129,086,388
Receivables		
Current taxes	44,433,079	41,984,849
Delinquent taxes	757,999	717,741
Accounts and interest	1,217,496	465,057
Note	459,344	441,677
Due from other governmental units	24,280,101	20,533,911
Inventory	300,529	398,433
Restricted assets – temporarily restricted		
Cash and investments for OPEB	23,270,699	22,222,730
Interest receivable for OPEB	181,065	174,487
Total restricted assets – temporarily restricted	<u>23,451,764</u>	<u>22,397,217</u>
Capital assets		
Not depreciated	15,023,285	14,978,844
Depreciated, net of accumulated depreciation	306,625,893	300,004,295
Total capital assets, net of accumulated depreciation	<u>321,649,178</u>	<u>314,983,139</u>
Total assets	589,517,404	531,008,412
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	372,589,586	33,819,237
Total assets and deferred outflows of resources	<u>\$ 962,106,990</u>	<u>\$ 564,827,649</u>
<b>Liabilities</b>		
Salaries payable	\$ 1,019,421	\$ 1,483,391
Accounts and contracts payable	9,088,044	4,875,176
Due to other governmental units	1,538,175	2,423,306
Unearned revenue	255,849	256,400
Accrued interest payable	2,921,090	2,200,685
Long-term liabilities		
Due within one year	19,041,696	18,265,418
Due in more than one year	781,320,390	320,670,641
Total long-term liabilities	<u>800,362,086</u>	<u>338,936,059</u>
Total liabilities	815,184,665	350,175,017
Deferred inflows of resources		
Property taxes levied for subsequent year	85,738,168	80,177,954
Pension plan deferments – PERA and TRA	9,654,812	24,613,466
Total deferred inflows of resources	<u>95,392,980</u>	<u>104,791,420</u>
<b>Net position</b>		
Net investment in capital assets	201,669,570	193,342,167
Restricted for		
Capital asset acquisition	9,510,601	8,899,093
Debt service	1,294,332	894,736
Food service	3,768,002	3,061,792
Community service	2,992,571	2,555,267
Other purposes (state funding restrictions)	1,587,675	141,786
Unrestricted	(169,293,406)	(99,033,629)
Total net position	<u>51,529,345</u>	<u>109,861,212</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 962,106,990</u>	<u>\$ 564,827,649</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Activities  
 Year Ended June 30, 2017  
 (With Partial Comparative Information for the Year Ended June 30, 2016)

Functions/Programs	Expenses	2017			2016	2016
		Program Revenues			Net (Expense)	Net (Expense)
		Charges for	Operating	Capital	Revenue and	Revenue and
	Services	Grants and	Grants and	Changes in	Changes in	
			Contributions	Contributions	Net Position	Net Position
					Governmental	Governmental
					Activities	Activities
Governmental activities						
Administration	\$ 11,001,338	\$ 318,984	\$ 53,897	\$ —	\$ (10,628,457)	\$ (10,228,479)
District support services	8,567,156	38,538	30,800	—	(8,497,818)	(8,266,993)
Elementary and secondary regular instruction	199,497,344	1,608,900	23,685,939	—	(174,202,505)	(106,523,529)
Vocational education instruction	3,512,275	—	160,120	—	(3,352,155)	(3,204,741)
Special education instruction	63,245,199	4,465	27,581,291	—	(35,659,443)	(20,507,766)
Instructional support services	19,301,766	241,668	3,056,903	—	(16,003,195)	(16,605,329)
Pupil support services	21,774,370	300	2,095,751	—	(19,678,319)	(17,924,721)
Sites and buildings	20,886,238	27,561	57,450	8,419,910	(12,381,317)	(9,647,802)
Fiscal and other fixed cost programs	501,639	—	—	—	(501,639)	(529,352)
Food service	12,579,723	5,324,443	7,601,526	—	346,246	(28,274)
Community service	19,965,214	9,954,275	6,152,189	—	(3,858,750)	(1,584,811)
Unallocated depreciation expense	8,015,144	—	—	—	(8,015,144)	(7,814,428)
Interest and fiscal charges	4,456,962	—	—	—	(4,456,962)	(4,063,175)
<b>Total governmental activities</b>	<b>\$393,304,368</b>	<b>\$ 17,519,134</b>	<b>\$ 70,475,866</b>	<b>\$ 8,419,910</b>	<b>(296,889,458)</b>	<b>(206,929,400)</b>
General revenues						
Taxes						
Property taxes, levied for general purposes					64,372,997	61,342,344
Property taxes, levied for community service					2,435,152	1,998,320
Property taxes, levied for debt service					17,843,905	17,810,240
Property taxes, levied for building construction					—	2,622,943
General grants and aids					150,549,947	138,867,011
Other general revenues					1,212,290	1,302,473
Investment earnings					2,143,300	1,304,791
Total general revenues					238,557,591	225,248,122
Change in net position					(58,331,867)	18,318,722
Net position – beginning					109,861,212	91,542,490
Net position – ending					\$ 51,529,345	\$109,861,212

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Balance Sheet  
 Governmental Funds  
 as of June 30, 2017  
 (With Partial Comparative Information as of June 30, 2016)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
<b>Assets</b>			
Cash and temporary investments	\$ 89,891,654	\$ 47,404,990	\$ 13,196,360
Receivables			
Current taxes	34,231,459	–	8,954,849
Delinquent taxes	567,499	–	170,414
Accounts and interest	835,572	96,919	–
Note	459,344	–	–
Due from other governmental units	23,398,082	–	33,641
Inventory	297,954	–	–
Total assets	<u>\$ 149,681,564</u>	<u>\$ 47,501,909</u>	<u>\$ 22,355,264</u>
<b>Liabilities</b>			
Salaries payable	\$ 599,355	\$ –	\$ –
Accounts and contracts payable	4,079,184	4,252,130	–
Due to other governmental units	689,114	–	–
Unearned revenue	–	–	–
Total liabilities	<u>5,367,653</u>	<u>4,252,130</u>	<u>–</u>
<b>Deferred inflows of resources</b>			
Property taxes levied for subsequent year	65,075,228	–	18,139,842
Unavailable revenue – note receivable	459,344	–	–
Unavailable revenue – delinquent taxes	353,393	–	110,422
Total deferred inflows of resources	<u>65,887,965</u>	<u>–</u>	<u>18,250,264</u>
<b>Fund balances</b>			
Nonspendable	297,954	–	–
Restricted	10,639,121	43,249,779	4,105,000
Assigned	4,258,291	–	–
Unassigned	63,230,580	–	–
Total fund balances	<u>78,425,946</u>	<u>43,249,779</u>	<u>4,105,000</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 149,681,564</u>	<u>\$ 47,501,909</u>	<u>\$ 22,355,264</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2017	2016
\$ 7,972,442	\$ 158,465,446	\$ 114,336,989
1,246,771	44,433,079	41,984,849
20,086	757,999	717,741
245,988	1,178,479	465,057
—	459,344	441,677
848,378	24,280,101	20,533,911
2,575	300,529	398,433
<u>\$ 10,336,240</u>	<u>\$ 229,874,977</u>	<u>\$ 178,878,657</u>
\$ 420,066	\$ 1,019,421	\$ 1,483,391
376,654	8,707,968	4,738,509
—	689,114	1,903,222
255,849	255,849	256,400
<u>1,052,569</u>	<u>10,672,352</u>	<u>8,381,522</u>
2,523,098	85,738,168	80,177,954
—	459,344	441,677
12,132	475,947	591,791
<u>2,535,230</u>	<u>86,673,459</u>	<u>81,211,422</u>
2,575	300,529	398,433
6,745,866	64,739,766	22,530,828
—	4,258,291	3,628,175
—	63,230,580	62,728,277
<u>6,748,441</u>	<u>132,529,166</u>	<u>89,285,713</u>
<u>\$ 10,336,240</u>	<u>\$ 229,874,977</u>	<u>\$ 178,878,657</u>

# OSSEO AREA SCHOOLS

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ISD  279

## **Our Mission**

**is to inspire and prepare all students  
with the confidence, courage and competence  
to achieve their dreams;  
contribute to community;  
and engage in a lifetime of learning.**

INDEPENDENT SCHOOL DISTRICT NO. 279

Reconciliation of the Balance Sheet to the  
Statement of Net Position  
Governmental Funds  
as of June 30, 2017  
(With Partial Comparative Information as of June 30, 2016)

	<u>2017</u>	<u>2016</u>
Total fund balances -- governmental funds	\$ 132,529,166	\$ 89,285,713
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	502,190,979	485,089,329
Accumulated depreciation	(180,541,801)	(170,106,190)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds and notes	(148,925,000)	(111,020,000)
Certificates of participation	(12,655,000)	(13,425,000)
Capital leases	(4,393,589)	(6,731,949)
Premium on bonds	(9,350,798)	(8,901,279)
Net pension liability -- PERA	(60,587,736)	(38,423,195)
Net pension liability -- TRA	(546,171,934)	(141,628,218)
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.	(2,921,090)	(2,200,685)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	18,486,083	17,683,447
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows -- PERA and TRA pension plans	372,589,586	33,819,237
Deferred inflows -- PERA and TRA pension plans	(9,654,812)	(24,613,466)
Deferred inflows -- delinquent property taxes	475,947	591,791
Certain revenues are included in net position, but are excluded from fund balances until they are available to liquidate liabilities of the current period.	<u>459,344</u>	<u>441,677</u>
Total net position -- governmental activities	<u>\$ 51,529,345</u>	<u>\$ 109,861,212</u>

See notes to basic financial statements



INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2017  
 (With Partial Comparative Information for the Year Ended June 30, 2016)

	<u>General Fund</u>	<u>Capital Projects – Building Construction Fund</u>	<u>Debt Service Fund</u>
<b>Revenue</b>			
Local sources			
Property taxes	\$ 64,453,408	\$ –	\$ 17,877,446
Investment earnings	678,911	219,410	20,349
Other	5,674,541	–	–
State sources	197,130,962	–	336,413
Federal sources	9,076,514	–	–
Total revenue	<u>277,014,336</u>	<u>219,410</u>	<u>18,234,208</u>
<b>Expenditures</b>			
Current			
Administration	11,001,338	–	–
District support services	6,460,730	–	–
Elementary and secondary regular instruction	136,536,746	–	–
Vocational education instruction	3,509,419	–	–
Special education instruction	48,194,816	–	–
Instructional support services	19,265,127	–	–
Pupil support services	21,774,370	–	–
Sites and buildings	23,465,235	–	–
Fiscal and other fixed cost programs	501,639	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	14,170,089	–
Debt service			
Principal	4,068,235	–	12,840,000
Interest and fiscal charges	549,574	139,308	4,830,666
Total expenditures	<u>275,327,229</u>	<u>14,309,397</u>	<u>17,670,666</u>
Excess (deficiency) of revenue over expenditures	1,687,107	(14,089,987)	563,542
<b>Other financing sources (uses)</b>			
Debt issued	–	50,745,000	–
Premium on debt issued	–	1,642,510	590,000
Debt retirement from refunded bonds	–	–	–
Capital leases issued	959,875	–	–
Total other financing sources (uses)	<u>959,875</u>	<u>52,387,510</u>	<u>590,000</u>
Net change in fund balances	2,646,982	38,297,523	1,153,542
<b>Fund balances</b>			
Beginning of year	<u>75,778,964</u>	<u>4,952,256</u>	<u>2,951,458</u>
End of year	<u>\$ 78,425,946</u>	<u>\$ 43,249,779</u>	<u>\$ 4,105,000</u>

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds	
	2017	2016
\$ 2,437,044	\$ 84,767,898	\$ 83,812,427
55,735	974,405	348,164
16,736,432	22,410,973	21,359,596
4,707,152	202,174,527	198,912,577
7,548,752	16,625,266	15,210,620
<u>31,485,115</u>	<u>326,953,069</u>	<u>319,643,384</u>
—	11,001,338	10,818,228
—	6,460,730	6,172,803
—	136,536,746	133,079,885
—	3,509,419	3,380,229
—	48,194,816	48,125,942
—	19,265,127	19,590,144
—	21,774,370	20,059,076
—	23,465,235	19,359,537
—	501,639	529,352
12,142,784	12,142,784	12,021,733
17,937,598	17,937,598	16,420,852
259,327	14,429,416	13,341,882
—	16,908,235	16,895,743
—	5,519,548	6,478,143
<u>30,339,709</u>	<u>337,647,001</u>	<u>326,273,549</u>
1,145,406	(10,693,932)	(6,630,165)
—	50,745,000	—
—	2,232,510	—
—	—	(46,930,000)
—	959,875	6,281,320
<u>—</u>	<u>53,937,385</u>	<u>(40,648,680)</u>
1,145,406	43,243,453	(47,278,845)
<u>5,603,035</u>	<u>89,285,713</u>	<u>136,564,558</u>
<u>\$ 6,748,441</u>	<u>\$ 132,529,166</u>	<u>\$ 89,285,713</u>

OSSEO AREA SCHOOLS

ISD  279

### **Our Mission**

**is to inspire and prepare all students  
with the confidence, courage and competence  
to achieve their dreams;  
contribute to community;  
and engage in a lifetime of learning.**

INDEPENDENT SCHOOL DISTRICT NO. 279

Reconciliation of the Statement of  
Revenue, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
Governmental Funds  
Year Ended June 30, 2017

(With Partial Comparative Information for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Total net change in fund balances – governmental funds	\$ 43,243,453	\$ (47,278,845)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	17,155,026	14,503,994
Depreciation expense	(10,488,987)	(10,291,535)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
General obligation bonds payable	(50,745,000)	–
Capital leases	(959,875)	(6,281,320)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.		
	802,636	293,809
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds and certificates of participation	13,610,000	60,720,000
Capital leases	3,298,235	3,105,743
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.		
	(720,405)	713,371
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
	(449,519)	1,701,597
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability – PERA	(22,164,541)	(1,078,078)
Net pension liability – TRA	(404,543,716)	(28,250,150)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	338,770,349	7,798,277
Deferred inflows – PERA and TRA pension plans	14,958,654	22,683,452
Deferred inflows – delinquent property taxes	(115,844)	(38,580)
Certain revenues are included in the change in net position, but are excluded from the change in fund balances until they are available to liquidate liabilities of the current period.		
	<u>17,667</u>	<u>16,987</u>
Change in net position – governmental activities	<u>\$ (58,331,867)</u>	<u>\$ 18,318,722</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 General Fund  
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>Revenue</b>				
Local sources				
Property taxes	\$ 52,816,725	\$ 63,775,861	\$ 64,453,408	\$ 677,547
Investment earnings	260,000	530,000	678,911	148,911
Other	2,890,382	5,290,901	5,674,541	383,640
State sources	180,755,034	195,902,118	197,130,962	1,228,844
Federal sources	—	10,095,392	9,076,514	(1,018,878)
Total revenue	<u>236,722,141</u>	<u>275,594,272</u>	<u>277,014,336</u>	<u>1,420,064</u>
<b>Expenditures</b>				
Current				
Administration	8,530,453	11,369,518	11,001,338	(368,180)
District support services	6,286,048	7,334,570	6,460,730	(873,840)
Elementary and secondary regular instruction	87,552,443	136,434,990	136,536,746	101,756
Vocational education instruction	2,540,001	3,677,644	3,509,419	(168,225)
Special education instruction	35,228,269	49,663,472	48,194,816	(1,468,656)
Instructional support services	12,331,800	20,082,187	19,265,127	(817,060)
Pupil support services	21,677,736	22,203,520	21,774,370	(429,150)
Sites and buildings	16,036,867	24,552,929	23,465,235	(1,087,694)
Fiscal and other fixed cost programs	45,977,660	550,000	501,639	(48,361)
Debt service				
Principal	4,215,852	4,068,235	4,068,235	—
Interest and fiscal charges	557,551	549,573	549,574	1
Total expenditures	<u>240,934,680</u>	<u>280,486,638</u>	<u>275,327,229</u>	<u>(5,159,409)</u>
Excess (deficiency) of revenue over expenditures	(4,212,539)	(4,892,366)	1,687,107	6,579,473
<b>Other financing sources</b>				
Capital leases issued	—	—	959,875	959,875
Net change in fund balances	<u>\$ (4,212,539)</u>	<u>\$ (4,892,366)</u>	<u>2,646,982</u>	<u>\$ 7,539,348</u>
<b>Fund balances</b>				
Beginning of year			<u>75,778,964</u>	
End of year			<u>\$ 78,425,946</u>	

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Net Position  
 Governmental Activities  
 Internal Service Funds  
 as of June 30, 2017  
 (With Partial Comparative Information as of June 30, 2016)

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current assets		
Cash and temporary investments	\$ 14,502,468	\$ 14,749,399
Cash and investments held by trustee	23,270,699	22,222,730
Accounts and interest receivable	<u>220,082</u>	<u>174,487</u>
Total assets	37,993,249	37,146,616
<b>Liabilities</b>		
Current liabilities		
Accounts and contracts payable	380,076	136,667
Due to other governmental units	849,061	520,084
Post-employment severance benefits payable	1,474,209	1,600,233
Long-term liabilities		
Net other post-employment benefit obligation	9,544,262	8,590,288
Post-employment severance benefits payable	<u>7,259,558</u>	<u>8,615,897</u>
Total liabilities	19,507,166	19,463,169
<b>Net position</b>		
Restricted for employee benefits	13,058,441	13,286,845
Unrestricted	<u>5,427,642</u>	<u>4,396,602</u>
Total net position	<u>\$ 18,486,083</u>	<u>\$ 17,683,447</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Revenue, Expenses, and Changes in Net Position  
 Governmental Activities  
 Internal Service Funds  
 Year Ended June 30, 2017  
 (With Partial Comparative Information for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 7,454,355	\$ 3,305,511
Operating expenses		
Dental benefit claims	1,664,154	1,593,256
Medical benefit claims	4,294,477	-
Post-employment severance benefits	58,948	1,304,437
Other post-employment benefits	1,803,035	1,070,636
Total operating expenses	<u>7,820,614</u>	<u>3,968,329</u>
Operating (loss)	(366,259)	(662,818)
Nonoperating revenue		
Investment earnings	<u>1,168,895</u>	<u>956,627</u>
Change in net position	802,636	293,809
Net position		
Beginning of year	<u>17,683,447</u>	<u>17,389,638</u>
End of year	<u>\$ 18,486,083</u>	<u>\$ 17,683,447</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Cash Flows  
 Governmental Activities  
 Internal Service Funds  
 Year Ended June 30, 2017

(With Partial Comparative Information for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Received from assessments made to other funds	\$ 7,415,338	\$ 3,305,511
Payments for dental claims	(1,670,745)	(1,589,998)
Payments for medical claims	(4,044,477)	—
Post-employment severance and OPEB benefit payments	<u>(2,061,395)</u>	<u>(3,712,789)</u>
Net cash flows from operating activities	(361,279)	(1,997,276)
Cash flows from investing activities		
Investment income received	<u>1,162,317</u>	<u>934,232</u>
Net change in cash and cash equivalents	801,038	(1,063,044)
Cash and cash equivalents		
Beginning of year	<u>36,972,129</u>	<u>38,035,173</u>
End of year	<u>\$ 37,773,167</u>	<u>\$ 36,972,129</u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating (loss)	\$ (366,259)	\$ (662,818)
Adjustments to reconcile operating income to cash flows from operating activities		
Changes in assets and liabilities		
Accounts and interest receivable	(39,017)	—
Accounts and contracts payable	243,409	(1,084,742)
Due to other governmental units	328,977	520,084
Post-employment severance benefits payable	(1,482,363)	(1,320,352)
Net other post-employment benefit obligation	<u>953,974</u>	<u>550,552</u>
Net cash flows from operating activities	<u>\$ (361,279)</u>	<u>\$ (1,997,276)</u>
Cash and cash equivalents are reported on the Statement of Net Position as follows:		
Cash and temporary investments	\$ 14,502,468	\$ 14,749,399
Cash and investments held by trustee	<u>23,270,699</u>	<u>22,222,730</u>
Total cash and cash equivalents	<u>\$ 37,773,167</u>	<u>\$ 36,972,129</u>

See notes to basic financial statements



INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Fiduciary Net Position  
Fiduciary Funds  
as of June 30, 2017

	<u>Employee Benefit Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and temporary investments	\$ —	\$ 1,755,768
Investments held by trustee, at fair value		
MNTrust Investment Shares Portfolio	231,817	
Total assets	<u>231,817</u>	
<b>Liabilities</b>		
Accounts and contracts payable	130,143	
Due to other governmental units	<u>—</u>	<u>\$ 1,755,768</u>
Total liabilities	<u>130,143</u>	
<b>Net position</b>		
Held in trust for employee benefits	<u>\$ 101,674</u>	

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

	<u>Employee Benefit Trust Funds</u>
<b>Additions</b>	
Plan member contributions	\$ 1,071,010
<b>Deductions</b>	
Benefits to plan members	1,053,744
Administrative costs	611
Total deductions	<u>1,054,355</u>
Change in net position	16,655
<b>Net position</b>	
Beginning of year	<u>85,019</u>
End of year	<u>\$ 101,674</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Notes to Basic Financial Statements  
June 30, 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

Independent School District No. 279 – Osseo Area Schools (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**B. Reporting Entity**

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board has elected not to control or be otherwise financially accountable with respect to the underlying extracurricular activities. Accordingly, the extracurricular student activity accounts are not included in these financial statements.

**C. Government-Wide Financial Statement Presentation**

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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 internally directed revenues are reported as general revenues.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as "unallocated depreciation expense." Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

**D. Fund Financial Statement Presentation**

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type, pension (or other benefit) trust, and agency. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

The internal service funds are presented in the proprietary fund financial statements. Because the principal user of the internal services are the District's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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 revenue of the District's internal service funds are charges to customers for service. Operating expenses for the internal service funds include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes (which include state aid funding formulas for specific years) and accounting principles generally accepted in the United States of America. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, post-employment severance benefits, other post-employment health benefits, compensated absences, and net pension liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds.

Internal service and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

**Description of Funds**

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

**Major Governmental Funds**

**General Fund** – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The District's General Fund maintains two accounts:

1. **Operating Account** – The Operating Account is used to account for the general operations of the District, including pupil transportation activities.
2. **Capital Expenditure Account** – The Capital Expenditure Account is used to account for the maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

**Capital Projects – Building Construction Fund** – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by debt issue or levy issuance program.

**Debt Service Fund** – Debt service funds are used to account for the accumulation of resources for, and payment of, general obligation bonds, interest, and related costs. The General Obligation Bonds Debt Service Account is used for the debt service on all general obligation bonds except for the 2009A Taxable Other Post-Employment Benefit (OPEB) Bond issue for which a separate OPEB Bonds Debt Service Account is established.

**Nonmajor Governmental Funds**

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

**Community Service Special Revenue Fund** – The Community Service Special Revenue Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, pre-K-8 extended day programs, or other similar services.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Proprietary Funds**

**Internal Service Funds** – The internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The District has four internal service funds. The District's internal service funds include financing for self-insurance of the employee health and dental insurance programs, retirement incentive pay, and post-employment benefits revocable trust activity.

**Fiduciary Funds**

**Employee Benefit Trust Funds** – The employee benefit trust funds are used to administer resources received and held by the District as the trustee for others. These funds include the District's Flexible Benefit Plan (Internal Revenue Code [IRC] § 125 Cafeteria Plan) and the Post-Employment Benefits Irrevocable Trust Fiduciary Fund (IRC § 501(c)9). The Post-Employment Benefits Irrevocable Trust Fiduciary Fund previously held assets in an irrevocable trust to fund post-employment healthcare benefits of eligible employees. During fiscal 2017, the remaining balance of the fund was used to cover administrative costs from its closure in the prior year.

**Agency Funds** – The agency funds were established to account for cash and other assets held by the District as the agent for others. These funds are used to account for a local collaborative time study grant and the Northwest Family Service Center.

**E. Budgeting**

The budget for each fund is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund account level. The School Board adopts an annual budget for the following fiscal year for the General Fund (including separate budgets for the Operating and Capital Expenditure Accounts), Food Service Special Revenue Fund, Community Service Special Revenue Fund, General Obligation Bonds Debt Service Account, and OPEB Bonds Debt Service Account. An annual budget is not adopted for the Capital Projects – Building Construction Fund because project-length financial plans are adopted in accordance with bond issue authorization. Budgeted expenditure appropriations lapse at year-end. Expenditures exceed budgeted amounts in the General Fund Capital Expenditure Account by \$534,291.

**F. Cash and Investments**

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Bond proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to the fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the internal service funds, trust accounts are established to finance future OPEB obligations. In the employee benefit trust funds, trust accounts are established for flexible benefits to employees. Interest earned on these investments was allocated directly to those accounts.

Investments are generally stated at fair value, except for investments in external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are also reported at amortized cost. Investment income is accrued at the Balance Sheet date.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the District's recurring fair value measurements as of year-end.

### G. Receivables

All receivables are shown, net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The receivables not expected to be fully collected within one year are property taxes receivable and note receivable.

### H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

### I. Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Minnesota Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$4,278,004 of the property tax levy collectible in 2017 as revenue to the District in fiscal year 2017. The remaining portion of the taxes collectible in 2017 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the District at periodic intervals as they are collected.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### J. Capital Assets

Capital 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 their estimated acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. 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 purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for furniture and equipment.

Capital assets not being depreciated include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks or other land improvements are considered to be part of the cost of buildings or other improvable property.

### K. Accounts and Contracts Payable

At June 30, 2017, accounts and contracts payable are \$8,774,051 and \$313,993, respectively, within the Statement of Net Position.

### L. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

### M. Vacation Pay

Since teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no vacation liabilities are recorded in the financial statements.

### N. Sick Pay

Substantially all district employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of post-employment severance and health benefits for some employees upon termination.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Post-Employment Severance Benefits**

The District provides post-employment severance benefits to certain eligible employees. The District finances these obligations with an Internal Service Fund.

The District maintains various early retirement incentive payment plans for its employee groups. The amount of the early retirement incentive payment is calculated using balances in accrued sick leave and also based on years of service. No employee can receive a payment exceeding one year's salary. All of the post-employment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements.

The District has established a separate Retirement Incentive Pay Internal Service Fund to account for the post-employment severance benefits. The benefits are funded as the liability is incurred on an actuarially determined basis. In addition to the funding of accumulated benefits already earned, the District's funding policy requires an annual contribution of an amount equal to the current year service cost adjusted for any amortization. The District has approximately 294 active participants being funded by the Retirement Incentive Pay Internal Service Fund.

**P. 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 the Teachers Retirement Association (TRA) and additions to/deductions from the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the 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.

The TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into the PERA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association in 2015.

The PERA has a special funding situation created by a direct aid contribution made by the state of Minnesota. The direct aid is a result of the merger of the Minneapolis Employees Retirement Fund into the PERA on January 1, 2015.

**Q. Risk Management**

**General Insurance** – 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 workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in the current year.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

The District makes premium payments to these funds on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss insurance premium costs and administrative service charges.

District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the balance of dental claim liabilities for the last two years were:

Year Ended June 30,	Claim Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claim Liability End of Year
2016	\$ 133,409	\$ 1,593,256	\$ 1,589,998	\$ 136,667
2017	\$ 136,667	\$ 1,664,154	\$ 1,670,745	\$ 130,076

Changes in the balance of health insurance claim liabilities for the last year were:

Year Ended June 30,	Claim Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claim Liability End of Year
2017	\$ –	\$ 4,294,477	\$ 4,044,477	\$ 250,000

**R. Deferred Outflows/Inflows of Resources**

In addition to assets, statements 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred outflows of resources related to pensions reported in the government-wide Statement of Net Position. This deferred outflow results from differences between expected and actual experience, changes of assumptions, changes in proportion, differences between projected and actual earnings on pension plan investments, and from contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

In addition to liabilities, statements of financial position or balance sheets 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items which qualify for reporting in this category.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The first 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 second item, unavailable revenue from property taxes and notes receivable, arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes and notes receivable 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 third item, deferred inflows of resources related to pensions, is reported in the government-wide Statement of Net Position. This deferred inflow results from differences between expected and actual experience, changes of assumptions, changes in proportion, and differences between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards.

### S. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalents. The proprietary fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent. The cash and investments held by trustee in the Post-Employment Benefits Revocable Trust Internal Service Fund are also considered a cash equivalent.

### T. Restricted Assets

Restricted assets are cash and cash equivalents and the related interest receivable whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the government-wide financial statements. In the fund financial statements these assets have been reported as "cash and investments held by trustee" and the interest receivable is included within "accounts and interest receivable."

### U. Net Position

In the government-wide and Internal Service Fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflow of resources. Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### V. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself.
- **Unassigned** – The residual classification for the General Fund which also reflects negative residual amounts in other funds.

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

When nonspendable, restricted, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) nonspendable, 2) restricted, 3) assigned, and 4) unassigned.

### W. Minimum Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding maintaining a minimum fund balance for the General Fund. The policy states that the District will endeavor to maintain an unassigned fund balance that will not fall below 5.0 percent of the District's General Fund operating expenditure budget, excluding operating capital programs. At June 30, 2017, the unassigned fund balance of the General Fund was 24.7 percent of the fiscal 2017 General Fund Operating Account expenditures.

### X. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2016, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

### Y. 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 and disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**A. Components of Cash and Investments**

Cash and investments at year-end consist of the following:

Deposits	\$ 75,792,463
Investments	122,427,985
Cash on hand	5,750
<b>Total</b>	<b>\$ 198,226,198</b>

Cash and investments are presented in the financial statements as follows:

Statement of Net Position	
- Cash and temporary investments	\$ 172,967,914
Statement of Net Position – restricted assets – temporarily restricted	
Cash and investments for OPEB	23,270,699
Statement of Fiduciary Net Position – Employee Benefit Trust Funds	
Investments held by trustee, at fair value	231,817
MNTrust Investment Shares Portfolio	
Statement of Fiduciary Net Position – Agency Fund	
Cash and temporary investments	1,755,768
<b>Total</b>	<b>\$ 198,226,198</b>

**B. Deposits**

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and nonnegotiable certificates of deposit.

The following is considered the most significant risk associated with deposits:

**Custodial Credit Risk** – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

The District's deposit policies do not further limit depository choices.

At year-end, the carrying amount of the District's deposits was \$75,792,463, while the balance on the bank records was \$75,792,473. At June 30, 2017, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the District's agent in the District's name.

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Investments**

The District has the following investments at year-end:

Investment Type	Rating	Agency	Fair Value Measurements Using	Interest Risk – Maturity Duration in Years					Total
				Less Than 1	1 to 3	3 to 10	More Than 10		
U.S. Government agencies	AA	S&P	Level 2	\$ 995,820	\$ 992,248	\$ –	\$ –	\$ –	\$ 1,988,068
Municipal bonds	Aaa	Moody's	Level 2	\$ 2,162,532	\$ –	\$ –	\$ 156,870	\$ –	2,319,402
Municipal bonds	Aa	Moody's	Level 2	\$ 5,315,243	\$ 3,044,876	\$ 250,658	\$ 952,660	\$ –	9,560,937
Municipal bonds	AA	S&P	Level 2	\$ 707,192	\$ 577,430	\$ 147,012	\$ 386,547	\$ –	1,812,201
Municipal bonds	A	Moody's	Level 2	\$ –	\$ –	\$ –	\$ 318,377	\$ –	318,377
Corporate obligations	Aaa	Moody's	Level 2	\$ –	\$ –	\$ –	\$ 260,167	\$ –	260,167
Corporate obligations	Aa	Moody's	Level 2	\$ 275,032	\$ 504,778	\$ 303,973	\$ –	\$ 1,083,785	1,883,785
Corporate obligations	AA	S&P	Level 2	\$ –	\$ –	\$ 397,170	\$ –	\$ –	397,170
Corporate obligations	A	Moody's	Level 2	\$ 524,281	\$ 201,587	\$ 1,913,740	\$ 819,852	\$ –	3,459,460
Corporate obligations	Baa	Moody's	Level 2	\$ –	\$ –	\$ 454,330	\$ 266,005	\$ –	700,335
Corporate obligations	BBB	S&P	Level 2	\$ –	\$ 304,726	\$ –	\$ –	\$ –	304,726
Stocks	N/A	N/A	Level 2	\$ –	\$ –	\$ –	\$ –	\$ –	6,950,533
Negotiable certificates of deposit	N/A	N/A	Level 2	\$ 495,963	\$ 2,834,020	\$ –	\$ –	\$ –	3,329,983
Investment pools/mutual funds									
Minnesota School District Liquid Asset Fund (MSDLAF)	AAA	S&P	N/A	N/A	N/A	N/A	N/A	N/A	5,079,294
First American Prime Obligations Fund (S&P)	AAA	S&P	Level 2	N/A	N/A	N/A	N/A	N/A	4
Gold Sachs Financial Square	AAA	S&P	Level 2	N/A	N/A	N/A	N/A	N/A	19,559
Prime Obligations Fund Class FST	AAA	S&P	Level 2	N/A	N/A	N/A	N/A	N/A	19,559
MNTrust Investment Shares Portfolio	AAA	S&P	N/A	N/A	N/A	N/A	N/A	N/A	83,953,109
<b>Total investments</b>									<b>\$ 172,477,088</b>

NAV – Investments measured at the net asset value

N/A – Not Applicable

The amount in investment pools/mutual funds includes amounts invested in the MNTrust Investment Shares Portfolio (MNTrust) and amounts invested in the Minnesota School District Liquid Asset Fund (MSDLAF), which are external investment pools regulated by Minnesota Statutes not registered with the Securities Exchange Commission (SEC). The District's investment in these funds is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

For MNTrust and MSDLAF investments, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class. Within MSDLAF, the redemption notice period is 14 days for the MAX Class.

Investments are subject to various risks, the following of which are considered the most significant:

**Custodial Credit Risk** – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**Credit Risk** – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers.

The District has an internal investment policy that limits investment choices and addresses these potential risks beyond the statutory limitations described above. The District's policy requires that investments be diversified to avoid unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. No more than 66 percent of the total portfolio can be placed with any one depository. The maximum percentage in which the portfolio can be invested in specific instruments is as follows:

U.S. treasury obligations	100%
U.S. government agency securities and instrumentalities of government sponsored corporations	75%
Repurchase agreements	25%
Certificates of deposit – FDIC covered	100%
Certificates of deposit – savings and loans	75%
Local government investment pool	75%
Money market funds	75%

For assets held in the Revocable Internal Service Funds, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. Minnesota Statutes authorize the Trust Fund to invest in obligations of the U.S. treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the state of Minnesota or its municipalities, bankers' acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, and commercial paper of the highest quality with a maturity no longer than 270 days and in the Minnesota State Board of Investments.

**Concentration Risk** – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policy does not further address concentration risk.

**Interest Rate Risk** – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District's investment policies do not limit the maturities of investments; however, the District considers such things as interest rates and cash flow needs when purchasing investments.

**NOTE 3 – CAPITAL ASSETS**

Capital assets and accumulated depreciation activity for the current year is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated	\$ 8,323,417	\$ –	\$ –	\$ –	\$ 8,323,417
Land	6,655,427	11,462,219	–	(11,417,778)	6,699,868
Construction in progress	–	–	–	–	–
Total capital assets, not depreciated	14,978,844	11,462,219	–	(11,417,778)	15,023,285
Capital assets, depreciated	31,479,888	1,192,512	–	–	32,672,400
Land improvements	428,532,037	3,801,409	–	11,417,778	443,751,224
Buildings	10,098,560	698,886	(53,376)	–	10,744,070
Furniture and equipment	470,110,485	5,692,807	(53,376)	11,417,778	487,167,694
Total capital assets, depreciated	(20,771,927)	(1,032,293)	–	–	(21,804,220)
Less accumulated depreciation for	(142,827,657)	(8,875,024)	–	–	(151,702,681)
Buildings	(6,506,606)	(3,81,670)	53,376	–	(7,034,900)
Furniture and equipment	(170,106,190)	(10,488,987)	53,376	–	(180,541,801)
Total accumulated depreciation	–	–	–	–	–
Net capital assets, depreciated	–	–	–	–	–
Total capital assets, net	\$ 314,983,139	\$ 4,796,180	\$ –	\$ 11,417,778	\$ 306,625,893

Depreciation expense for the year was charged to the following governmental functions:

District support services	\$ 2,112,685
Elementary and secondary regular instruction	68,044
Vocational education instruction	2,856
Special education instruction	5,137
Instructional support services	36,639
Food service	215,339
Community service	33,143
Unallocated depreciation expense	8,015,144
Total depreciation expense	\$ 10,488,987



**NOTE 4 – LONG-TERM LIABILITIES**

**A. General Obligation Bonds and Notes**

The District currently has the following general obligation bonds and notes payable outstanding:

Issue	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
General obligation bonds and notes, including refunding bonds					
2009A Taxable OPEB Bonds	01/07/2009	6.00%	\$ 16,000,000	02/01/2022	\$ 12,095,000
2009B Taxable OPEB Bonds	06/11/2009	3.13%-4.00%	\$ 8,945,000	02/01/2022	8,945,000
2010A Refunding Bonds	03/25/2010	4.00%-5.00%	\$ 35,790,000	02/01/2021	17,640,000
2011A Alternative Facilities Bonds	04/27/2011	4.00%-4.13%	\$ 8,685,000	02/01/2023	6,685,000
2013A Alternative Facilities Bonds	06/04/2013	0.30%-1.75%	\$ 6,625,000	02/01/2023	6,525,000
2014A Capital Facilities Bonds	11/18/2014	2.00%-3.00%	\$ 5,770,000	02/01/2029	4,795,000
2015A Alternative Facilities Bonds	05/06/2015	2.00%-3.00%	\$ 9,355,000	02/01/2025	9,355,000
2015B Capital Notes	05/06/2015	2.00%-3.00%	\$ 1,475,000	02/01/2025	1,175,000
2015C Refunding Bonds	05/06/2015	2.00%-3.00%	\$ 42,075,000	02/01/2021	28,965,000
2016A Facilities Maintenance Bonds	11/16/2016	2.75%-4.00%	\$ 50,745,000	02/01/2032	50,745,000
Total general obligation bonds and notes					\$ 148,925,000

**B. Certificates of Participation**

The District currently has the following certificates of participation outstanding:

Issue	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
2014B Certificates of Participation	11/18/2014	2.00%-4.00%	\$ 14,085,000	02/01/2030	\$ 12,655,000

**C. Description of Long-Term Liabilities**

**General Obligation Bonds and Notes** – These obligations were issued to finance acquisition and/or construction of capital facilities, finance OPEB, or to refinance (refund) previous bond issues. Assets of the debt service funds, together with scheduled deferred ad valorem tax revenue, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

**Certificates of Participation** – In November 2014, the District sold \$14,085,000 of certificates of participation to finance the construction of additions to several high school sites. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates. These certificates of participation are being paid by the General Fund.

**Capital Leases Payable** – The District entered into capital lease agreements to finance equipment purchases, which call for monthly principal and interest payments through July 2019 with interest rates ranging from zero percent to 2.71 percent. These leases are paid by the General Fund. Amortization of the leased equipment required to be capitalized is included in depreciation. At June 30, 2017, the capitalized assets under capital lease have been recorded at \$1,164,867 (the present value of future minimum lease payments as of the inception dates of the leases).

**NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)**

**Post-Employment Severance Benefits Payable** – Post-employment severance benefits payable consist of early retirement incentive pay (based on convertible sick leave) payable to employees upon retirement. Post-employment severance benefits are paid by the Retirement Incentive Pay Internal Service Fund.

**Net Pension Liability and Net OPEB Obligation** – The details of these liabilities are discussed elsewhere in these notes. Such benefits are financed by the governmental funds and the Post-Employment Benefits Revocable Trust Fund, respectively.

District employees participate in two defined benefit pension plans, including two state-wide, cost-sharing, multi-employer plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2017:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide multi-employer – PERA	\$ 60,587,736	\$ 23,869,047	\$ 6,363,320	\$ 7,256,413
State-wide multi-employer – TRA	\$ 546,171,934	\$ 348,720,539	\$ 3,291,292	\$ 86,850,651
Total	\$ 606,759,670	\$ 372,589,586	\$ 9,654,612	\$ 94,107,064

**D. Minimum Debt Payments**

Minimum annual principal and interest payments required to retire general obligation bonds and notes, certificates of participation, and capital leases:

Year Ending June 30,	General Obligation Bonds and Notes		Certificates of Participation		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 13,455,000	\$ 6,092,608	\$ 785,000	\$ 455,525	\$ 3,327,487	\$ 49,402
2019	14,125,000	5,082,313	810,000	431,975	825,219	9,595
2020	16,965,000	4,368,163	835,000	407,675	240,883	2,168
2021	17,805,000	3,596,488	860,000	382,625	–	–
2022	12,435,000	2,783,888	885,000	356,825	–	–
2023-2027	36,670,000	8,591,138	4,990,000	1,223,725	–	–
2028-2032	37,470,000	3,319,404	3,490,000	238,013	–	–
	\$ 148,925,000	\$ 35,834,002	\$ 12,655,000	\$ 3,496,363	\$ 4,393,589	\$ 61,165

**E. Changes in Long-Term Liabilities**

Long-term liabilities	Balance Beginning of Year		Additions	Retirements	Balance End of Year	Due Within One Year
	Principal	Interest				
General obligation bonds and notes	\$ 111,020,000	\$ 50,745,000	\$ 12,840,000	\$ 148,925,000	\$ 13,455,000	
Certificates of participation	13,425,000	–	770,000	12,655,000	785,000	
Capital leases	6,731,949	959,875	–	3,298,235	4,393,589	3,377,487
Unamortized premiums on debt issued	8,901,279	2,232,510	1,782,991	17,239,689	9,350,798	–
Net pension liability	180,051,413	443,947,946	–	–	606,759,670	–
Post-employment severance benefits payable	10,216,130	269,597	–	1,751,960	8,733,767	1,474,209
Net OPEB obligation	8,590,888	1,969,724	–	1,008,750	9,544,262	–
	\$ 338,936,059	\$ 500,117,652	\$ 38,691,625	\$ 800,362,086	\$ 19,041,696	

**NOTE 5 – FUND BALANCES**

The following is a breakdown of equity components of governmental funds which are defined earlier in the report. Any such restrictions which have an accumulated deficit rather than positive balance at June 30 are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. However, a description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

**A. Classifications**

At June 30, 2017, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable Inventory	\$ 297,954	\$ -	\$ -	\$ 2,575	\$ 300,529
Restricted					
Operating capital	9,051,446	-	-	-	9,051,446
Grifted and talented	186,373	-	-	-	186,373
Safe schools crime levy	22,212	-	-	-	22,212
Medical assistance	1,379,090	-	-	-	1,379,090
Certificates of participation	-	\$ -	-	-	\$ -
Capital notes	-	110,375	-	-	110,375
Long-term facilities maintenance	-	43,139,399	-	-	43,139,399
Food service	-	-	-	3,765,437	3,765,437
Community education	-	-	-	951,826	951,826
Early childhood family education programs	-	-	-	1,138,364	1,138,364
School readiness	-	-	-	885,597	885,597
Adult basic education	-	-	-	4,652	4,652
General debt service	-	-	3,632,513	-	3,632,513
OPEB bonds debt service	-	-	472,487	-	472,487
Total restricted	10,639,121	43,249,779	4,105,000	6,745,866	64,739,766
Assigned					
Subsequent year budget	4,258,291	-	-	-	4,258,291
Unassigned					
Capital projects levy restricted account deficit	(189)	-	-	-	(189)
Long-term facilities maintenance restricted account deficit	(35,359)	-	-	-	(35,359)
Unassigned	63,266,128	-	-	-	63,266,128
Total unassigned	63,230,580	-	-	-	63,230,580
Total	\$ 78,625,946	\$ 43,249,779	\$ 4,105,000	\$ 6,745,441	\$ 132,529,166

**NOTE 6 – POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN**

**A. Plan Description**

The District provides post-employment healthcare benefits to certain eligible employees. The District provides these benefits in a single-employer defined benefit healthcare plan administered by the District. The plan does not issue a publicly available financial report. All of the post-employment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. These benefits are summarized as follows:

**Others' Post-Employment Medical Plan** – All retirees of the District have the option to continue their medical coverage into retirement. Retirees must pay the full district premium rate for their coverage and dependent coverage. Coverage in the District's plan ends at age 65.

**Teachers' Post-Employment Medical Plan** – For teachers with 15 continuous years of service, they are eligible to receive a contribution towards the teacher's health insurance after retirement from age 55 to 65. The amount will be determined by multiplying the teacher's daily rate of pay at the time of retirement times the number of the teacher's accumulated sick leave days in excess of 123 days as of the date of retirement. However, the total amount will not exceed \$37,800. The monthly district contribution toward the premium will be determined using the cumulative total amount earned divided by the number of months until the teacher qualifies for Medicare. The benefit amount will not exceed 100 percent of the premium of the insurance plan selected by the teacher. If the teacher's full-time equivalent (FTE) status is not full-time at the time of retirement, the benefit will be prorated according to the teacher's current FTE.

**Administrators' Post-Employment Medical Plan** – The District pays for full medical plan coverage after retirement for certain administrators and their spouses and dependents up to age 65.

**B. Funding Policy**

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the District.

**C. Annual OPEB Cost and Net OPEB Obligation**

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

ARC	\$ 2,089,504
Interest on net OPEB obligation	408,039
Adjustment to ARC	(534,819)
Annual OPEB cost	1,962,724
Contributions made	1,008,750
Increase in net OPEB obligation	953,974
Net OPEB obligation – beginning of year	8,590,288
Net OPEB obligation – end of year	\$ 9,544,262

**NOTE 6 – POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (CONTINUED)**

The District's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation for the past three years are as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 1,579,997	\$ 1,065,753	67.5 %	\$ 8,039,736
2016	\$ 1,590,551	\$ 1,039,999	65.4 %	\$ 8,590,288
2017	\$ 1,962,724	\$ 1,008,750	51.4 %	\$ 9,544,262

**D. Funded Status and Funding Progress**

On March 1, 2016, the most recent actuarial valuation date, the plan was 1.6 percent funded. The actuarial accrued liability for benefits was \$18,189,955, and the actuarial value of assets was \$291,393, resulting in an unfunded actuarial accrued liability (UAAL) of \$17,898,562. The covered payroll (annual payroll of active employees covered by the plan) was \$159,990,178, and the ratio of the UAAL to the covered payroll was 11.2 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress following the notes to basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Actuarial Methods and Assumptions**

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

In the March 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.75 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.60 percent initially, reduced by decrements to an ultimate rate of 4.40 percent after 60 years. Both rates included a 2.75 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar amount of projected payroll on an open basis. The remaining amortization period on March 1, 2016 was 30 years.

**NOTE 6 – POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (CONTINUED)**

**F. Membership**

Membership in the plan consisted of the following as of March 1, 2016:

Retirees and beneficiaries receiving benefits	202
Active plan members	2,887
Total members	3,089

**NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**A. Plan Descriptions**

The District participates in the following cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The PERA's and the TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. The PERA's and the TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the IRC.

**1. General Employees Retirement Fund (GERF)**

The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

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

**2. Teachers Retirement Association (TRA)**

The 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. The TRA is a separate statutory entity administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

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

**B. Benefits Provided**

The PERA and the TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature.

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded, or have fallen below 80.0 percent, are given 1.0 percent increases.
- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January and are assumed to remain level at 2.0 percent annually.

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

**1. GERS Benefits**

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the 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 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at age 66.

**2. TRA Benefits**

The 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 Statutes 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 the 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.

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

**Tier I Benefits**

	Step-Rate Formula	Percentage per Year
<b>Basic Plan</b>		
First 10 years of service		2.2 %
All years after		2.7 %
<b>Coordinated Plan</b>		
First 10 years if service years are up to July 1, 2006		1.2 %
First 10 years if service years are July 1, 2006 or after		1.4 %
All other years of service if service years are up to July 1, 2006		1.7 %
All other years of service if service years are up to July 1, 2006 or after		1.9 %

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.
- Three percent 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 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent for Basic Plan members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. 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.

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

**C. Contributions**

Minnesota Statutes set the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

**1. GERF Contributions**

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2017; the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2017 were \$3,667,745. The District's contributions were equal to the required contributions as set by state statutes.

**2. TRA Contributions**

Minnesota Statutes, Chapter 354 sets the rates for employer and employee contributions. Rates for each fiscal year were:

	Year Ended June 30,			
	2016		2017	
	Employee	Employer	Employee	Employer
<b>Basic Plan</b>	11.0 %	11.5 %	11.0 %	11.5 %
<b>Coordinated Plan</b>	7.5 %	7.5 %	7.5 %	7.5 %

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2017, were \$9,552,598. The District's contributions were equal to the required contributions for each year as set by state statutes.

The following is a reconciliation of employer contributions in the TRA's Comprehensive Annual Financial Report (CAFR) Statement of Changes in Fiduciary Net Position to the employer contributions used in the Schedule of Employer and Nonemployer Pension Allocations:

Employer contributions reported in the TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 354,961,140
Add employer contributions not related to future contribution efforts	26,356
Deduct the TRA's contributions not included in allocation	<u>(442,978)</u>
Total employer contributions	354,544,518
Total nonemployer contributions	<u>35,587,410</u>
Total contributions reported in Schedule of Employer and Nonemployer Pension Allocations	<u>\$ 390,131,928</u>

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. The TRA has rounded percentage amounts to the nearest ten thousandths.

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

**D. Pension Costs**

**1. GERF Pension Costs**

At June 30, 2017, the District reported a liability of \$60,587,736 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.7462 percent at the end of the measurement period and 0.7414 percent for the beginning of the period.

The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$6 million to the fund in 2017. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. 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	\$ 60,587,736
State's proportionate share of the net pension liability associated with the District	<u>791,251</u>
Total	<u>\$ 61,378,987</u>

For the year ended June 30, 2017, the District recognized pension expense of \$7,020,483 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional \$235,930 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$6 million to the GERF.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 178,163	\$ 4,913,495
Changes in actuarial assumptions	13,059,564	-
Differences between projected and actual investment earnings	6,777,004	-
Changes in proportion	186,571	1,450,025
District's contributions to the GERF subsequent to the measurement date	<u>3,667,745</u>	<u>-</u>
Total	<u>\$ 23,869,047</u>	<u>\$ 6,363,520</u>

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

A total of \$3,667,745 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2018	\$ 3,558,374
2019	\$ 2,183,779
2020	\$ 5,907,093
2021	\$ 2,188,536

**2. TRA Pension Costs**

At June 30, 2017, the District reported a liability of \$546,171,934 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 2.2898 percent at the end of the measurement period and 2.2895 percent for the beginning of the period.

The pension liability amount reflected a reduction due to direct aid provided to the 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	\$ 546,171,934
State's proportionate share of the net pension liability associated with the District	54,820,624
<b>Total</b>	<b>\$ 600,992,558</b>

For the year ended June 30, 2017, the District recognized pension expense of \$79,195,856. It also recognized \$7,654,795 as an increase to pension expense for the support provided by direct aid.

At June 30, 2017, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 5,735,708	\$ 15,225
Changes in actuarial assumptions	311,026,826	—
Difference between projected and actual investment earnings	22,389,942	—
Changes in proportion	15,465	3,276,067
District's contributions to the TRA subsequent to the measurement date	9,552,598	—
<b>Total</b>	<b>\$ 348,720,539</b>	<b>\$ 3,291,292</b>

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

A total of \$9,552,598 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2018	\$ 66,252,200
2019	\$ 66,252,200
2020	\$ 74,807,753
2021	\$ 67,992,199
2022	\$ 60,572,297

**E. Actuarial Assumptions**

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

Assumptions	GERF	TRA
Inflation	2.50% per year	
Price inflation		2.75%
Wage growth rate		3.50%
Active member payroll	3.25% per year	3.50–9.50% based on years of service
Investment rate of return	7.50%	4.66%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabled were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1 percent per year for all future years for the GERF and 2 percent per year for all future years for the TRA.

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

The following changes in actuarial assumptions for the GERF occurred in 2016:

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

There was a change in actuarial assumptions that affected the measurement of the total liability for the TRA since the prior measurement date. Post-retirement benefit adjustments are now assumed to remain level at 2.00 percent annually, while in the previous measurement the cost of living adjustment increased to 2.50 percent in 2034.

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

The long-term expected rate of return on pension plan investments is 7.50 percent for the GERF and 4.66 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

**F. Discount Rate**

**1. GERF**

The discount rate used to measure the total pension liability in 2016 was 7.5 percent, a reduction from the 7.9 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the fiscal 2017 contribution rates. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**2. TRA**

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

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

**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	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	\$ 86,052,545	\$ 60,587,736	\$ 39,611,669
TRA discount rate	3.66%	4.66%	5.66%
District's proportionate share of the TRA net pension liability	\$ 703,605,966	\$ 546,171,934	\$ 417,947,050

**H. Pension Plan Fiduciary Net Position**

Detailed information about the GERF's fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the PERA website at [www.mnpera.org](http://www.mnpera.org); by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-4000; or by calling (651) 296-7460 or (800) 652-9026.

Detailed information about the TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at the TRA website at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org); by writing to the TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-4000; or by calling (651) 296-2409 or (800) 657-3669.

**NOTE 8 – FLEXIBLE BENEFIT PLAN**

The District has a flexible benefit plan which is classified as a "cafeteria plan" (the Plan) under § 125 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits.

Before the beginning of the Plan year, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund.

**NOTE 8 – FLEXIBLE BENEFIT PLAN (CONTINUED)**

Amounts withheld for medical reimbursement and dependent care are paid by the District to a trust account maintained by an outside administrator on a monthly basis. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical reimbursement and dependent care activity is included in the financial statements in the Post-Employment Benefits Revocable Trust Internal Service Fund, Flexible Benefit Plan Trust Fund, and the Post-Employment Benefits Irrevocable Trust Fiduciary Fund.

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors of the District in an amount equal to eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

**NOTE 9 – LEASE ARRANGEMENTS**

The District is leasing equipment, buildings, and space in several locations. The District incurred costs of approximately \$523,153 for operating leases during the year ended June 30, 2017. These leases are scheduled to expire on various dates through 2020. Many of the leases are negotiated on a yearly basis and payment commitments extend out one year. The following is a summary of minimum lease payment commitments for all operating leases:

Year Ending June 30,	Amount
2018	\$ 104,729
2019	79,126
2020	81,104
	<u>\$ 264,959</u>

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

**A. Federal and State Revenue**

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

**B. Contingencies**

The District is a defendant in various lawsuits. Although the outcomes of these lawsuits are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

**C. Construction Contracts**

At June 30, 2017, the District had commitments totaling approximately \$21.3 million under various construction contracts for which the work was not yet completed.



INDEPENDENT SCHOOL DISTRICT NO. 279

Public Employees Retirement Association Pension Benefits Plan  
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability  
Year Ended June 30, 2017

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability as a Percentage of the Total Pension Liability	District's Proportionate Share of the Net Pension Liability as a Percentage of the Total Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.7950%	\$ 37,345,117	\$ 41,705,669	89.54%	78.70%
06/30/2016	06/30/2015	0.7414%	\$ 38,423,195	\$ 42,823,653	89.72%	78.20%
06/30/2017	06/30/2016	0.7462%	\$ 60,387,736	\$ 79,251,446	131.31%	68.90%

Public Employees Retirement Association Pension Benefits Plan  
Schedule of District Contributions  
Year Ended June 30, 2017

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 3,211,774	\$ 42,823,653	7.50%
06/30/2016	\$ 3,460,530	\$ 46,140,396	7.50%
06/30/2017	\$ 3,667,745	\$ 48,899,109	7.50%

Note 1: **Changes of Benefit Terms** - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the GIERF, 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.

Note 2: **Changes in Actuarial Assumptions** - (1) 2015 Changes - The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter. (2) 2016 Changes - The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all future years. The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Note 3: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 279

Teachers Retirement Association Pension Benefits Plan  
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability  
Year Ended June 30, 2017

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability as a Percentage of the Total Pension Liability	District's Proportionate Share of the Net Pension Liability as a Percentage of the Total Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	2.4605%	\$ 113,378,668	\$ 7,976,017	101.0%	81.50%
06/30/2016	06/30/2015	2.2895%	\$ 141,628,218	\$ 17,371,855	121.9%	76.80%
06/30/2017	06/30/2016	2.2898%	\$ 546,171,934	\$ 54,820,654	458.6%	44.88%

Teachers Retirement Association Pension Benefits Plan  
Schedule of District Contributions  
Year Ended June 30, 2017

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 8,713,050	\$ 8,713,050	7.5%
06/30/2016	\$ 8,933,896	\$ 8,933,896	7.5%
06/30/2017	\$ 9,552,598	\$ 9,552,598	7.5%

Note 1: **Changes of Benefit Terms** - The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

Note 2: **Changes in Actuarial Assumptions** - (1) 2015 Changes - The annual cost of living adjustment for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent with an increase to 2.50 percent commencing in 2034. The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent. (2) 2016 Changes - The discount rate used to measure the total pension liability was 4.66 percent. Details, if necessary, can be obtained from TRA's CAFR.

Note 3: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 279

Other Post-Employment Benefits Plan  
 Schedule of Funding Progress and Schedule of Employer Contributions  
 June 30, 2017

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
March 1, 2012	\$ 18,433,766	\$ 3,208,232	\$ 15,225,534	17.4 %	\$ 134,920,782	11.3 %
March 1, 2014	\$ 17,327,159	\$ 1,285,350	\$ 16,041,809	7.4 %	\$ 154,000,000	10.4 %
March 1, 2016	\$ 18,189,955	\$ 291,393	\$ 17,898,562	1.6 %	\$ 159,990,178	11.2 %

INDEPENDENT SCHOOL DISTRICT NO. 279

Nonmajor Governmental Funds  
 Combining Balance Sheet  
 as of June 30, 2017  
 (With Partial Comparative Information for the Year Ended June 30, 2016)

	Special Revenue Funds		
	Food Service	Community Service	Totals
<b>Assets</b>			
Cash and temporary investments	\$ 3,914,109	\$ 4,058,333	\$ 7,972,442
Receivables	—	1,246,771	1,246,771
Current taxes	—	20,086	20,086
Delinquent taxes	—	245,988	245,988
Accounts and interest	250,622	597,756	848,378
Due from other governmental units	2,575	—	2,575
Inventory	—	—	—
<b>Total assets</b>	<b>\$ 4,167,306</b>	<b>\$ 6,168,934</b>	<b>\$ 10,336,240</b>
<b>Liabilities</b>			
Salaries payable	\$ 13,546	\$ 406,520	\$ 420,066
Accounts and contracts payable	129,909	246,745	376,654
Unearned revenue	255,849	—	255,849
Total liabilities	399,304	653,265	1,052,569
<b>Deferred inflows of resources</b>			
Property taxes levied for subsequent year	—	2,523,098	2,523,098
Unavailable revenue – delinquent taxes	—	12,132	12,132
Total deferred inflows of resources	—	2,535,230	2,535,230
<b>Fund balances</b>			
Nonspendable for inventory	2,575	—	2,575
Restricted	3,765,427	2,980,439	6,745,866
Total fund balances	3,768,002	2,980,439	6,748,441
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,167,306</b>	<b>\$ 6,168,934</b>	<b>\$ 10,336,240</b>

INDEPENDENT SCHOOL DISTRICT NO. 279

Nonmajor Governmental Funds  
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Year Ended June 30, 2017  
 (With Partial Comparative Information for the Year Ended June 30, 2016)

	Special Revenue Funds		Totals
	Food Service	Community Service	
Revenue			
Local sources			
Property taxes	\$ -	\$ 2,437,044	\$ 1,999,515
Investment earnings	23,439	32,296	25,229
Other	5,346,728	11,389,704	15,711,506
State sources	623,415	4,083,737	4,255,420
Federal sources	6,953,828	592,924	7,026,463
Total revenue	12,949,410	18,535,705	29,018,133
Expenditures			
Current			
Food service	12,142,784	-	12,021,733
Community service	-	17,937,598	16,420,852
Capital outlay	100,416	158,911	255,030
Total expenditures	12,243,200	18,096,509	28,697,615
Net change in fund balances	706,210	439,196	320,518
Fund balances			
Beginning of year	3,061,792	2,541,243	5,282,517
End of year	\$ 3,768,002	\$ 2,980,439	\$ 5,603,035

INDEPENDENT SCHOOL DISTRICT NO. 279

Food Service Special Revenue Fund  
 Comparative Balance Sheet  
 as of June 30, 2017 and 2016

	2017	2016
Assets		
Cash and temporary investments	\$ 3,914,109	\$ 3,240,646
Receivables	-	8,466
Accounts and interest	250,622	289,982
Due from other governmental units	2,575	8,553
Inventory	-	-
Total assets	\$ 4,167,306	\$ 3,547,647
Liabilities		
Salaries payable	\$ 13,546	\$ 60,689
Accounts and contracts payable	129,909	168,766
Unearned revenue	255,849	256,400
Total liabilities	399,304	485,855
Fund balances		
Nonspendable for inventory	2,575	8,553
Restricted	3,765,427	3,053,239
Total fund balances	3,768,002	3,061,792
Total liabilities and fund balances	\$ 4,167,306	\$ 3,547,647

INDEPENDENT SCHOOL DISTRICT NO. 279

Food Service Special Revenue Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2017  
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		2016	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 19,000	\$ 23,439	\$ 4,439	\$ 10,248
Other – primarily meal sales	5,030,543	5,346,728	316,185	5,054,596
State sources	623,964	623,415	(549)	583,386
Federal sources	6,752,642	6,955,828	203,186	6,541,234
Total revenue	12,426,149	12,949,410	523,261	12,189,464
Expenditures				
Current				
Salaries	4,317,152	4,138,495	(178,657)	4,112,618
Employee benefits	1,224,668	1,183,449	(41,219)	1,057,994
Purchased services	1,149,843	1,168,868	19,025	1,099,572
Supplies and materials	5,997,170	5,641,051	(356,119)	5,743,568
Other expenditures	-	10,921	10,921	7,981
Capital outlay	135,000	100,416	(34,584)	118,725
Total expenditures	12,823,833	12,243,200	(580,633)	12,140,458
Net change in fund balances	\$ (397,684)	706,210	\$ 1,103,894	49,006
Fund balances				
Beginning of year		3,061,792		3,012,786
End of year		\$ 3,768,002		\$ 3,061,792

INDEPENDENT SCHOOL DISTRICT NO. 279

Community Service Special Revenue Fund  
 Comparative Balance Sheet  
 as of June 30, 2017 and 2016

	2017	2016
Assets		
Cash and temporary investments	\$ 4,058,333	\$ 3,642,128
Receivables	1,246,771	1,180,538
Current taxes	20,086	16,959
Delinquent taxes	245,988	223,533
Accounts and interest	597,756	505,679
Due from other governmental units		
Total assets	\$ 6,168,934	\$ 5,568,837
Liabilities		
Salaries payable	\$ 406,520	\$ 443,252
Accounts and contracts payable	246,745	195,287
Total liabilities	653,265	638,539
Deferred inflows of resources		
Property taxes levied for subsequent year	2,523,098	2,375,031
Unavailable revenue – delinquent taxes	12,132	14,024
Total deferred inflows of resources	2,535,230	2,389,055
Fund balances		
Restricted for community education programs	951,826	982,178
Restricted for early childhood family education programs	1,138,364	933,716
Restricted for school readiness	885,597	535,106
Restricted for adult basic education	4,652	90,243
Total fund balances	2,980,439	2,541,243
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,168,934	\$ 5,568,837

INDEPENDENT SCHOOL DISTRICT NO. 279

Community Service Special Revenue Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2017  
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		2016	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 2,381,559	\$ 2,437,044	\$ 55,485	\$ 1,999,515
Investment earnings	20,000	32,296	12,296	14,981
Other – primarily tuition and fees	11,046,132	11,389,704	343,572	10,656,910
State sources	4,175,519	4,083,737	(91,782)	3,672,034
Federal sources	721,245	592,924	(128,321)	485,229
Total revenue	<u>18,344,455</u>	<u>18,535,705</u>	<u>191,250</u>	<u>16,828,669</u>
Expenditures				
Current				
Salaries	10,799,417	10,652,970	(146,447)	9,876,045
Employee benefits	3,084,413	3,068,033	(16,380)	2,808,549
Purchased services	3,170,130	2,937,578	(232,552)	2,551,585
Supplies and materials	1,179,199	1,200,851	21,652	1,132,127
Other expenditures	97,353	78,166	(19,187)	52,546
Capital outlay	183,702	158,911	(24,791)	136,305
Total expenditures	<u>18,514,214</u>	<u>18,096,509</u>	<u>(417,705)</u>	<u>16,537,157</u>
Net change in fund balances	\$ (169,759)	\$ 439,196	\$ 608,955	\$ 271,512
Fund balances				
Beginning of year		2,541,243		2,269,731
End of year		<u>\$ 2,980,439</u>		<u>\$ 2,541,243</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund  
 Comparative Balance Sheet  
 as of June 30, 2017 and 2016

	2017	2016
Assets		
Cash and temporary investments	\$ 89,891,654	\$ 89,795,220
Receivables		
Current taxes	34,231,459	31,868,544
Delinquent taxes	567,499	529,765
Accounts and interest	835,572	214,749
Notes receivable	459,344	441,677
Due from other governmental units	23,398,082	19,738,142
Inventory	297,954	389,880
Total assets	<u>\$ 149,681,564</u>	<u>\$ 142,977,977</u>
Liabilities		
Salaries payable	\$ 599,355	\$ 978,325
Accounts and contracts payable	4,079,184	3,584,355
Due to other governmental units	689,114	1,903,222
Total liabilities	<u>5,367,653</u>	<u>6,465,902</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	65,075,228	59,857,630
Unavailable revenue – notes receivable	459,344	441,677
Unavailable revenue – delinquent taxes	353,393	433,804
Total deferred inflows of resources	<u>65,887,965</u>	<u>60,733,111</u>
Fund balances (deficits)		
Nonspendable for inventory	297,954	389,880
Restricted for operating capital	9,051,446	8,890,846
Restricted for gifted and talented	186,373	109,120
Restricted for safe schools crime levy	22,212	32,666
Restricted for medical assistance	1,379,090	–
Assigned for subsequent year budget	4,258,291	3,628,175
Unassigned – health and safety restricted account deficit	–	(343,907)
Unassigned – capital projects levy restricted account deficit	(189)	(89,523)
Unassigned – long-term facilities maintenance restricted account deficit	(35,359)	–
Unassigned	63,266,128	63,161,707
Total fund balances	<u>78,425,946</u>	<u>75,778,964</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 149,681,564</u>	<u>\$ 142,977,977</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2017  
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		2016	
	Budget	Actual	Over (Under) Budget	Actual
<b>Revenue</b>				
Local sources				
Property taxes	\$ 63,775,861	\$ 64,453,408	\$ 677,547	\$ 61,356,156
Investment earnings	530,000	678,911	148,911	286,468
Other	5,290,901	5,674,541	383,640	5,648,090
State sources	195,902,118	197,130,962	1,228,844	194,656,081
Federal sources	10,095,392	9,076,514	(1,018,878)	8,184,157
Total revenue	275,594,272	277,014,336	1,420,064	270,130,952
<b>Expenditures</b>				
Current				
Administration				
Salaries	8,104,615	8,013,365	(91,250)	8,002,738
Employee benefits	2,599,886	2,523,249	(76,637)	2,359,355
Purchased services	242,498	162,820	(79,678)	142,707
Supplies and materials	67,162	88,002	20,840	80,887
Capital expenditures	5,000	2,176	(2,824)	2,795
Other expenditures	350,357	211,726	(138,631)	229,746
Total administration	11,369,518	11,001,338	(368,180)	10,818,228
District support services				
Salaries	4,769,851	4,542,524	(227,327)	4,254,191
Employee benefits	1,650,806	1,574,673	(76,133)	1,398,054
Purchased services	(171,322)	(450,388)	(279,066)	(106,229)
Supplies and materials	380,594	222,649	(157,945)	205,226
Capital expenditures	343,272	260,263	(83,009)	176,650
Other expenditures	381,369	311,009	(70,360)	244,911
Total district support services	7,334,570	6,460,730	(873,840)	6,172,803
Elementary and secondary regular instruction				
Salaries	93,618,843	93,219,995	(398,848)	89,330,126
Employee benefits	33,368,846	32,539,587	(829,259)	31,775,204
Purchased services	4,836,539	4,753,837	(82,702)	4,956,185
Supplies and materials	3,250,300	2,926,642	(323,658)	2,693,284
Capital expenditures	1,105,923	2,008,862	902,939	3,978,889
Other expenditures	254,539	1,087,823	833,284	346,197
Total elementary and secondary regular instruction	136,434,990	136,536,746	101,756	133,079,885

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual (continued)  
 Year Ended June 30, 2017  
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		2016	
	Budget	Actual	Over (Under) Budget	Actual
<b>Expenditures (continued)</b>				
Current (continued)				
Vocational education instruction				
Salaries	2,221,206	2,188,199	(33,007)	2,041,121
Employee benefits	808,215	779,961	(28,254)	705,750
Purchased services	447,547	358,273	(89,274)	262,539
Supplies and materials	140,186	121,801	(18,385)	143,943
Capital expenditures	59,185	60,180	995	225,312
Other expenditures	1,305	1,005	(300)	1,564
Total vocational education instruction	3,677,644	3,509,419	(168,225)	3,380,229
Special education instruction				
Salaries	32,486,260	31,942,832	(543,428)	30,579,062
Employee benefits	12,260,240	12,028,369	(231,871)	11,728,444
Purchased services	4,188,480	3,561,838	(626,642)	5,363,368
Supplies and materials	371,436	274,372	(97,064)	222,769
Capital expenditures	208,223	99,906	(108,317)	74,427
Other expenditures	148,833	287,499	138,666	157,872
Total special education instruction	49,663,472	48,194,816	(1,468,656)	48,125,942
Instructional support services				
Salaries	12,058,455	11,805,908	(252,547)	10,284,910
Employee benefits	3,767,497	3,767,731	234	3,220,387
Purchased services	1,256,019	956,517	(299,502)	956,292
Supplies and materials	1,175,206	1,117,611	(57,595)	1,236,433
Capital expenditures	1,738,662	1,538,703	(199,959)	3,815,476
Other expenditures	86,348	78,657	(7,691)	76,646
Total instructional support services	20,082,187	19,265,127	(817,060)	19,590,144
Pupil support services				
Salaries	5,456,269	5,311,746	(144,523)	5,052,263
Employee benefits	2,151,601	2,082,749	(68,852)	1,889,231
Purchased services	14,326,846	14,229,720	(97,126)	13,012,842
Supplies and materials	223,964	108,039	(115,925)	77,166
Capital expenditures	43,995	40,608	(3,387)	25,374
Other expenditures	845	1,508	663	2,200
Total pupil support services	22,203,520	21,774,370	(429,150)	20,059,076

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual (continued)  
 Year Ended June 30, 2017  
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		2016	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	7,369,446	6,915,352	(454,094)	6,292,155
Employee benefits	3,054,096	2,948,211	(105,885)	2,550,676
Purchased services	5,801,875	5,618,022	(183,853)	4,904,720
Supplies and materials	2,368,878	2,136,282	(232,596)	2,004,672
Capital expenditures	5,928,634	5,841,017	(87,617)	3,559,985
Other expenditures	30,000	6,351	(23,649)	47,329
Total sites and buildings	24,552,929	23,465,235	(1,087,694)	19,359,537
Fiscal and other fixed cost programs				
Purchased services	550,000	501,639	(48,361)	529,352
Debt service				
Principal	4,068,235	4,068,235	-	3,765,743
Interest and fiscal charges	549,573	549,574	1	607,321
Total debt service	4,617,808	4,617,809	1	4,373,064
Total expenditures	280,486,638	275,327,229	(5,159,409)	265,488,260
Excess (deficiency) of revenue over expenditures	(4,892,366)	1,687,107	6,579,473	4,642,692
Other financing sources				
Capital leases issued	-	959,875	959,875	6,281,320
Net change in fund balances	\$ (4,892,366)	2,646,982	\$ 7,539,348	10,924,012
Fund balances				
Beginning of year		75,778,964		64,854,952
End of year		\$ 78,425,946		\$ 75,778,964

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account  
 Comparative Balance Sheet  
 as of June 30, 2017 and 2016

	2017	2016
Assets		
Cash and temporary investments	\$ 79,217,058	\$ 80,673,325
Receivables		
Current taxes	34,231,459	31,868,544
Delinquent taxes	567,499	529,765
Accounts and interest	805,908	170,981
Due from other governmental units	23,286,377	19,714,820
Inventory	257,014	347,972
Total assets	\$ 138,365,315	\$ 133,305,407
Liabilities		
Salaries payable	\$ 597,242	\$ 978,325
Accounts and contracts payable	2,286,886	2,892,017
Due to other governmental units	683,458	1,863,991
Total liabilities	3,567,586	5,734,333
Deferred inflows of resources		
Property taxes levied for subsequent year	65,075,228	59,857,630
Unavailable revenue – delinquent taxes	353,393	433,804
Total deferred inflows of resources	65,428,621	60,291,434
Fund balances		
Nonspendable for inventory	257,014	347,972
Restricted for gifted and talented	186,373	109,120
Restricted for safe schools crime levy	22,212	32,666
Restricted for medical assistance	1,379,090	-
Assigned for subsequent year budget	4,258,291	3,628,175
Unassigned	63,266,128	63,161,707
Total fund balances	69,369,108	67,279,640
Total liabilities, deferred inflows of resources, and fund balances	\$ 138,365,315	\$ 133,305,407

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2017  
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		2016	
	Budget	Actual	Over (Under) Budget	Actual
<b>Revenue</b>				
Local sources				
Property taxes	\$ 54,195,244	\$ 54,872,791	\$ 677,547	\$ 56,353,162
Investment earnings	510,000	648,573	138,573	275,516
Other	4,914,646	5,301,497	386,851	5,164,607
State sources	187,535,374	188,741,825	1,206,451	185,858,768
Federal sources	10,095,392	9,076,514	(1,018,878)	8,184,157
Total revenue	257,230,636	258,641,200	1,390,564	255,836,210
<b>Expenditures</b>				
Current				
Administration				
Salaries	8,104,615	8,013,365	(91,250)	8,002,738
Employee benefits	2,599,886	2,523,249	(76,637)	2,359,335
Purchased services	242,498	162,820	(79,678)	142,707
Supplies and materials	67,162	88,002	20,840	80,887
Other expenditures	350,357	211,726	(138,631)	229,746
Total administration	11,364,518	10,999,162	(365,356)	10,815,433
District support services				
Salaries	4,691,405	4,464,078	(227,327)	4,178,337
Employee benefits	1,609,509	1,553,503	(56,006)	1,377,530
Purchased services	(642,417)	(865,366)	(222,949)	(554,511)
Supplies and materials	346,844	192,136	(154,708)	205,226
Capital expenditures	40,451	48,451	8,000	70,000
Other expenditures	381,369	311,009	(70,360)	244,911
Total district support services	6,427,161	5,703,811	(723,350)	5,521,493
Elementary and secondary regular instruction				
Salaries	93,618,843	93,219,995	(398,848)	89,330,126
Employee benefits	33,368,846	32,539,587	(829,259)	31,775,204
Purchased services	4,836,539	4,753,837	(82,702)	4,956,185
Supplies and materials	2,582,530	2,295,310	(287,220)	2,253,723
Capital expenditures	425,096	385,801	(39,295)	532,409
Other expenditures	254,539	1,087,823	833,284	346,197
Total elementary and secondary regular instruction	135,086,393	134,282,353	(804,040)	129,193,844

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2017  
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		2016	
	Budget	Actual	Over (Under) Budget	Actual
<b>Expenditures (continued)</b>				
Current (continued)				
Vocational education instruction				
Salaries	2,221,206	2,188,199	(33,007)	2,041,121
Employee benefits	808,215	779,961	(28,254)	705,750
Purchased services	447,547	358,273	(89,274)	262,539
Supplies and materials	91,186	93,389	2,203	100,536
Capital expenditures	5,185	5,185	—	12,644
Other expenditures	1,305	1,005	(300)	1,564
Total vocational education instruction	3,574,644	3,426,012	(148,632)	3,124,154
Special education instruction				
Salaries	32,486,260	31,942,832	(543,428)	30,579,062
Employee benefits	12,260,240	12,028,369	(231,871)	11,728,444
Purchased services	4,188,480	3,561,838	(626,642)	5,363,368
Supplies and materials	371,436	274,372	(97,064)	222,769
Capital expenditures	204,541	96,565	(107,976)	68,598
Other expenditures	148,833	287,499	138,666	157,872
Total special education instruction	49,659,790	48,191,475	(1,468,315)	48,120,113
Instructional support services				
Salaries	10,966,217	10,720,550	(245,667)	9,223,198
Employee benefits	3,507,822	3,519,514	11,692	2,853,773
Purchased services	1,256,019	930,891	(325,128)	814,781
Supplies and materials	553,673	474,834	(78,839)	503,611
Capital expenditures	397,038	384,538	(12,500)	—
Other expenditures	86,348	78,657	(7,691)	76,646
Total instructional support services	16,767,117	16,108,984	(658,133)	13,472,009
Pupil support services				
Salaries	5,456,269	5,311,746	(144,523)	5,052,263
Employee benefits	2,151,601	2,082,749	(68,852)	1,889,231
Purchased services	14,326,846	14,229,720	(97,126)	13,012,842
Supplies and materials	223,964	108,039	(115,925)	77,166
Capital expenditures	15,930	15,377	(553)	96
Other expenditures	845	1,508	663	2,200
Total pupil support services	22,175,435	21,749,139	(426,316)	20,033,798

(continued)



INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund - Operating Account  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual (continued)  
 Year Ended June 30, 2017  
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		2016	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	7,144,993	6,690,733	(454,260)	6,121,411
Employee benefits	2,980,812	2,874,000	(106,812)	2,486,328
Purchased services	3,876,764	3,615,137	(261,627)	3,478,831
Supplies and materials	2,293,878	2,064,970	(228,908)	1,932,015
Other expenditures		410	410	
Total sites and buildings	16,296,447	15,245,250	(1,051,197)	14,018,585
Fiscal and other fixed cost programs				
Purchased services	550,000	501,639	(48,361)	529,352
Total expenditures	261,901,525	256,207,825	(5,693,700)	244,828,781
Excess (deficiency) of revenue over expenditures	(4,650,869)	2,433,375	7,084,244	11,007,429
Other financing (uses)				
Intrafund transfers		(343,907)	(343,907)	
Net change in fund balances	\$ (4,650,869)	2,089,468	\$ 6,740,337	11,007,429
Fund balances				
Beginning of year		67,279,640		56,272,211
End of year		\$ 69,369,108		\$ 67,279,640

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund - Capital Expenditure Account  
 Comparative Balance Sheet  
 as of June 30, 2017 and 2016

	2017	2016
Assets		
Cash and temporary investments	\$ 10,674,596	\$ 9,121,895
Receivables		
Accounts and interest	29,664	43,768
Notes receivable	459,344	441,677
Due from other governmental units	111,705	23,322
Inventory	40,940	41,908
Total assets	\$ 11,316,249	\$ 9,672,570
Liabilities		
Salaries payable	\$ 2,113	\$ -
Accounts and contracts payable	1,792,298	692,338
Due to other governmental units	5,656	39,231
Total liabilities	1,800,067	731,569
Deferred inflows of resources		
Unavailable revenue - notes receivable	459,344	441,677
Fund balances (deficits)		
Nonspendable for inventory	40,940	41,908
Restricted for operating capital	9,051,446	8,890,846
Unassigned - capital projects levy restricted account deficit	(189)	(89,523)
Unassigned - health and safety restricted account deficit	-	(343,907)
Unassigned - long-term facilities maintenance restricted account deficit	(35,359)	-
Total fund balances	9,056,838	8,499,324
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,316,249	\$ 9,672,570

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Capital Expenditure Account  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2017  
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		2016	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 9,580,617	\$ 9,580,617	\$ -	\$ 5,002,994
Investment earnings	20,000	30,338	10,338	10,952
Other	376,255	373,044	(3,211)	483,483
State sources	8,366,744	8,389,137	22,393	8,797,313
Total revenue	18,343,616	18,373,136	29,520	14,294,742
Expenditures				
Current				
Administration				
Capital expenditures	5,000	2,176	(2,824)	2,795
District support services				
Salaries	78,446	78,446	-	75,854
Employee benefits	21,297	21,170	(127)	20,524
Purchased services	471,095	414,978	(56,117)	448,282
Supplies and materials	33,750	30,513	(3,237)	-
Capital expenditures	302,821	211,812	(91,009)	106,650
Total district support services	907,409	756,919	(150,490)	651,310
Elementary and secondary regular instruction				
Supplies and materials	667,770	631,332	(36,438)	439,561
Capital expenditures	680,827	1,623,061	942,234	3,446,480
Total elementary and secondary regular instruction	1,348,597	2,254,393	905,796	3,886,041
Vocational education instruction				
Supplies and materials	49,000	28,412	(20,588)	43,407
Capital expenditures	54,000	54,995	995	212,668
Total vocational education services	103,000	83,407	(19,593)	256,075
Special education instruction				
Capital expenditures	3,682	3,341	(341)	5,829

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Capital Expenditure Account  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual (continued)  
 Year Ended June 30, 2017  
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		2016	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Instructional support services				
Salaries	1,092,238	1,085,358	(6,880)	1,061,712
Employee benefits	259,675	248,217	(11,458)	366,614
Purchased services	-	25,626	25,626	141,511
Supplies and materials	621,533	642,777	21,244	732,822
Capital expenditures	1,341,624	1,154,165	(187,459)	3,815,476
Total instructional support services	3,315,070	3,156,143	(158,927)	6,118,135
Pupil support services				
Capital expenditures	28,065	25,231	(2,834)	25,278
Sites and buildings				
Salaries	224,453	224,619	166	170,744
Employee benefits	73,284	74,211	927	64,348
Purchased services	1,925,111	2,002,885	77,774	1,425,889
Supplies and materials	75,000	71,312	(3,688)	72,657
Capital expenditures	5,928,634	5,841,017	(87,617)	3,559,985
Other expenditures	30,000	5,941	(24,059)	47,329
Total sites and buildings	8,256,482	8,219,985	(36,497)	5,340,952
Debt service				
Principal	4,068,235	4,068,235	-	3,765,743
Interest and fiscal charges	549,573	549,574	1	607,321
Total debt service	4,617,808	4,617,809	1	4,373,064
Total expenditures	18,585,113	19,119,404	534,291	20,659,479
Excess (deficiency) of revenue over expenditures	(241,497)	(746,268)	(504,771)	(6,364,737)
Other financing sources				
Capital leases issued	-	959,875	959,875	6,281,320
Intrafund transfers	-	343,907	343,907	-
Total other financing sources	-	1,303,782	1,303,782	6,281,320
Net change in fund balances	\$ (241,497)	\$ 557,514	\$ 799,011	(83,417)
Fund balances				
Beginning of year		8,499,324		8,582,741
End of year	\$ 9,056,838	\$ 9,056,838		\$ 8,499,324

INDEPENDENT SCHOOL DISTRICT NO. 279

Capital Projects – Building Construction Fund  
Comparative Balance Sheet  
as of June 30, 2017 and 2016

	2017	2016
<b>Assets</b>		
Cash and temporary investments	\$ 47,404,990	\$ 5,725,173
Receivables	96,919	18,309
Accounts and interest	\$ 47,501,909	\$ 5,743,482
<b>Total assets</b>		
Liabilities		
Salaries payable	\$ –	\$ 1,125
Accounts and contracts payable	4,252,130	790,101
<b>Total liabilities</b>	4,252,130	791,226
<b>Fund balances</b>		
Restricted for alternative facilities program	–	4,122,952
Restricted for building projects funded by certificates of participation	5	–
Restricted for building projects funded by capital facility bonds	–	452,290
Restricted for building projects funded by capital notes	110,375	377,014
Restricted for long-term facilities maintenance	43,139,399	–
<b>Total fund balances</b>	43,249,779	4,952,256
<b>Total liabilities and fund balances</b>	\$ 47,501,909	\$ 5,743,482

INDEPENDENT SCHOOL DISTRICT NO. 279

Capital Projects – Building Construction Fund  
Comparative Schedule of Revenue, Expenditures, and Changes in Fund Balances  
Years Ended June 30, 2017 and 2016

	2017	2016
<b>Revenue</b>		
Local sources		
Property taxes	\$ –	\$ 2,622,943
Investment earnings	219,410	22,545
<b>Total revenue</b>	219,410	2,645,488
<b>Expenditures</b>		
Capital outlay		
Salaries	578,560	515,338
Employee benefits	208,776	158,937
Purchased services	6,092	1,163
Capital expenditures	13,376,661	12,411,414
<b>Total capital outlay</b>	14,170,089	13,086,852
Debt service		
Interest and fiscal charges	139,308	–
<b>Total expenditures</b>	14,309,397	13,086,852
<b>Excess (deficiency) of revenue over expenditures</b>	(14,089,987)	(10,441,364)
<b>Other financing sources</b>		
Debt issued	50,745,000	–
Premium on debt issued	1,642,510	–
<b>Total other financing sources</b>	52,387,510	–
<b>Net change in fund balances</b>	38,297,523	(10,441,364)
<b>Fund balances</b>		
Beginning of year	4,952,256	15,393,620
<b>End of year</b>	\$ 43,249,779	\$ 4,952,256

INDEPENDENT SCHOOL DISTRICT NO. 279

Debt Service Fund  
Balance Sheet by Account  
as of June 30, 2017

(With Comparative Totals as of June 30, 2016)

	Debt Service Fund			Totals
	General Obligation Bonds	Post-Employment Benefits Bonds	Other	
	2017	2016	2017	2016
<b>Assets</b>				
Cash and temporary investments	\$ 11,222,665	\$ 1,973,695	\$ 13,196,360	\$ 11,933,822
Receivables				
Current taxes	7,481,416	1,473,433	8,954,849	8,935,767
Delinquent taxes	151,335	19,079	170,414	171,017
Due from other governmental units	33,636	5	33,641	108
<b>Total assets</b>	<b>\$ 18,889,052</b>	<b>\$ 3,466,212</b>	<b>\$ 22,355,264</b>	<b>\$ 21,040,714</b>
<b>Deferred inflows of resources</b>				
Property taxes levied for subsequent year	\$ 15,157,609	\$ 2,982,233	\$ 18,139,842	\$ 17,945,293
Unavailable revenue – delinquent taxes	98,930	11,492	110,422	143,963
<b>Total deferred inflows of resources</b>	<b>15,256,539</b>	<b>2,993,725</b>	<b>18,250,264</b>	<b>18,089,256</b>
<b>Fund balances</b>				
Restricted for general debt service	3,632,513	–	3,632,513	2,557,674
Restricted for OPEB bonds debt service	–	472,487	472,487	393,784
<b>Total fund balances</b>	<b>3,632,513</b>	<b>472,487</b>	<b>4,105,000</b>	<b>2,951,458</b>
<b>Total deferred inflows of resources and fund balances</b>	<b>\$ 18,889,052</b>	<b>\$ 3,466,212</b>	<b>\$ 22,355,264</b>	<b>\$ 21,040,714</b>

INDEPENDENT SCHOOL DISTRICT NO. 279

Debt Service Fund  
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account  
Year Ended June 30, 2017

(With Comparative Totals for the Year Ended June 30, 2016)

	Debt Service Fund			Total
	General Obligation Bonds	Post-Employment Benefits Bonds	Other	
	2017	2016	2017	2016
<b>Revenue</b>				
Local sources				
Property taxes	\$ 15,613,448	\$ 2,263,998	\$ 17,877,446	\$ 17,833,813
Investment earnings	6,223	14,126	20,349	13,922
State sources	336,284	129	336,413	1,076
<b>Total revenue</b>	<b>15,955,955</b>	<b>2,278,253</b>	<b>18,234,208</b>	<b>17,848,811</b>
<b>Expenditures</b>				
Debt service				
Principal	11,450,000	1,390,000	12,840,000	13,130,000
Interest and fiscal agent fees	4,021,116	809,550	4,830,666	5,870,822
<b>Total expenditures</b>	<b>15,471,116</b>	<b>2,199,550</b>	<b>17,670,666</b>	<b>19,000,822</b>
Excess (deficiency) of revenue over expenditures	484,839	78,703	563,542	(1,152,011)
Other financing sources (uses)				
Premium on debt issued	590,000	–	590,000	–
Debt retirement from refunding bonds	–	–	–	(46,930,000)
<b>Total other financing sources (uses)</b>	<b>590,000</b>	<b>–</b>	<b>590,000</b>	<b>(46,930,000)</b>
<b>Net change in fund balances</b>	<b>1,074,839</b>	<b>78,703</b>	<b>1,153,542</b>	<b>(48,082,011)</b>
<b>Fund balances</b>				
Beginning of year	2,557,674	393,784	2,951,458	51,033,469
<b>End of year</b>	<b>\$ 3,632,513</b>	<b>\$ 472,487</b>	<b>\$ 4,105,000</b>	<b>\$ 2,951,458</b>

INDEPENDENT SCHOOL DISTRICT NO. 279

General Obligation Bonds Debt Service Account  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual

Year Ended June 30, 2017  
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		2016	
	Budget	Actual	Over (Under) Budget	Actual
<b>Revenue</b>				
Local sources				
Property taxes	\$ 15,412,025	\$ 15,613,448	\$ 201,423	\$ 15,555,671
Investment earnings	15,000	6,223	(8,777)	7,847
State sources	919	336,284	335,365	859
Total revenue	<u>15,427,944</u>	<u>15,955,955</u>	<u>528,011</u>	<u>15,564,377</u>
<b>Expenditures</b>				
Debt service				
Principal retirement	11,450,000	11,450,000	-	11,830,000
Interest and fiscal agent fees	4,151,619	4,021,116	(130,503)	4,983,272
Total expenditures	<u>15,601,619</u>	<u>15,471,116</u>	<u>(130,503)</u>	<u>16,813,272</u>
Excess (deficiency) of revenue over expenditures	(173,675)	484,839	658,514	(1,248,895)
<b>Other financing sources (uses)</b>				
Premium on debt issuance	-	590,000	590,000	-
Debt retirement from refunding bonds	-	-	-	(46,930,000)
Total other financing sources (uses)	<u>-</u>	<u>590,000</u>	<u>590,000</u>	<u>(46,930,000)</u>
Net change in fund balances	<u>\$ (173,675)</u>	<u>1,074,839</u>	<u>\$ 1,248,514</u>	<u>(48,178,895)</u>
<b>Fund balances</b>				
Beginning of year		2,557,674		50,736,569
End of year		<u>\$ 3,632,513</u>		<u>\$ 2,557,674</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Other Post-Employment Benefits Bonds Debt Service Account  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual

Year Ended June 30, 2017  
 (With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		2016	
	Budget	Actual	Over (Under) Budget	Actual
<b>Revenue</b>				
Local sources				
Property taxes	\$ 2,255,257	\$ 2,263,998	\$ 8,741	\$ 2,278,142
Investment earnings	11,000	14,126	3,126	6,075
State sources	120	129	9	217
Total revenue	<u>2,266,377</u>	<u>2,278,253</u>	<u>11,876</u>	<u>2,284,434</u>
<b>Expenditures</b>				
Debt service				
Principal retirement	1,390,000	1,390,000	-	1,300,000
Interest and fiscal agent fees	810,100	809,550	(550)	887,550
Total expenditures	<u>2,200,100</u>	<u>2,199,550</u>	<u>(550)</u>	<u>2,187,550</u>
Net change in fund balances	<u>\$ 66,277</u>	<u>78,703</u>	<u>\$ 12,426</u>	<u>96,884</u>
<b>Fund balances</b>				
Beginning of year		393,784		296,900
End of year		<u>\$ 472,487</u>		<u>\$ 393,784</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Internal Service Funds  
 Combining Statement of Net Position  
 as of June 30, 2017  
 (With Comparative Totals as of June 30, 2016)

	Internal Service Funds		Totals	
	2017	2016	2017	2016
<b>Assets</b>				
Current assets				
Cash and temporary investments	\$ 680,358	\$ 910,581	\$ 14,502,468	\$ 14,749,399
Cash and investments held by trustee	—	—	23,270,699	22,222,730
Accounts and interest receivable	26,951	12,066	220,082	174,487
Total assets	707,309	922,647	37,993,249	37,146,616
<b>Liabilities</b>				
Current liabilities				
Accounts and contracts payable	130,076	250,000	380,076	136,667
Due to other governmental units	—	—	849,061	520,084
Post-employment severance benefits payable	—	—	1,474,209	1,600,233
Long-term liabilities				
Net other post-employment benefits obligation	—	—	9,544,262	8,590,288
Post-employment severance benefits payable	—	—	7,259,558	8,615,897
Total liabilities	130,076	250,000	19,507,166	19,463,169
Net position				
Restricted for employee benefits	577,233	672,647	13,058,441	13,286,845
Unrestricted	—	—	5,427,642	4,396,602
Total net position	\$ 577,233	\$ 672,647	\$ 18,486,083	\$ 17,683,447

INDEPENDENT SCHOOL DISTRICT NO. 279

Internal Service Funds  
 Combining Statement of Revenue, Expenses, and Changes in Net Position  
 Year Ended June 30, 2017  
 (With Comparative Totals for the Year Ended June 30, 2016)

	Dental Self-Insurance	Medical Self-Insurance	Retirement Incentive Pay	Post-Employment Benefits Revolvable Trust Fund	Totals
	2017	2016	2017	2016	2017
Operating revenue					
Contributions from governmental funds	\$ 1,740,256	\$ 4,964,099	\$ 250,000	\$ 500,000	\$ 7,454,355
Operating expenses					
Dental benefit claims	1,664,154	—	—	—	1,664,154
Medical benefit claims	—	4,294,477	—	—	4,294,477
Post-employment severance benefits	—	—	58,948	—	58,948
Other post-employment benefits	—	—	—	1,803,035	1,803,035
Total operating expenses	1,664,154	4,294,477	58,948	1,803,035	7,820,614
Operating income (loss)	76,102	669,622	191,052	(1,303,035)	(366,259)
Nonoperating revenue					
Investment earnings	2,797	3,025	88,442	1,074,631	1,168,895
Change in net position	78,899	672,647	279,494	(228,404)	802,636
Net position					
Beginning of year	498,334	—	3,898,268	13,286,845	17,683,447
End of year	\$ 577,233	\$ 672,647	\$ 4,177,762	\$ 13,058,441	\$ 18,486,083
					\$ 17,683,447

INDEPENDENT SCHOOL DISTRICT NO. 279  
Internal Service Funds  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2017  
(With Comparative Totals for the Year Ended June 30, 2016)

	Dental Self-Insurance	Medical Self-Insurance	Retirement Incentive Pay	Post-Employment Benefits Trust Fund	Totals
	2017	2016	2016	2016	2016
<b>Cash flows from operating activities</b>					
Contributions from governmental funds	\$ 1,713,305	\$ 4,952,033	\$ 250,000	\$ 7,415,338	\$ 3,305,511
Payments for dental claims	(1,670,745)	—	—	(1,670,745)	(1,589,998)
Payments for medical claims	—	(4,044,477)	—	(4,044,477)	—
Post-employment severance and OPEB benefit payments	—	—	(1,541,311)	(2,061,395)	(3,712,789)
Net cash flows from operating activities	42,560	907,556	(1,291,311)	(361,279)	(1,997,276)
<b>Cash flows from investing activities</b>					
Investment income received	2,797	3,025	88,442	1,162,317	934,232
Net change in cash and cash equivalents	45,357	910,581	(1,202,869)	801,038	(1,063,044)
<b>Cash and cash equivalents</b>					
Beginning of year	635,001	—	14,114,398	22,222,730	38,035,173
End of year	\$ 680,358	\$ 910,581	\$ 12,911,529	\$ 37,773,167	\$ 36,972,129
<b>Reconciliation of operating income to net cash flows from operating activities</b>					
Operating income (loss)	\$ 76,102	\$ 669,622	\$ 191,052	\$ (1,303,035)	\$ (366,259)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities					
Changes in assets and liabilities					
Accounts and interest receivable	(26,951)	(12,066)	—	—	(39,017)
Accounts and contracts payable	(6,591)	250,000	—	243,409	(1,084,742)
Due to other governmental units	—	—	—	328,977	520,084
Post-employment severance benefits payable	—	—	(1,482,363)	—	(1,320,352)
Net other post-employment benefits obligation	—	—	—	953,974	550,552
Net cash flows from operating activities	\$ 42,560	\$ 907,556	\$ (1,291,311)	\$ (20,084)	\$ (1,997,276)
<b>Cash and cash equivalents are reported on the Statement of Net Position as follows:</b>					
Cash and temporary investments	\$ 680,358	\$ 910,581	\$ 12,911,529	\$ —	\$ 14,502,468
Cash and investments held by trustee	—	—	—	23,270,699	22,222,730
Total cash and cash equivalents	\$ 680,358	\$ 910,581	\$ 12,911,529	\$ 37,773,167	\$ 36,972,129



INDEPENDENT SCHOOL DISTRICT NO. 279  
 Fiduciary Funds  
 Employee Benefit Trust Funds  
 Combining Statement of Fiduciary Net Position  
 as of June 30, 2017

	Flexible Benefit Plan	Post-Employment Benefits Irrevocable Trust Fund	Totals
<b>Assets</b>			
Investments held by trustee, at fair value			
MNTTrust Investment Shares Portfolio	\$ 231,817	\$ -	\$ 231,817
<b>Liabilities</b>			
Accounts and contracts payable	130,143	-	130,143
<b>Net position</b>			
Held in trust for employee benefits	\$ 101,674	\$ -	\$ 101,674
<b>Additions</b>			
Plan members contributions	\$ 1,071,010	\$ -	\$ 1,071,010
<b>Deductions</b>			
Benefits paid to plan members	1,053,744	-	1,053,744
Administrative costs	611	611	1,265
Total deductions	1,053,744	611	1,054,355
Change in net position	17,266	(611)	16,655
<b>Net position</b>			
Beginning of year	84,408	611	85,019
End of year	\$ 101,674	\$ -	\$ 101,674

INDEPENDENT SCHOOL DISTRICT NO. 279  
 Fiduciary Funds  
 Agency Funds  
 Combining Statement of Changes in Assets and Liabilities  
 Year Ended June 30, 2017

	Balance - July 1, 2016	Additions	Deletions	Balance - June 30, 2017
<b>Local collaborative time study</b>				
<b>Assets</b>				
Cash and temporary investments	\$ 1,628,443	\$ -	\$ 226,136	\$ 1,402,307
<b>Liabilities</b>				
Due to other governmental units	\$ 1,628,443	\$ -	\$ 226,136	\$ 1,402,307
<b>Northwest Family Service Center</b>				
<b>Assets</b>				
Cash and temporary investments	\$ 368,825	\$ 370,673	\$ 386,037	\$ 353,461
<b>Liabilities</b>				
Due to other governmental units	\$ 368,825	\$ 370,673	\$ 386,037	\$ 353,461
<b>Total agency funds</b>				
<b>Assets</b>				
Cash and temporary investments	\$ 1,997,268	\$ 370,673	\$ 612,173	\$ 1,755,768
<b>Liabilities</b>				
Due to other governmental units	\$ 1,997,268	\$ 370,673	\$ 612,173	\$ 1,755,768

**STATISTICAL SECTION (UNAUDITED)**

**INDEPENDENT SCHOOL DISTRICT NO. 279**

Net Position by Component  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	2008	2009	2010	Fiscal Year 2011
Governmental activities				
Net investment in capital assets	\$ 131,450,075	\$ 144,073,305	\$ 150,448,560	\$ 163,464,982
Restricted	17,721,351	13,292,206	15,771,277	12,675,484
Unrestricted	20,057,766	31,514,504	37,845,296	41,346,994
Total governmental activities net position	\$ 169,229,192	\$ 188,880,015	\$ 204,065,133	\$ 217,487,460

This section of Independent School District No. 279 – Osseo Area Schools’ (the District) Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

**Contents**

**Financial Trends**

These schedules contain trend information to help the reader understand how the District’s financial performance and well-being have changed over time.

**Revenue Capacity**

These schedules contain information to help the reader assess the District’s most significant local revenue source, property taxes.

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place.

**Operating Indicators**

These schedules contain service and infrastructure data to help the reader understand how the information in the District’s CAFR relates to the services the District provides, and the activities it performs.

Source: Unless otherwise noted, the information in these schedules is derived from the District’s CAFR for the relevant year.

Note: The District implemented GASB Statement No. 68 in fiscal 2015. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by approximately \$175.4 million.

INDEPENDENT SCHOOL DISTRICT NO. 279

Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	2008	2009	2010	Fiscal Year 2011
Expenses				
Governmental activities				
Administration	\$ 10,063,773	\$ 9,010,266	\$ 9,990,833	\$ 9,889,383
District support services	8,083,375	7,466,464	7,470,338	7,939,090
Elementary and secondary regular instruction	118,598,218	110,299,265	112,598,739	117,486,457
Vocational education instruction	3,728,269	3,009,509	3,414,483	2,979,308
Special education instruction	45,785,607	41,770,841	44,629,039	45,409,052
Instructional support services	14,963,628	13,992,893	12,435,878	15,395,191
Pupil support services	22,161,931	19,904,914	21,266,892	20,512,419
Sites and buildings	15,964,989	15,930,494	15,167,362	13,423,282
Fiscal and other fixed cost programs	473,187	406,778	323,660	338,224
Food service	9,196,217	9,640,003	9,834,805	10,230,489
Community service	12,936,464	13,444,016	13,819,853	13,880,502
Unallocated depreciation expense	7,583,134	6,942,870	7,173,730	7,320,312
Interest and fiscal charges on debt	11,673,207	11,603,663	12,218,481	8,151,200
Total governmental activities expenses	281,211,999	263,421,976	270,344,093	272,954,909
Program revenues				
Governmental activities				
Charges for services	5,129,756	5,088,224	5,171,603	4,924,319
Food service	8,138,424	8,106,834	8,126,265	8,417,053
Community service	4,141,480	5,267,724	5,142,327	4,963,175
All other	61,524,104	57,098,030	75,496,551	66,466,389
Operating grants and contributions	9,847,821	8,781,111	7,663,263	7,589,202
Capital grants and contributions				
Total governmental activities program revenues	88,781,585	84,341,923	101,600,009	92,360,138
Net (expense) revenue	(192,430,414)	(179,080,053)	(168,744,084)	(180,594,771)
General revenues and other changes in net position				
Governmental activities				
Taxes				
Property taxes, levied for general purposes	36,266,718	43,768,195	44,627,270	63,920,940
Property taxes, levied for community service	1,559,500	1,272,495	2,500,000	2,648,450
Property taxes, levied for debt service	17,672,387	18,727,775	19,240,286	19,827,193
Property taxes, levied for capital projects	3,496,264	2,252,863	1,690,268	2,369,678
General grants and aids	129,243,681	128,054,844	110,986,372	103,822,810
Other general revenues	63,633	46,918	20,433	52,094
Gain on sale of capital assets			1,242,367	
Investment earnings	6,014,985	4,607,786	3,622,206	1,375,933
Total governmental activities	194,317,168	198,730,876	183,929,202	194,017,098
Change in net position	\$ 1,886,754	\$ 19,650,823	\$ 15,185,118	\$ 13,422,327

	2012	2013	2014	2015	2016	2017
\$ 168,810,854	\$ 178,183,551	\$ 188,480,399	\$ 188,563,705	\$ 193,342,167	\$ 201,669,570	
9,848,155	11,675,297	13,284,014	15,826,198	15,552,674	19,153,181	
44,898,462	39,882,941	45,000,285	(112,847,413)	(99,033,629)	(169,293,406)	
\$ 223,557,471	\$ 229,741,789	\$ 246,764,698	\$ 91,542,490	\$ 109,861,212	\$ 51,529,345	

INDEPENDENT SCHOOL DISTRICT NO. 279

Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	2012	2013	2014	2015	2016	2017	2008	2009	2010	2011
General Fund	\$ 10,010,161	\$ 9,302,245	\$ 9,575,101	\$ 10,381,868	\$ 10,818,228	\$ 11,001,338	\$ 506,027	\$ 660,346	\$ 533,030	\$ -
Reserved	7,846,332	7,707,269	7,526,010	7,703,891	8,179,156	8,567,156	12,214,774	7,336,875	10,161,288	-
Operating Account	119,863,495	120,150,495	116,638,592	129,757,253	132,739,729	199,497,344	(395,386)	(55,785)	(162,696)	-
Capital Expenditure Account	3,483,484	2,224,938	3,141,382	2,577,175	3,382,640	3,512,275	20,088,634	31,789,373	40,290,600	-
Unreserved - Capital Expenditure Account	44,724,609	46,747,032	46,401,292	44,261,176	47,918,552	63,245,199	-	-	-	-
Unreserved - Operating Account	12,333,695	12,485,545	15,078,139	18,218,550	19,542,885	19,301,766	-	-	-	2,065,648
Nonspendable	20,217,797	21,507,907	21,381,700	21,213,677	20,057,132	21,774,370	-	-	-	153,481
Operating Account	15,331,085	16,097,883	16,537,008	17,371,714	18,587,008	20,886,238	-	-	-	-
Capital Expenditure Account	338,499	515,881	531,895	607,963	529,352	501,639	-	-	-	237,001
Restricted	10,795,396	10,891,333	11,330,855	11,239,240	12,207,490	12,579,723	-	-	-	7,330,000
Operating Account	14,095,978	14,903,788	15,230,093	14,421,741	16,419,921	19,965,214	-	-	-	-
Capital Expenditure Account	7,694,060	7,908,028	7,141,723	7,290,078	7,814,428	8,015,144	-	-	-	7,994,876
Assigned	7,214,344	5,197,263	5,198,234	5,557,629	4,063,175	4,456,962	-	-	-	-
Unassigned	273,948,935	275,639,607	275,711,824	290,601,935	302,259,696	393,304,368	-	-	-	38,222,696
Operating Account							\$ 32,414,049	\$ 39,730,809	\$ 50,822,222	\$ 55,439,078
Capital Expenditure Account										(564,624)
Total General Fund										
All other governmental funds	4,829,655	4,694,700	4,681,620	4,554,115	5,018,871	5,324,443	\$ 75,194,504	\$ 83,953,551	\$ 119,002,177	\$ -
Reserved	8,722,701	8,504,086	9,559,310	8,675,018	9,518,778	9,954,275	-	-	-	-
Unreserved, reported in	4,196,696	2,382,531	2,084,530	2,357,602	2,101,396	2,240,416	2,032,961	2,312,497	2,871,254	-
Special revenue funds	62,160,093	61,361,045	66,776,775	67,178,824	69,859,744	70,475,866	4,757,150	5,092,734	4,426,151	-
Debt Service Fund - General Obligation Bonds	7,521,842	8,016,685	8,295,544	8,343,272	8,831,507	8,419,910	-	-	-	-
Nonspendable							-	-	-	-
Special revenue funds							-	-	-	465,278
Capital Projects - Building Construction Fund	87,430,967	84,959,047	91,397,779	91,108,831	95,330,296	96,414,910	-	-	-	25,359
Restricted	(186,517,968)	(190,680,560)	(184,314,045)	(199,493,104)	(206,929,400)	(296,889,458)	-	-	-	-
Special revenue funds							-	-	-	5,237,015
Capital Projects - Building Construction Fund							-	-	-	9,821,424
Debt Service Fund - General Obligation Bonds							-	-	-	43,716,229
Unassigned, reported in							-	-	-	(64,332)
Special revenue funds							-	-	-	-
Total all other governmental funds	\$ 81,984,615	\$ 91,358,782	\$ 126,299,582	\$ 126,299,582	\$ 126,299,582	\$ 59,200,973				
Unreserved/unassigned - Operating Account as a percentage of total expenditures	8.8%	14.0%	18.4%	17.3%	17.3%	17.3%				

Note: The District implemented GASB Statement No. 54 in fiscal 2011, which established new fund balance classifications.

INDEPENDENT SCHOOL DISTRICT NO. 279  
 Changes in Fund Balances of Governmental Funds  
 Last Ten Fiscal Years  
 (Modified Accrual Basis of Accounting)

	2008	2009	2010	Fiscal Year 2011
Revenues				
Local sources				
Taxes	\$ 58,726,894	\$ 65,613,628	\$ 68,129,655	\$ 88,854,246
Investment earnings	5,494,552	4,180,823	3,081,100	951,880
Other	20,310,897	21,500,746	21,011,030	21,475,142
State sources	186,341,580	178,308,918	159,688,952	153,387,645
Federal sources	11,426,422	12,634,021	31,906,832	21,357,251
Total revenues	282,300,345	282,238,136	283,817,569	286,026,164
Expenditures				
Current				
Administration	10,052,596	9,008,356	9,988,924	9,887,474
District support services	5,208,267	6,597,460	5,386,523	5,925,326
Elementary and secondary regular instruction	113,381,446	118,327,117	110,571,064	115,476,010
Vocational education instruction	3,718,292	3,009,143	3,414,117	2,983,259
Special education instruction	45,643,778	45,242,029	44,620,521	45,407,700
Instructional support services	13,357,181	14,720,337	12,401,998	15,591,201
Pupil support services	22,148,423	20,377,010	21,265,279	20,510,806
Sites and buildings	14,107,319	23,592,865	19,336,434	19,803,684
Fiscal and other fixed cost programs	473,187	406,778	323,660	338,224
Food service	8,981,026	9,475,675	9,551,844	9,987,972
Community service	12,874,087	13,348,656	13,714,124	13,762,170
Capital outlay	12,022,631	2,048,070	7,109,133	6,811,326
Debt service				
Principal	11,550,524	12,557,332	13,161,297	12,730,000
Interest and fiscal charges	12,410,812	11,862,190	12,771,091	11,520,100
Total expenditures	283,929,569	290,573,018	283,616,009	290,535,252
Excess (deficiency) of revenues over expenditures	(3,629,224)	(8,334,882)	201,560	(4,509,088)
Other financing sources (uses)				
Refunding bonds issued			52,375,000	5,775,000
Debt issued		24,945,000		8,685,000
Premium on debt issued		80,809	5,384,227	370,331
Proceeds from sale of assets	10,000		5,236,426	15,004
Transfers in	234,382	208,660		
Transfers out	(234,382)	(208,660)		
Debt retirement from refunding bonds			(17,165,000)	(75,415,000)
Capital leases issued				2,597,000
Total other financing sources (uses)	10,000	25,025,809	45,830,653	(57,972,665)
Net change in fund balances	\$ (3,619,224)	\$ 16,690,927	\$ 46,032,213	\$ (62,481,753)
Debt service as a percentage of noncapital expenditures	8.7%	8.5%	9.4%	8.7%

Note: Starting in fiscal year 2009, General Fund capital outlay is included within the current programs instead of being reported in capital outlay.

	2012	2013	2014	2015	2016	2017
\$						
	465,537	333,685	397,467	349,941	347,972	257,014
	35,742	20,751	14,354	10,794	41,908	40,940
	53,938	102,612	131,241	183,529	141,786	1,587,675
	4,911,656	7,094,538	8,386,025	9,054,720	8,890,846	9,051,446
	8,861,190	1,865,912			3,628,175	4,258,291
	37,962,599	38,579,402	43,436,563	55,738,741	63,161,707	63,266,128
	(682,984)	(765,889)	(590,612)	(482,773)	(433,430)	(35,548)
\$	\$ 51,607,678	\$ 47,231,011	\$ 51,775,038	\$ 64,854,952	\$ 75,778,964	\$ 78,425,946
\$						
	408,864	437,871	16,823	12,779	8,553	2,575
	5,201,069	4,785,089	4,919,497	5,269,738	5,594,482	6,745,866
	5,253,567	7,575,525	3,648,964	15,393,620	4,952,256	43,249,779
	3,753,106	3,847,570	3,813,947	51,033,469	2,951,458	4,105,000
	(70,745)	(2,795)				
\$	\$ 14,545,861	\$ 16,643,260	\$ 12,399,231	\$ 71,709,606	\$ 13,506,749	\$ 54,103,220
	16.9%	16.7%	18.9%	23.5%	25.8%	24.7%

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund—Operating Account Expenditures by Program  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	
2008	\$ 10,052,596	\$ 5,208,267	\$ 113,381,446	\$ 3,718,292	\$ 45,643,778	
	4.4%	2.3%	49.7%	1.6%	20.0%	
2009	8,999,895	6,058,214	115,806,205	2,985,960	45,205,282	
	4.0%	2.7%	50.9%	1.3%	19.8%	
2010	9,979,526	5,245,557	108,739,133	3,405,199	44,613,682	
	4.6%	2.4%	49.8%	1.6%	20.4%	
2011	9,874,328	5,063,114	112,961,341	2,973,611	45,401,988	
	4.5%	2.3%	51.0%	1.3%	20.5%	
2012	10,003,428	5,214,235	117,955,040	3,484,305	44,680,840	
	4.4%	2.3%	52.4%	1.5%	19.9%	
2013	9,281,897	5,449,851	119,645,813	2,172,192	46,746,603	
	4.0%	2.4%	52.0%	0.9%	20.3%	
2014	9,560,101	4,824,781	116,517,752	3,110,026	46,398,074	
	4.1%	2.1%	50.6%	1.4%	20.2%	
2015	10,379,805	4,938,420	122,827,042	2,529,300	46,277,695	
	4.4%	2.1%	51.8%	1.1%	19.5%	
2016	10,815,433	5,521,493	129,193,844	3,124,154	48,120,113	
	4.4%	2.3%	52.8%	1.3%	19.6%	
2017	10,999,162	5,703,811	134,282,353	3,426,012	48,191,475	
	4.3%	2.2%	52.4%	1.3%	18.9%	
2012	\$ 68,998,755	\$ 73,229,773	\$ 52,139,640	\$ 81,224,509	\$ 83,812,427	\$ 84,767,898
	242,195	79,081	122,297	169,450	348,164	974,405
	21,287,557	19,433,552	20,774,516	20,092,851	21,359,596	22,410,973
	172,738,587	173,713,412	203,939,595	193,878,147	198,912,577	202,174,527
	16,812,098	14,886,402	15,145,733	14,660,370	15,210,620	16,625,266
	280,079,192	281,342,220	292,121,781	310,025,327	319,643,384	326,953,069
	10,010,161	9,302,245	9,575,101	10,381,868	10,818,228	11,001,338
	5,738,350	5,628,062	5,437,320	5,622,720	6,172,803	6,460,730
	121,086,618	121,609,632	118,710,180	130,841,833	133,079,885	136,536,746
	3,518,848	2,222,082	3,138,326	2,573,885	3,380,229	3,509,419
	44,716,402	46,755,363	46,402,897	46,296,441	48,125,942	48,194,816
	12,364,771	12,502,018	15,006,315	18,270,519	19,590,144	19,265,127
	20,217,797	21,507,907	21,381,700	21,259,449	20,059,076	21,774,370
	17,436,926	19,041,698	18,914,056	17,581,741	19,359,537	23,465,235
	338,499	515,881	531,895	607,963	529,352	501,639
	10,517,361	10,634,472	11,127,023	11,232,077	12,021,733	12,142,784
	13,963,156	14,742,075	15,201,013	14,465,450	16,420,852	17,937,598
	7,644,310	7,123,098	6,886,511	22,990,007	13,341,882	14,429,416
	14,221,944	14,626,680	15,289,675	13,203,208	16,895,743	16,908,235
	9,277,293	6,881,284	6,343,571	6,032,813	6,478,143	5,519,548
	291,052,436	293,092,497	293,945,783	321,449,974	326,273,549	337,647,001
	(10,973,244)	(11,750,277)	(1,824,002)	(11,424,647)	(6,630,165)	(10,693,932)
	—	—	—	42,075,000	—	—
	—	6,625,000	—	30,685,000	—	50,745,000
	—	7,155	—	6,295,789	—	2,232,510
	—	2,838,854	2,124,000	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	(37,895,000)	—	—	—	(46,930,000)	—
	381,732	—	—	4,759,147	6,281,320	959,875
	(37,513,268)	9,471,009	2,124,000	83,814,936	(40,648,680)	53,937,385
	\$ (48,486,512)	\$ (2,279,268)	\$ 299,998	\$ 72,390,289	\$ (47,278,845)	\$ 43,243,453
	8.3%	7.5%	7.5%	6.5%	7.5%	6.9%

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account Revenue by Source  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

Year Ended June 30,	Local Property Tax Levies (%)	State Revenue (%)	Federal Revenue (%)	Other Local and Miscellaneous (%)	Total
2008	\$ 36,023,837 16%	\$ 172,935,695 78%	\$ 7,006,205 3%	\$ 6,622,385 3%	\$ 222,588,122 100%
2009	43,470,958 19%	165,720,993 74%	7,978,772 4%	6,585,131 3%	223,755,854 100%
2010	44,661,262 20%	148,358,068 66%	26,935,136 12%	5,593,167 2%	225,547,633 100%
2011	63,977,647 28%	142,872,500 62%	15,979,803 7%	6,275,759 3%	229,105,709 100%
2012	44,965,114 20%	161,516,194 72%	11,021,029 5%	6,265,415 3%	223,767,752 100%
2013	48,294,901 21%	162,587,656 73%	8,630,373 4%	4,383,922 2%	223,896,832 100%
2014	27,849,067 12%	191,674,840 82%	8,805,345 4%	4,902,566 2%	233,231,818 100%
2015	53,770,557 22%	181,828,908 73%	7,987,321 3%	5,566,469 2%	249,153,255 100%
2016	56,353,162 22%	185,858,768 73%	8,184,157 3%	5,440,123 2%	255,836,210 100%
2017	54,872,791 21%	188,741,825 73%	9,076,514 4%	5,950,070 2%	258,641,200 100%

Instructional Support Services	Pupil Support Services	Sites and Buildings	Fiscal and Other Fixed Cost Programs	Total	Percent Increase (Decrease) From Prior Year
\$ 13,357,181 5.9%	\$ 22,148,423 9.7%	\$ 14,107,319 6.2%	\$ 473,187 0.2%	\$ 228,090,489 100.0%	2.9%
13,760,634 6.0%	20,370,175 8.9%	14,143,153 6.2%	406,778 0.2%	227,736,296 100.0%	(0.2%)
11,675,311 5.4%	21,265,279 9.7%	13,157,337 6.0%	323,660 0.1%	218,404,684 100.0%	(4.1%)
10,806,374 4.9%	20,510,261 9.3%	13,479,877 6.1%	338,224 0.1%	221,409,118 100.0%	1.4%
9,798,501 4.4%	20,216,904 9.0%	13,252,957 5.9%	338,499 0.2%	224,944,709 100.0%	1.6%
11,342,939 4.9%	21,506,904 9.3%	13,696,405 6.0%	515,881 0.2%	230,338,485 100.0%	2.4%
13,867,690 6.0%	21,381,700 9.3%	13,956,139 6.1%	531,895 0.2%	230,148,158 100.0%	(0.1%)
14,139,992 6.0%	21,247,802 9.0%	13,898,296 5.9%	607,963 0.2%	236,846,315 100.0%	2.9%
13,472,009 5.5%	20,033,798 8.2%	14,018,585 5.7%	529,352 0.2%	244,828,781 100.0%	3.4%
16,108,984 6.3%	21,749,139 8.5%	15,245,250 5.9%	501,639 0.2%	256,207,825 100.0%	4.7%

(1) Basic general education revenue in the General Fund is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The state periodically changes the mix of property tax and state aid revenue with no net effect on total revenue.

INDEPENDENT SCHOOL DISTRICT NO. 279

Revenue and Expenditures –  
 General Fund, Special Revenue Funds, General Obligation Bonds, and  
 Other Post-Employment Benefits Bonds – Debt Service Accounts  
 Last Ten Fiscal Years  
 (Modified Accrual Basis of Accounting)

	2008	2009	2010	2011
<b>Revenue</b>				
General Fund				
Operating Account	\$ 222,588,122	\$ 223,755,854	\$ 225,547,633	\$ 229,105,709
Capital Expenditure Account	11,318,906	10,653,126	9,341,486	8,822,827
Special revenue funds				
Food Service	9,640,510	9,934,674	10,295,493	10,421,017
Community Service	13,657,891	13,390,804	13,416,748	13,834,024
Debt service funds				
Debt Service Account – General	18,753,734	19,478,520	19,166,032	19,617,297
Obligation Bonds				
Debt Service Account – Other		1,515	876,986	999,343
Post-Employment Benefits Bonds				
Total revenue	\$ 275,959,163	\$ 277,214,493	\$ 278,644,378	\$ 282,800,217
<b>Expenditures</b>				
General Fund				
Operating Account	\$ 228,090,489	\$ 227,736,296	\$ 218,404,684	\$ 221,409,118
Capital Expenditure Account	9,632,839	15,191,424	10,560,929	14,514,566
Special revenue funds				
Food Service	9,121,744	9,680,730	9,741,558	10,091,851
Community Service	12,929,848	13,432,902	13,816,380	13,856,582
Debt service funds				
Debt Service Account – General	19,010,556	19,479,210	19,805,100	19,958,431
Obligation Bonds				
Debt Service Account – Other			1,024,450	960,450
Post-Employment Benefits Bonds				
Total expenditures	\$ 278,785,476	\$ 285,520,562	\$ 273,353,101	\$ 280,790,998

	2012	2013	2014	2015	2016	2017
\$ 223,767,752	\$ 223,896,832	\$ 233,231,818	\$ 249,153,255	\$ 255,836,210	\$ 258,641,200	
8,429,276	9,042,349	9,267,986	13,903,601	14,294,742	18,373,136	
10,609,307	11,008,927	11,079,495	11,346,564	12,189,464	12,949,410	
14,103,160	14,334,020	15,289,169	15,056,548	16,828,669	18,535,705	
19,279,004	19,503,802	19,639,753	15,637,131	15,564,377	15,955,955	
1,000,072	980,645	978,083	2,293,296	2,284,434	2,278,253	
\$ 277,188,571	\$ 278,766,575	\$ 289,486,304	\$ 307,390,395	\$ 316,997,896	\$ 326,733,659	
\$ 224,944,709	\$ 230,358,485	\$ 230,148,158	\$ 236,846,315	\$ 244,828,781	\$ 256,207,825	
11,465,451	9,708,191	9,931,619	17,889,774	20,659,479	19,119,404	
10,706,589	10,749,330	11,318,737	11,461,024	12,140,458	12,243,200	
14,104,651	14,912,640	15,333,772	14,595,891	16,557,157	18,096,509	
19,859,761	19,524,714	19,691,009	15,751,468	16,813,272	15,471,116	
960,450	960,450	960,450	2,175,450	2,187,550	2,199,550	
\$ 282,041,611	\$ 286,213,810	\$ 287,383,745	\$ 298,719,922	\$ 313,186,697	\$ 323,337,604	



INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account Revenue per Student  
Year Ended June 30, 2017  
(Modified Accrual Basis of Accounting)

	Hemepin County Average	ISD No. 279
General education formula revenue per pupil unit (1)	\$ 6,067	\$ 6,067
General education (includes transportation)	1,422	1,617
Referendum	698	848
Gifted and talented, extended, compensatory, and English learner	233	225
Operating capital	558	534
Supplemental, equity, and other		
General education formula revenue per pupil unit (property tax and state aid)	<u>\$ 8,978</u>	<u>\$ 9,291</u>
General Fund – Operating Account revenue per student (2)		
General education formula revenue per student (property tax and state aid)	\$ 11,035	(847)
Less Capital Expenditure Account		
General education formula revenue per student – General Fund – Operating Account	10,188	
State categorical revenue (special education, secondary vocational, cooperation, and other)	1,616	
Total property tax and state aid revenue	<u>11,804</u>	
Federal revenue (special education, Title I, and other)	440	
Other local revenue – interest, participation fees, and other	288	
Total General Fund – Operating Account revenue per student	<u>\$ 12,532</u>	

- (1) Pupil units or adjusted pupil units consist of differential weighting of students by grade level for funding purposes.
- (2) Average daily membership (ADM) is a measure of student attendance.

Source: General education formula revenue per pupil unit is from the Minnesota Department of Education (MDE)

INDEPENDENT SCHOOL DISTRICT NO. 279

Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Total Taxable Assessed Value
2008	\$ 14,938,565,700	\$ 92,621,600	\$ 15,031,187,300
2009	14,948,296,100	94,114,500	15,042,410,600
2010	14,173,173,200	95,121,100	14,268,294,300
2011	13,032,638,800	101,798,900	13,134,437,700
2012	11,853,845,856	105,372,900	11,959,218,756
2013	11,073,727,012	116,771,700	11,190,498,712
2014	11,124,552,594	120,485,200	11,245,037,794
2015	12,260,171,126	126,039,300	12,386,210,426
2016	13,072,587,948	131,212,400	13,203,800,348
2017	13,963,187,839	135,759,200	14,098,947,039

Source: Hemepin County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 279

Governmental Fund Tax Revenues by Source and Levy Type  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

Fiscal Year	General Fund	Community Service Revenue Fund	Property Tax			Debt Service Fund	Total
			Capital Projects - Building	Construction Fund	Debt Service Fund		
2008	\$ 36,023,837	\$ 1,559,673	\$ 3,496,264	\$ 17,647,120	\$ 58,726,894		
2009	43,470,958	1,264,260	2,252,863	18,625,547	65,613,628		
2010	44,661,262	1,692,225	2,500,000	19,276,168	68,129,655		
2011	63,977,647	2,650,091	2,369,678	19,856,830	88,854,246		
2012	44,965,114	1,844,014	2,700,760	19,488,867	68,998,755		
2013	48,294,901	1,890,869	2,572,515	20,471,488	73,229,773		
2014	27,849,067	1,053,994	2,631,084	20,605,495	52,139,640		
2015	58,770,557	1,914,828	2,622,943	17,916,181	81,224,509		
2016	61,356,156	1,999,515	2,622,943	17,833,813	83,812,427		
2017	64,453,408	2,437,044	-	17,877,446	84,767,898		

Note: The change in "tax shift" as approved in legislation impacted the amount of tax revenue recognized in fiscal years 2011 and 2014. Changes in the amount of revenue recognized due to the tax shift are offset by an adjustment to state aid payments by an equal amount.

Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$ 15,142,401,100	99.3 %
15,106,544,900	99.6
14,290,474,500	99.8
13,157,941,200	99.8
12,694,768,500	94.0
11,981,778,000	93.4
12,032,929,900	93.5
13,117,972,200	94.4
13,913,604,700	94.9
14,790,857,500	95.3

INDEPENDENT SCHOOL DISTRICT NO. 279

Principal Property Taxpayers  
Current Year and Nine Years Ago

Taxpayer	Property Classification	City	2017				2008				
			Tax Capacity	Rank	Capacity of Tax Value	Market Value	Tax Capacity	Rank	Capacity of Tax Value	Market Value	
Target Corporation	Commercial	Brooklyn Park	\$ 2,449,030	1	1.7 %	\$ 122,489,000					
Prisa Arbor Lakes, LLC	Commercial	Maple Grove	1,403,078	2	0.9	70,191,400					
KIR Maple Grove, LP	Commercial	Maple Grove	1,011,478	3	0.7	50,611,400					
Weidner Property Management	Residential	Plymouth	741,963	4	0.5	59,357,000					
KIMCO Realty Corporation	Commercial	Maple Grove	701,158	5	0.5	35,095,400					
MPREVF II Maple Grove, LLC	Residential	Plymouth	625,763	6	0.4	50,061,000					
Brooklyn Park 73rd (DLB), LLC	Industrial	Brooklyn Park	562,500	7	0.4	45,000,000					
BPP, LLC	Industrial	Brooklyn Park	547,228	8	0.4	27,398,900					
Fairview Hospital	Commercial	Maple Grove	545,010	9	0.4	27,288,000					
Skye at Arbor Lakes, LLLP	Residential	Maple Grove	462,109	10	0.3	36,968,700					
Prudential RE Investors	Commercial	Plymouth									
Boston Scientific Scimed, Inc.	Industrial	Maple Grove									
DDRA Maple Grove XNG, LLC	Commercial	Maple Grove									
Xcel Energy	Utility	Maple Grove									
CCA Stoneleigh, LLC	Residential	Plymouth									
Wal-Mart RE Business	Commercial	Maple Grove									
Protein Design Labs, Inc.	Industrial	Brooklyn Park									
<b>Total for 10 largest principal taxpayers</b>			<b>\$ 9,049,317</b>		<b>6.2 %</b>	<b>\$ 524,460,800</b>					

Note: Minnesota's tax capacity system includes class rates whereby commercial, industrial, and utility properties pay taxes based on a higher percentage of market value than homeowners.

Source: Hennepin County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 279

School Tax Levies and Tax Rates by Fund  
Last Ten Fiscal Years

Levies	Year Collectible	Community Service Revenue Fund			Debt Service Fund	Total Levy All Funds
		General Fund	Special	Revenue Fund		
	2008	\$ 45,634,995	\$ 1,337,173	\$ 19,738,957	\$ 66,711,125	
	2009	47,218,603	1,664,357	20,085,324	68,968,284	
	2010	46,861,625	1,691,197	20,701,420	69,254,242	
	2011	47,820,241	1,875,058	20,446,632	70,141,931	
	2012	48,571,280	1,783,976	20,796,263	71,151,519	
	2013	51,110,640	1,810,052	20,705,227	73,625,919	
	2014	61,625,634	1,836,956	18,197,021	81,659,611	
	2015	64,037,957	1,960,560	18,050,797	84,049,314	
	2016	64,021,060	2,375,031	17,945,293	84,341,384	
	2017	69,353,231	2,523,098	18,139,842	90,016,171	

Net tax rates

Tax capacity rate	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	7.275 %	7.926 %	8.188 %	9.087 %	8.792 %	11,044	14,823	13,693	13,348	14,397
	0.789 %	1.003 %	1.072 %	1.271 %	1.275 %	1,361	1,375	1,319	1,510	1,506
	11.646 %	12.104 %	13.121 %	13.859 %	14.863 %	15,568	13,621	12,144	11,409	10,827
	19.710 %	21.033 %	22.381 %	24.217 %	24,930 %	27,973	29,819	27,156	26,267	26,730

Market value rate

Market value rate	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	0.205 %	0.205 %	0.211 %	0.230 %	0.252 %	0.268 %	0.309 %	0.294 %	0.278 %	0.275 %
	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %
	0.205 %	0.205 %	0.211 %	0.230 %	0.252 %	0.268 %	0.309 %	0.294 %	0.278 %	0.275 %

(1) A portion of the total spread levy is paid through various property tax credits for residential homestead properties which are paid through state aids.

Note: In fiscal 2012, a portion of the property tax credits was eliminated and replaced with permanent state aid.

Source: Hennepin County Department of Property Tax and Public Records

Less Homestead and Agricultural Credit Aid (HACA) and Fiscal Disparities	Net Levy	Less Referendum Spread on Market Value	Remaining Amount Spread on Tax Capacity Value	Property Tax Credits (1)
\$ (6,509,728)	\$ 60,201,397	\$ (30,565,648)	\$ 29,635,749	\$ (1,102,357)
(7,119,449)	61,848,835	(30,549,468)	31,299,367	(1,109,074)
(8,295,564)	60,958,678	(29,877,170)	31,081,508	(1,261,264)
(8,986,473)	61,155,458	(30,004,643)	31,150,815	(1,365,729)
(9,187,341)	61,964,178	(31,586,126)	30,378,052	(1,402)
(9,538,081)	64,087,838	(31,703,793)	32,384,045	-
(9,799,243)	71,860,368	(36,803,819)	35,056,549	-
(10,726,997)	73,322,317	(38,109,021)	35,213,296	-
(9,941,590)	74,399,794	(37,953,980)	36,445,814	-
(10,497,320)	79,518,851	(39,956,973)	39,561,878	-

INDEPENDENT SCHOOL DISTRICT NO. 279

Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years

Rate	Tax Collection Calendar Year	Municipalities					
		Hassan Township	Brooklyn Center	Brooklyn Park	Corcoran	Dayton	
Tax capacity rate	2008	21.972%	43.896%	37.744%	30.213%	43.004%	
Market value rate	2008	-	0.03346%	0.02163%	-	-	
Tax capacity rate	2009	21.306%	47.521%	39.652%	30.677%	43.804%	
Market value rate	2009	-	0.03387%	0.02310%	-	-	
Tax capacity rate	2010	22.883%	51.095%	44.157%	32.995%	50.867%	
Market value rate	2010	-	0.03799%	0.02464%	-	-	
Tax capacity rate	2011	27.886%	57.217%	50.309%	37.041%	48.567%	
Market value rate	2011	-	0.04126%	0.02768%	-	-	
Tax capacity rate	2012	-	64.359%	56.087%	39.617%	57.817%	
Market value rate	2012	-	0.04326%	0.02950%	-	-	
Tax capacity rate	2013	-	71.074%	61.311%	46.111%	64.169%	
Market value rate	2013	-	0.04702%	0.02791%	-	-	
Tax capacity rate	2014	-	74.133%	60.469%	49.743%	65.600%	
Market value rate	2014	-	-	0.02847%	-	-	
Tax capacity rate	2015	-	70.026%	56.136%	45.311%	57.029%	
Market value rate	2015	-	-	0.02589%	-	-	
Tax capacity rate	2016	-	71.775%	55.251%	45.691%	57.150%	
Market value rate	2016	-	-	0.02399%	-	-	
Tax capacity rate	2017	-	70.498%	54.365%	45.994%	55.467%	
Market value rate	2017	-	-	0.02464%	-	-	

N/A - Not Available

(1) The miscellaneous other levy includes AVTI, mosquito control, park/museum, metro transit, other metro services, county parks bonds, and interest. These miscellaneous levies vary slightly between municipalities.

Note 1: Information for the City of Rogers was not available for fiscal 2011.

Note 2: Information for Hassan Township will not be included after fiscal 2011 due to it no longer being part of ISD No. 279 in fiscal 2012.

Source: Hennepin County Department of Property Tax and Public Records

Rate	Tax Collection Calendar Year	Municipalities						Total	
		Maple Grove	Osseo	Plymouth	Rogers	ISD No. 279	Hennepin County		Miscellaneous Other (1)
Tax capacity rate	2008	29.318%	42.416%	22.887%	-	19.710%	38.571%	7.312%	94.911%
Market value rate	2008	-	-	0.00693%	-	0.20475%	-	-	0.20475%
Tax capacity rate	2009	31.259%	46.580%	24.368%	-	21.033%	40.413%	7.111%	99.816%
Market value rate	2009	-	-	0.00701%	-	0.20487%	-	-	0.20487%
Tax capacity rate	2010	33.845%	45.978%	25.495%	-	22.381%	42.640%	8.133%	106.999%
Market value rate	2010	-	-	0.00726%	-	0.21123%	-	-	0.211%
Tax capacity rate	2011	36.714%	55.419%	26.944%	N/A	24.217%	45.840%	9.095%	115.866%
Market value rate	2011	-	-	0.01032%	N/A	0.23032%	-	-	0.230%
Tax capacity rate	2012	39.450%	64.130%	28.146%	41.183%	24.930%	48.231%	9.423%	122.034%
Market value rate	2012	-	-	0.01057%	-	0.25181%	-	-	0.252%
Tax capacity rate	2013	42.142%	77.832%	29.243%	38.291%	27.973%	49.461%	10.383%	129.959%
Market value rate	2013	-	-	0.00596%	-	0.26813%	-	-	0.268%
Tax capacity rate	2014	42.267%	76.941%	29.547%	40.541%	29.819%	49.959%	10.429%	132.474%
Market value rate	2014	-	-	0.00585%	-	0.30947%	-	-	0.309%
Tax capacity rate	2015	39.651%	72.935%	27.847%	40.377%	27.156%	46.398%	9.651%	122.856%
Market value rate	2015	-	-	0.00698%	-	0.29426%	-	-	0.294%
Tax capacity rate	2016	39.196%	70.645%	27.330%	37.879%	26.267%	45.356%	9.449%	120.268%
Market value rate	2016	-	-	0.00531%	-	0.27820%	-	-	0.278%
Tax capacity rate	2017	38.245%	69.097%	26.482%	38.308%	26.730%	44.087%	9.153%	118.215%
Market value rate	2017	-	-	0.00499%	-	0.27516%	-	-	0.275%

INDEPENDENT SCHOOL DISTRICT NO. 279

Property Tax Levies and Collections  
Last Ten Fiscal Years

Tax Collection Calendar Year	Total Tax Levy	Current Tax Collections	Percent of Current Tax Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	June 30, 2017 Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2008	\$ 66,711,125	\$ 65,207,245	97.7 %	\$ 1,328,451	\$ 66,535,696	99.7 %	\$ -	- %
2009	68,968,284	67,710,766	98.2	1,139,712	68,850,478	99.8	-	-
2010	69,254,242	68,476,113	98.9	732,460	69,208,573	99.9	-	-
2011	70,141,931	70,116,516	100.0	397,828	70,514,344	100.5	-	-
2012	71,151,519	71,070,094	99.9	27,249	71,097,343	99.9	54,176	0.1
2013	73,625,919	73,513,909	99.9	55,342	73,569,251	99.9	56,668	0.1
2014	81,659,611	81,494,375	99.9	86,908	81,581,283	99.9	78,328	0.1
2015	84,049,314	83,715,659	99.9	237,681	83,953,340	99.9	95,974	0.1
2016	84,341,384	83,868,531	99.4	N/A	83,868,531	99.4	472,853	0.6
2017 (1)	90,016,171	N/A	N/A	N/A	N/A	N/A	-	N/A
							\$ 757,999	

Reconciliation of current tax collections with property tax revenue

Collections on property tax levy collectible in 2016	\$ 83,868,531
Less tax shift allocation of the levy collectible in 2016 to fiscal year 2016	(4,164,799)
Add tax shift allocation of the referendum levy collectible in 2017 to fiscal year 2016	4,278,004
Property tax delinquencies, abatements, and county apportionment	786,162
Total local property tax revenue – fiscal year 2017	\$ 84,767,898

N/A – Not Applicable

- (1) Only a portion of calendar year 2017 taxes are collectible by June 30, 2017. A total of \$45,583,092 of 2017 taxes were collected by June 30, 2017.
- (2) The state of Minnesota calculates the tax shift allocation based on various portions of the total tax levy.

Source: Hennepin County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 279

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Total Government	Percentage of Personal Income (1)	
	General Obligation Bonds and Notes	Certificates of Participation	Capital Leases				Per Capita (1)
2008	\$ 233,000,000	\$ -	\$ 3,173,629	\$ -	\$ 236,173,629	2.8 %	\$ 1,771
2009	246,945,000	-	1,616,297	-	248,561,297	3.0	1,831
2010	270,610,000	-	-	-	270,610,000	3.2	1,980
2011	196,925,000	-	2,597,000	-	199,522,000	2.5	1,476
2012	145,755,000	-	2,031,788	-	147,786,788	1.8	1,080
2013	138,715,000	-	1,070,108	-	139,785,108	1.7	1,007
2014	124,400,000	-	95,433	-	124,495,433	1.5	885
2015	171,080,000	14,085,000	3,556,372	-	188,721,372	2.2	1,327
2016	111,020,000	13,425,000	6,731,949	-	131,176,949	N/A	902
2017	148,925,000	12,655,000	4,393,589	-	165,973,589	N/A	1,121

N/A – Not Available

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

Note: Details regarding the District's outstanding debt can be found in the notes to basic financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 279

Ratio of Net Bonded Debt to  
Tax Capacity and Legal Debt Margin  
Last Ten Fiscal Years

June 30,	Outstanding Bonded Debt	Unamortized Premiums	Balance on Hand – Debt Service Fund	Net Bonded Debt	Taxable Tax Capacity	Ratio of Net Debt to Tax Capacity Value	Estimated Population (1)	Net Debt per Capita
2008	\$ 233,000,000	\$ —	\$ 76,650,169	\$ 156,349,831	\$ 150,358,956	104.0 %	133,327	\$ 1,173
2009	246,945,000	445,982	76,455,727	170,935,255	148,810,762	114.9	135,770	1,259
2010	270,610,000	10,034,581	115,524,154	165,120,427	138,874,529	118.9	136,700	1,208
2011	196,925,000	8,722,303	43,716,229	161,931,074	128,632,017	125.9	135,140	1,198
2012	145,755,000	7,685,146	3,753,106	149,687,040	121,853,398	122.8	136,896	1,093
2013	138,715,000	6,172,040	3,847,570	141,039,470	115,768,941	121.8	138,789	1,016
2014	124,400,000	5,285,194	3,813,947	125,871,247	117,564,467	107.1	140,680	895
2015	185,165,000	10,602,876	51,033,469	144,734,407	129,670,410	111.6	142,167	1,018
2016	124,445,000	8,901,279	2,951,458	130,394,821	138,751,338	94.0	145,451	896
2017	161,580,000	9,350,798	4,105,000	166,825,798	148,005,528	112.7	148,029	1,127

(1) District population is based upon an annual school district census and U.S. census. This information is certified to the state and is subsequently used in determining community education revenue.

Note: The legal debt limit for a school district in Minnesota is 15 percent of the actual value of all taxable property within the District. As of June 30, 2017, the legal limit was \$2,178,203,956. Outstanding bonded debt as of June 30, 2017 was \$161,580,000, leaving a margin of \$2,016,623,956.

Source: Hennepin County Department of Property Tax and Public Records



INDEPENDENT SCHOOL DISTRICT NO. 279

Direct and Overlapping Debt  
as of June 30, 2017

Taxing Unit	Tax Collection		General Obligation Bonded Debt (1)	Debt Applicable to Tax Capacity in ISD No. 279 (2)	
	Calendar Year – 2016 Taxable Net Tax Capacity	2016 Taxable Net Tax Capacity		Percent	Amount
Direct debt Independent School District No. 279	\$ 167,582,411	\$ 161,580,000	100.00	%	\$ 161,580,000
Overlapping debt Hennepin County Cities	1,573,060,731	838,110,000	9.41		78,866,151
Brooklyn Center	15,608,079	16,225,000	30.79		4,995,678
Brooklyn Park	61,500,029	24,295,000	75.14		18,255,263
Cooroon	7,618,866	5,141,000	6.69		343,933
Dayton	5,754,292	3,811,000	16.11		613,952
Maple Grove	85,264,005	60,050,000	91.84		55,149,920
Osseo	2,019,742	4,150,000	100.00		4,150,000
Plymouth	112,692,207	12,915,000	13.48		1,740,942
Rogers	18,176,747	5,925,000	0.18		10,665
Others					
Three Rivers Park District	1,132,129,242	62,125,000	13.07		8,119,738
Metropolitan Council	3,102,634,267	189,226,614	0.50		946,133
Total overlapping debt					173,192,374
Total direct and debt outstanding					\$ 334,772,374

(1) Excludes tax and aid anticipation debt, revenue debt, and general obligation debt supported by revenue.

(2) The percent overlap is based on the percentage of tax capacity of the individual entities in the District.

Source: Hennepin County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 279

Legal Debt Margin Information  
Last Ten Fiscal Years

	Fiscal Year		
	2008	2009	2010
Debt limit	\$ 2,239,241,543	\$ 2,236,745,318	\$ 2,121,656,719
Total net debt applicable to limit	233,000,000	246,945,000	270,610,000
Legal debt margin	\$ 2,006,241,543	\$ 1,989,800,318	\$ 1,851,046,719
Total net debt applicable to the limit as a percentage of debt limit	10.41%	11.04%	12.75%

10.08%

Note: Under state finance law, the District's outstanding general obligation debt should not exceed 15 percent of total market property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: Hennepin County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 279

Deferred Tax Levies for Future Bond Debt Service  
as of June 30, 2017

Tax Collection Calendar Year	Deferred Tax Levies
2018	\$ 20,167,678
2019	22,399,821
2020	22,471,562
2021	15,979,832
2022	15,302,346
2023	9,728,572
2024	8,583,231
2025	5,855,436
2026	8,054,609
2027	8,882,797
2028	8,913,614
2029	8,614,049
2030	9,515,487
2031	6,902,930
	<u>171,371,964</u>
2017	Amount levied for collection in 2017 and included in property taxes levied for subsequent year at June 30, 2017
	18,139,842
	<u>\$ 189,511,806</u>

Total amount to be levied in future years

Amount levied for collection in 2017 and included in property taxes levied for subsequent year at June 30, 2017

Total deferred tax levies for future bond debt service

Note: These levies are subject to reduction based on excess fund balance limitations in accordance with Minnesota Statutes § 475.61.

Source: Debt service levy schedules in the various bond issues of the District

	2012	2013	2014	2015	2016	2017
	\$ 1,881,545,183	\$ 1,773,605,673	\$ 1,783,879,819	\$ 1,942,619,831	\$ 2,046,404,386	\$ 2,178,203,956
	145,755,000	138,715,000	124,400,000	185,165,000	124,445,000	161,580,000
	\$ 1,735,790,183	\$ 1,634,890,673	\$ 1,659,479,819	\$ 1,757,454,831	\$ 1,921,959,386	\$ 2,016,623,956
7.75%	7.82%	6.97%	9.53%	6.08%	7.42%	
Legal Debt Margin Calculation for Fiscal Year 2017						
Market value					\$ 14,521,359,705	
Debt limit (15% of market value)					2,178,203,956	
Debt applicable to limit						161,580,000
General obligation bonds and notes payable						\$ 2,016,623,956
Legal debt margin						

INDEPENDENT SCHOOL DISTRICT NO. 279

Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income	Per Capita Personal Income (2)	Median Age (2)	School Enrollment (1)	Unemployment Rate (3)
2008	133,327	\$ 8,302,938,925	\$ 62,275	38.0	21,770	5.4 %
2009	135,770	8,370,356,270	61,651	37.0	21,010	8.1
2010	136,700	8,383,537,600	61,328	38.0	20,964	7.3
2011	135,140	7,902,446,640	58,476	37.7	20,772	6.4
2012	136,896	8,094,112,896	59,126	37.8	20,591	5.6
2013	138,789	8,304,578,604	59,836	37.2	20,549	5.1
2014	140,680	8,557,283,040	60,828	37.6	20,580	4.2
2015	142,167	8,742,133,164	61,492	37.7	20,373	3.7
2016	145,451	N/A	N/A	N/A	20,307	3.9
2017	148,029	N/A	N/A	N/A	20,639	N/A

N/A – Not Available

Data sources:

- (1) District population is based upon an annual school district census and U.S. census. This information is certified to the state and is subsequently used in determining community education revenue.
- (2) United States Census Bureau
- (3) United States Department of Agriculture/Economic Research Service

INDEPENDENT SCHOOL DISTRICT NO. 279

Principal Employers  
Current Year and Nine Years Ago

Employer	2017		2008	
	Employees	Rank	Employees	Rank
Independent School District No. 279	3,085	1	3,162	2
Boston Scientific Scimed, Inc. (2)	3,000	2	3,600	1
Target Corporation (1)	2,800	3	2,150	3
Medtronic (3)	1,520	4	420	8
Maple Grove Hospital	910	5	—	—
Caterpillar Paving Products	850	6	745	6
Egan McKay	700	7	585	7
United Parcel Services	700	7	750	5
Upsher-Smith Laboratories, Inc.	700	7	400	10
RR Donnelley	480	10	—	—
Prudential Insurance Company	—	—	1,600	4
North Hennepin Community College	—	—	420	8
Total	14,745		13,832	

- (1) Includes corporate office. Employees moved from the downtown and L-394 corporate offices to the newly-expanded Brooklyn Park corporate office in 2015 and 2016.
  - (2) Boston Scientific increased its production employee levels. However, those employees are not considered Boston Scientific employees, because they are hired through a staffing firm. There are about 300 of those type of employees in Maple Grove.
  - (3) Includes locations in Brooklyn Park and Brooklyn Center. Most recent data available as of 2016.
- Note: Total employment information is not readily available.
- Source: City of Brooklyn Park, City of Brooklyn Center, and City of Maple Grove

INDEPENDENT SCHOOL DISTRICT NO. 279

Building Permits Issued by Major Cities  
Last Ten Fiscal Years

Calendar Year	Total Permits		New Residential Permits (1)	
	Number	Value	Number	Value
<b>City of Brooklyn Park</b>				
2007	1,015	\$ 96,292,834	153	\$ 41,331,831
2008	980	50,018,009	133	25,822,197
2009	7,917	95,103,237	109	21,736,225
2010	7,737	53,706,735	68	11,608,882
2011	7,460	74,491,011	78	17,373,799
2012	2,034	124,367,945	143	33,322,357
2013	1,772	114,821,218	168	36,561,609
2014	1,885	164,344,704	140	26,375,881
2015	2,036	149,524,929	142	35,840,775
2016	2,090	106,842,092	137	34,560,904
<b>City of Maple Grove</b>				
2007	3,354	\$ 191,651,545	219	\$ 76,172,797
2008	6,310	187,187,396	224	84,702,911
2009	3,658	116,525,754	219	72,121,817
2010	2,655	136,034,855	284	83,993,912
2011	2,345	149,181,591	226	69,984,374
2012	2,136	120,446,202	231	77,225,361
2013	2,110	202,041,119	265	127,675,752
2014	2,252	193,572,052	278	106,525,973
2015	2,942	141,804,368	192	85,682,575
2016	2,707	122,799,224	160	53,515,660

(1) Includes single-family, duplexes, quad homes, townhomes, multi-unit, and condominiums; excludes apartment complexes.

Note: The District includes portions of eight municipalities. The table above includes the two largest municipalities within the District and is representative of growth in the area. These cities maintain building permit information on a calendar year.

Source: Hennepin County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 279

Employees by Classification  
Last Ten Fiscal Years

Year Ended June 30,	Administrators/ Management (1)			Teachers		Clerical			Employees Educational Support Professionals/ Laundry/Water Safety Instruction		
2008	128	1,662	122	687							
2009	123	1,470	113	732							
2010	130	1,467	111	742							
2011	132	1,468	110	760							
2012	134	1,467	112	783							
2013	132	1,487	108	780							
2014	137	1,482	110	738							
2015	149	1,510	109	811							
2016	148	1,543	108	775							
2017	155	1,567	106	808							
Percent increase (decrease) over 10 years	21.1%	(5.7%)	(13.1%)	17.6%							

(1) Superintendent, school executives, principals, secondary school building assistant principals, principals on special assignment, directors, coordinators, managers, supervisors, and secondary school building business managers and student management specialist.

Source: The District's Human Resources Department

INDEPENDENT SCHOOL DISTRICT NO. 279

Operating Indicators by Function  
Last Ten Fiscal Years

	Fiscal Year			
	2008	2009	2010	2011
Total population	133,327	135,770	136,700	135,140
Percent of staff with degrees				
Bachelor's	100%	100%	100%	100%
Master's	72%	72%	75%	74%
ACT information				
Average ACT score	22.2	22.5	22.4	22.6
Percent of students taking ACT	57%	57%	60%	60%
National Merit Scholarship Program				
Commended	8	11	16	14
Finalists and semifinalists	2	4	1	2
AP Scholars	46	62	98	106

N/A – Not Available

Source: The District's Division of Leadership, Teaching, and Learning

	Food Service	Custodians	Health Services/ Early Childhood/ Other Employees	Total Employees	Total Students (ADM)
	177	159	227	3,162	21,770
	152	150	150	2,890	21,010
	146	145	144	2,885	20,964
	153	145	138	2,906	20,772
	160	146	136	2,938	20,591
	166	142	124	2,939	20,549
	161	142	125	2,895	20,581
	156	147	130	3,012	20,373
	161	162	128	3,025	20,307
	157	172	120	3,085	20,639
	(11.3%)	8.2%	(47.1%)	(2.4%)	(5.2%)

INDEPENDENT SCHOOL DISTRICT NO. 279

Capital Asset Statistics by Function  
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017
136,896	138,789	140,680	142,167	145,451	148,029	
100%	100%	100%	100%	100%	100%	
76%	76%	74%	73%	72%	72%	
22.5	22.3	22.3	22.3	20.3	20.3	
63%	63%	65%	73%	84%	92%	
14	9	11	11	6	-	
3	4	2	1	2	5	
117	128	150	149	164	165	

	2008	2009	2010	2011
Capital assets				
Land	\$ 6,966,686	\$ 10,702,198	\$ 10,691,698	\$ 10,691,698
Land improvements	20,663,242	21,658,286	25,070,461	26,321,967
Buildings	364,898,006	367,767,521	369,466,103	377,938,760
Equipment	12,616,184	10,230,574	10,460,750	10,739,471
Construction in progress	780,430	1,560,542	2,037,404	2,726,381
Total capital assets	\$ 405,924,548	\$ 411,919,121	\$ 417,726,416	\$ 428,418,277
Capital assets by function and activity				
Administration	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095
District support services	114,660,822	114,660,821	113,078,539	113,232,033
Elementary and secondary regular instruction	894,873	1,021,287	1,094,002	1,099,553
Vocational education instruction	27,185	27,185	27,185	31,811
Special education instruction	289,187	289,187	289,187	296,042
Instructional support services	3,865,508	902,640	910,440	1,173,720
Pupil support services	59,647	59,647	59,647	59,647
Food service	4,185,739	4,888,338	4,479,013	5,057,239
Sites and buildings	280,916,020	289,029,995	296,726,190	306,404,239
Community service	1,006,472	1,020,926	1,043,118	1,044,898
Total capital assets by function and activity	\$ 405,924,548	\$ 411,919,121	\$ 417,726,416	\$ 428,418,277

Source: The District's Business Services Department

INDEPENDENT SCHOOL DISTRICT NO. 279

Average Class Size  
Last Ten Fiscal Years

Year Ended June 30,	Average Class Size Last Ten Fiscal Years										ISD No. 279 Staffing Ratio	
2008												29.30
2009												29.94
2010												29.65
2011												29.13
2012												27.97
2013												27.52
2014												27.63
2015												26.47
2016												26.30
2017												25.60
	\$ 10,691,698	\$ 8,344,233	\$ 8,323,417	\$ 8,323,417	\$ 8,323,417	\$ 8,323,417	\$ 8,323,417	\$ 8,323,417	\$ 8,323,417	\$ 8,323,417	\$ 8,323,417	
	27,843,458	28,968,868	29,488,070	29,488,070	30,394,387	31,479,888	31,479,888	31,479,888	31,479,888	31,479,888	31,479,888	
	387,290,466	395,241,051	398,977,319	398,977,319	406,467,020	428,532,037	443,751,224	443,751,224	443,751,224	443,751,224	443,751,224	
	10,652,175	10,954,314	8,573,540	8,573,540	8,798,928	10,098,560	10,744,070	10,744,070	10,744,070	10,744,070	10,744,070	
	391,975	1,026,401	2,513,199	2,513,199	17,292,480	6,655,427	6,695,868	6,695,868	6,695,868	6,695,868	6,695,868	
	\$ 436,869,772	\$ 444,534,867	\$ 447,875,545	\$ 447,875,545	\$ 471,276,232	\$ 485,089,329	\$ 502,190,979	\$ 502,190,979	\$ 502,190,979	\$ 502,190,979	\$ 502,190,979	
	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	
	112,276,960	112,323,903	111,389,026	111,389,026	111,399,374	111,381,071	111,333,954	111,333,954	111,333,954	111,333,954	111,333,954	
	905,208	908,265	983,647	983,647	983,647	1,155,256	1,172,513	1,172,513	1,172,513	1,172,513	1,172,513	
	64,681	64,681	64,681	64,681	64,681	64,681	64,681	64,681	64,681	64,681	64,681	
	271,043	288,451	297,094	297,094	297,094	297,094	297,094	297,094	297,094	297,094	297,094	
	1,217,309	1,321,797	1,336,797	1,336,797	1,371,261	1,460,404	1,460,404	1,460,404	1,460,404	1,460,404	1,460,404	
	59,647	59,647	59,647	59,647	59,647	59,647	59,647	59,647	59,647	59,647	59,647	
	5,151,404	5,211,253	5,256,134	5,256,134	5,462,112	5,485,642	5,546,180	5,546,180	5,546,180	5,546,180	5,546,180	
	315,824,027	323,220,971	327,331,102	327,331,102	350,463,871	364,010,989	381,019,401	381,019,401	381,019,401	381,019,401	381,019,401	
	1,080,398	1,116,804	1,138,322	1,138,322	1,155,450	1,155,450	1,218,010	1,218,010	1,218,010	1,218,010	1,218,010	
	\$ 436,869,772	\$ 444,534,867	\$ 447,875,545	\$ 447,875,545	\$ 471,276,232	\$ 485,089,329	\$ 502,190,979	\$ 502,190,979	\$ 502,190,979	\$ 502,190,979	\$ 502,190,979	

Note: This is the government-wide teacher staffing ratio for regular instructional classrooms.  
Source: The District's Division of Leadership, Teaching, and Learning

INDEPENDENT SCHOOL DISTRICT NO. 279

School Facilities  
as of June 30, 2017

Facility	Use	Constructed	Acreage	Square Footage	Enrollment (1)
Arbor View Early Childhood Center	School	1983/2001	5.00	27,000	(2)
Basswood Elementary	School	1995/2002	36.00	102,648	1,008
Birch Grove Elementary	School	1966/1991/2004	15.00	74,314	437
School for the Arts	School	1970	23.16	66,871	445
Cedar Island Elementary	School	1960/1990/1999/2003	16.00	59,208	276
Crest View Elementary	School	1988/2002	20.00	106,406	709
Edinbrook Elementary	School	1980	15.00	84,300	512
Elm Creek Elementary	School	1962/1991/2004	13.16	75,129	419
Fair Oaks Elementary	School	1988/2003	43.00	105,440	801
Fernbrook Elementary	School	1959/1994/2004	10.00	55,153	334
Garden City Elementary	School	1991	22.00	98,600	466
Oak View Elementary	School	1964/1991/2005	15.00	74,463	493
Palmer Lake Elementary	School	1959/1984/2004	10.00	55,011	288
Park Brook Elementary	School	1980	15.42	81,500	658
Rice Lake Elementary	School	1995/2002	29.00	102,648	876
Rush Creek Elementary	School	1991	29.08	98,600	645
Weaver Lake Science, Math, and Technology	School	1956/1957/1987	11.10	42,796	(2)
Willow Lane ECSE	School	2002	19.00	101,555	711
Woodland Elementary	School	1967/2002	9.21	81,843	389
Zanewood Community School	School	1963/1969/1980/2003	28.57	176,104	916
Brooklyn Middle School STEAM	School	1990/2003	46.62	275,680	1,685
Maple Grove Middle School	School	1970/1986/2002/2007	26.04	186,448	704
North View Middle School I World	School	1966/1969/2002/2004	19.89	191,507	1,003
Osson Middle School	School	1996/2002/2004/2015	110.00	351,718	2,255
Maple Grove Senior High	School	1952/1957/1960/1962/1964/1966/1	43.63	413,610	1,976
Osson Senior High	School	975/1988/2002/2015	31.00	414,774	1,977
Park Center Senior High	School	1964/1966/1971/1975/1987/			
IB World School	School	1988/2002/2003/2015			
Osson Area Learning Center	School	1973/2000	5.00	47,108	166
Educational Service Center/warehouse/maintenance	Office/maintenance/warehouse	1969/1975/1980/2005	17.76	121,100	-
New ice arena	Sports	1990/2005	3.62	32,640	-
Old ice arena	Sports	1974	-	34,840	-
Adult Education Center	Adult education	2005	-	25,538	-
Osson Education Center	Special education	1954/1957/1987/2005	11.00	46,144	79
Timberland Properties	CBVAT	Leased	-	12,249	-
Dane Technologies, Inc.	Special education	Leased	-	11,800	-
<b>Total</b>				<b>3,840,545</b>	<b>20,421</b>

(1) Enrollment is defined as the adjusted ADM served, excluding resident students tuitioned out to other Minnesota school districts.

(2) Beginning in fiscal year 2016, both of these sites have been combined on MARSS.

Source: The District's Operations Department

INDEPENDENT SCHOOL DISTRICT NO. 279

Food Service  
School Lunch Program Data  
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Attendance (1)	Total Lunches Served	Days	Average Daily Participation	Participation as a Percentage of Average Daily Attendance
2008	21,116	2,661,288	172	15,473	73.3 %
2009	20,379	2,537,579	187	13,570	66.6
2010	20,339	2,583,066	205	12,600	61.9
2011	20,141	2,591,135	195	13,288	66.0
2012	19,966	2,550,155	194	13,145	65.8
2013	19,919	2,483,379	196	12,670	63.6
2014	19,963	2,422,337	191	12,682	63.5
2015	19,759	2,510,507	215	11,677	59.1
2016	19,699	2,520,404	215	11,723	59.5
2017	20,020	2,483,812	206	12,057	60.2

(1) Based on State Food and Nutrition Department guidelines; attendance is deemed to be 97 percent of enrollment.

Source: The District's Food and Nutrition Department



INDEPENDENT SCHOOL DISTRICT NO. 279

Students  
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (For Students Served or Tuition Paid)					Total	Percent Increase (Decrease)
	Early Childhood and Handicapped Kindergarten	Kindergarten	Grade 1-6	Grade 7-12	Number		
2008	282	1,421	9,677	10,390	21,770	(1.4)	%
2009	283	1,332	9,424	9,971	21,010	(3.5)	
2010	315	1,435	9,449	9,765	20,964	(0.2)	
2011	313	1,377	9,635	9,447	20,772	(0.9)	
2012	341	1,436	9,487	9,327	20,591	(0.9)	
2013	339	1,444	9,548	9,218	20,549	(0.2)	
2014	342	1,523	9,495	9,221	20,581	0.2	
2015	383	1,432	9,397	9,161	20,373	(1.0)	
2016	366	1,400	9,307	9,234	20,307	(0.3)	
2017	501	1,357	9,236	9,545	20,639	1.6	

Note 1: Student enrollment numbers are estimated for the most recent fiscal year.

Note 2: ADM is weighted as follows in computing pupil units:

	Early Childhood	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1-3	Elementary 4-6
Fiscal 2008 through 2014	1.250	1.000	0.612	0.612	1.115	1.060
Fiscal 2015 through 2017	1.000	1.000	0.550	1.000	1.000	1.000

Beginning in fiscal year 2015, the District offered only all-day kindergarten programming; therefore, a 1.0 weighting factor applied to kindergarten students served per MDE guidance.

Source: Minnesota Department of Education

Number Served	Free Lunch		Reduced Lunch	
	Number Served	Percent of Total	Number Served	Percent of Total
778,238		29.2 %	218,726	8.2 %
763,322		30.1	225,006	8.9
856,214		33.1	223,857	8.7
904,757		34.9	256,310	9.9
915,804		35.9	238,826	9.4
970,729		39.1	211,094	8.5
964,628		39.8	230,208	9.5
1,002,132		39.9	261,655	10.4
1,011,298		40.1	253,216	10.0
1,017,620		41.0	260,112	10.5

Total Pupil Units	
Number	Percent Increase (Decrease)
25,231	(1.0) %
24,361	(3.4)
24,217	(0.6)
23,969	(1.0)
23,715	(1.1)
23,648	(0.3)
23,644	-
22,205	(6.1)
22,153	(0.2)
22,548	1.8

Secondary  
7-12

1.300

1.200

**FORM OF LEGAL OPINION**

(See following page)

FORM OF LEGAL OPINION



Independent School District No. 279  
Maple Grove, Minnesota

[Original Purchaser]

Re: \$44,375,000\* General Obligation Facilities Maintenance Bonds, Series 2018B  
Independent School District No. 279 (Osseo Area Schools), Minnesota  
Hennepin County, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Independent School District No. 279 (Osseo Area Schools), Hennepin County, Minnesota (the District), of the obligations described above, dated, as originally issued, as of November 15, 2018 (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 payable on the Bonds (a) is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes; (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax; (c) is not an item of tax preference for federal or Minnesota alternative minimum tax

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Independent School District No. 279  
[Purchaser]  
Page 2

purposes; and (d) is includable in adjusted current earnings of corporations for purposes of the federal alternative minimum tax applicable to taxable years beginning before January 1, 2018.

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 paragraph 4 above are subject to the condition of the District's compliance with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest payable thereon may be, and continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with these continuing requirements. Its failure to do so could result in the inclusion of interest on the Bonds in federal gross income and in Minnesota taxable net income, retroactive to the date of issuance of the Bonds. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences to holders of the Bonds.

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 15<sup>th</sup> day of November, 2018.

Very truly yours,

### 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](http://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.

**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, 2018, 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

#### **\$44,375,000\* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2018B INDEPENDENT SCHOOL DISTRICT NO. 279 (OSSEO AREA SCHOOLS), MINNESOTA**

Proposals for the purchase of \$44,375,000\* General Obligation Facilities Maintenance Bonds, Series 2018B (the "Bonds") of Independent School District No. 279 (Osseo Area Schools), Minnesota (the "District") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the District, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on October 23, 2018, at which time they will be opened, read and tabulated. The proposals will be presented to the Board of Education for consideration for award by resolution at a meeting to be held at 6:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

#### **PURPOSE**

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 by the District to provide funds for facility maintenance projects included in the ten-year facility plan of the District and approved by the Commissioner of Education. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged.

#### **DATES AND MATURITIES**

The Bonds will be dated November 15, 2018, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2026	\$3,525,000	2032	\$980,000	2035	\$7,905,000
2027	2,080,000	2033	6,025,000	2036	8,095,000
2028	2,110,000	2034	7,455,000	2037	6,200,000

#### **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 2026 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

## **BOOK-ENTRY-ONLY FORMAT**

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

## **PAYING AGENT**

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

## **OPTIONAL REDEMPTION**

At the option of the District, the Bonds maturing on or after February 1, 2028 shall be subject to optional redemption prior to maturity on February 1, 2027 and on 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.

## **DELIVERY**

On or about November 15, 2018, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

## **LEGAL OPINION**

An opinion 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 \$43,931,250 plus accrued interest on the principal sum of \$44,375,000 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](mailto:bondsale@ehlers-inc.com); or
- 2) Facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2<sup>nd</sup> 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 \$887,500 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 & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

## AWARD

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



## **BOND INSURANCE**

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

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

## **CUSIP NUMBERS**

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

## **NON-QUALIFIED TAX-EXEMPT OBLIGATIONS**

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

## **CONTINUING DISCLOSURE**

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

## **NEW ISSUE PRICING**

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

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](http://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. 279  
(Osseo Area Schools), Minnesota

# PROPOSAL FORM

**The Board of Education  
Independent School District No. 279 (Osseo Area Schools), Minnesota**

**October 23, 2018**

**RE: \$44,375,000\* General Obligation Facilities Maintenance Bonds, Series 2018B**  
**DATED: November 15, 2018**

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$\_\_\_\_\_ (not less than \$43,931,250) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____	% due	2026	_____	% due	2032	_____	% due	2035
_____	% due	2027	_____	% due	2033	_____	% due	2036
_____	% due	2028	_____	% due	2034	_____	% due	2037

\* 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 2026 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 \$887,500, 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 & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers & Associates no later than two hours after the proposal opening time. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. If our proposal is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about November 15, 2018.

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

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

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

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

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

Account Manager: \_\_\_\_\_ By: \_\_\_\_\_  
Account Members:

**Award will be on a true interest cost basis.** According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from November 15, 2018 of the above proposal is \$\_\_\_\_\_ and the true interest cost (TIC) is \_\_\_\_\_%.

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The foregoing offer is hereby accepted by and on behalf of the Board of Education of Independent School District No. 279 (Osseo Area Schools), Minnesota, on October 23, 2018.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_