PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 11, 2018

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

The District will 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. 622
(NORTH ST. PAUL-MAPLEWOOD-OAKDALE), MINNESOTA
(Ramsey and Washington Counties)

(Minnesota School District Credit Enhancement Program)

$3,920,000* GENERAL OBLIGATION ALTERNATIVE FACILITIES REFUNDING BONDS, SERIES 2018E

PROPOSAL OPENING: October 23, 2018, 11:00 A.M., C.T. **CONSIDERATION**: October 23, 2018, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $3,920,000* General Obligation Alternative Facilities Refunding Bonds, Series 2018E (the "Bonds") are authorized pursuant to Minnesota Statutes, Chapter 475, and Section 475.67, by Independent School District No. 622 (North St. Paul-Maplewood-Oakdale), Minnesota (the "District"), for the purpose of effecting a current refunding of certain outstanding general obligations of the District as more fully described herein. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Knutson, Flynn & Deans, P.A., Mendota Heights, Minnesota.

DATE OF BONDS: November 15, 2018

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2020	$345,000	2024	$385,000	2028	$435,000
2021	350,000	2025	395,000	2029	450,000
2022	360,000	2026	410,000		
2023	370,000	2027	420,000		

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: $3,849,440

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $78,400 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

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

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

TABLE OF CONTENTS

NORTH ST. PAUL-MAPLEWOOD-OAKDALE SCHOOL BOARD

		Term Expires
Michelle Yener	Chairperson	January 2019
Nancy Livingston	Vice Chairperson	January 2021
Theresa Augé	Clerk	January 2021
Becky Neve	Treasurer	January 2021
Caleb Anderson	Member	January 2019
Amy Coborn	Member	January 2019
Steve Hunt	Member	January 2021

ADMINISTRATION

Christine Osorio, Superintendent of Schools

Randy Anderson, Director of Business Services

PROFESSIONAL SERVICES

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

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 622 (North St. Paul-Maplewood-Oakdale), Minnesota (the "District") and the issuance of its $3,920,000* General Obligation Alternative Facilities Refunding Bonds, Series 2018E (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 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 2020 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.

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

AUTHORITY; PURPOSE

The Bonds are authorized pursuant to Minnesota Statutes, Chapter 475, and Section 475.67, by the District, for the purpose of effecting a current refunding of the District's $6,390,000 General Obligation Alternative Facility Bonds, Series 2009B (the "Series 2009B Bonds") as follows:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 662140
Series 2009B Bonds	2/1/09	2/1/19	Par	2020	3.50%	$310,000	7C0
				2021	3.75%	325,000	7D8
				2022	4.00%	340,000	7E6
				2023	4.00%	355,000	7F3
				2024	4.00%	375,000	7G1
				2025	4.13%	390,000	7H9
				2026	4.25%	410,000	7J5
				2029 (Term)	4.50%	1,355,000	7M8
Total Series 2009B Bonds Being Refunded						$3,860,000	

Proceeds of the Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance. The District will pay the principal and interest payment due on February 1, 2019 from the Debt Service Fund for the Series 2009B Bonds.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	$3,920,000	
Total Sources		**$3,920,000**
Uses		
Total Underwriter's Discount (1.000%)	$39,200	
Costs of Issuance	35,000	
Deposit to Current Refunding Fund	3,843,327	
Rounding Amount	2,473	
Total Uses		**$3,920,000**

*Preliminary, subject to change

SECURITY

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

CONCURRENT FINANCING

By means of a separate Preliminary Official Statement, the District will be offering for sale its General Obligation Taxable OPEB Refunding Bonds, Series 2018D (the "Concurrent Obligations" or the "Series 2018D Bonds") which are scheduled to close 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 an "A1" 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 August 21, 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.

The District did not meet its disclosure obligations by not filing certain operating data in the last five years as required for the annual reports due for fiscal years ending June 30, 2013; June 30, 2014 and June 30, 2015. 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. Except to the extent the preceding is deemed to be material, in the previous five years the District believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The District has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

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

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

LEGAL OPINION

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

TAX EXEMPTION AND RELATED CONSIDERATIONS

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

Interest on the Bonds is not an item of tax preference includible in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts, but is includible in adjusted current earnings in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax for tax years beginning prior to January 1, 2018, and the environmental tax imposed by Section 59A of the Code. Interest on the Bonds may be includible in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includible in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent of the interest on the Bonds that is received or accrued during the taxable year. Section 86 of the Code requires recipients of certain Social Security and railroad retirement benefits to take into account interest on the Bonds in determining the taxability of such benefits. Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent of its gross receipts is passive investment income. Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds.

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

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 Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

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

---

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

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

3 Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2017/18 Economic Market Value	$8,221,217,472[1]

2017/18 Assessor's Estimated Market Value

	Ramsey County	Washington County	Total
Real Estate	$4,165,461,800	$3,869,577,100	$ 8,035,038,900
Personal Property	37,429,100	29,167,700	66,596,800
Total Valuation	$4,202,890,900	$3,898,744,800	$ 8,101,635,700

2017/18 Net Tax Capacity

	Ramsey County	Washington County	Total
Real Estate	$49,204,002	$46,662,134	$ 95,866,136
Personal Property	732,867	574,234	1,307,101
Net Tax Capacity	$49,936,869	$47,236,368	$ 97,173,237
Less: Captured Tax Increment Tax Capacity[2]	(1,715,575)	(1,065,166)	(2,780,741)
Fiscal Disparities Contribution[3]	(6,632,880)	(6,536,765)	(13,169,645)
Taxable Net Tax Capacity	$41,588,414	$39,634,437	$ 81,222,851
Plus: Fiscal Disparities Distribution[3]	7,990,065	6,076,858	14,066,923
Adjusted Taxable Net Tax Capacity	$49,578,479	$45,711,295	$ 95,289,774

1 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for Independent School District No. 622 (North St. Paul-Maplewood-Oakdale) is about 97.22% of the actual selling prices of property most recently sold in the District. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the District of $8,221,217,472.

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

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

2017/18 NET TAX CAPACITY BY CLASSIFICATION

	2017/18 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$44,341,455	45.63%
Agricultural	318,512	0.33%
Commercial/industrial	38,132,450	39.24%
Public utility	495,408	0.51%
Railroad operating property	105,338	0.11%
Non-homestead residential	12,401,066	12.76%
Commercial & residential seasonal/rec.	71,907	0.07%
Personal property	1,307,101	1.35%
Total	$97,173,237	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Adjusted Taxable Net Tax Capacity[2]	Percent +/- in Estimated Market Value
2013/14	$ 6,492,478,700	$ 6,017,264,000	$ 78,224,993	$ 75,527,022	+2.07%
2014/15	7,065,239,600	6,632,713,300	84,473,509	81,850,310	+8.82%
2015/16	7,259,713,400	6,811,163,500	86,184,298	83,510,922	+2.75%
2016/17	7,578,916,600	7,133,591,100	90,392,768	88,007,723	+4.40%
2017/18	8,101,635,700	7,675,276,600	97,173,237	95,289,774	+6.90%

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

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

LARGER TAXPAYERS

Taxpayer	Type of Property	2017/18 Net Tax Capacity	Percent of District's Total Net Tax Capacity
3M	Commercial	$ 3,837,467	3.95%
Xcel Energy	Utility	1,814,452	1.87%
Tamarack Village Shopping Center LP	Commercial	1,735,486	1.79%
Maplewood Mall LLC	Commercial	1,607,844	1.65%
Ramco-Gershenson Properties LP	Commercial	1,327,068	1.37%
AX Oakdale Village LP	Commercial	615,726	0.63%
Birch Run Station Shopping Center	Commercial	497,532	0.51%
Inland Bergen Plaza LLC	Commercial	393,962	0.41%
Larson Family Real Estate LLLP	Commercial	387,740	0.40%
Intrepid Holdings LLP	Commercial	348,490	0.36%
Total		$12,565,767	12.93%

District's Total 2017/18 Net Tax Capacity $97,173,237

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

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total g.o. debt being paid from taxes and state aids[2] (includes the Series 2018D Bonds & the Series 2018E Bonds)*	$131,805,000

Lease Purchase Obligations (see schedule following)[3]

Total lease purchase obligations paid by annual appropriations[4]	$ 12,899,215

*Preliminary, subject to change.

---

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

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

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

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

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. 622 (North St. Paul-Maplewood-Oakdale)
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Taxes
(As of 11/15/18)
FISCAL YEAR BASIS

	Taxable OPEB 2009A		Alternative Facilities 2009B		Taxable Alt Facilities (BABs Direct Pay) 2010A		Crossover Refunding 1) 2010C		Alternative Facilities 2011A		Refunding 2) 2012A		Alternative Facilities Refunding 3) 2012B		Refunding 4) 2016A	
Dated	2/1/2009		2/1/2009		2/1/2010		10/1/2010		4/1/2011		4/25/2012		10/25/2012		11/17/2016	
Amount	$30,000,000		$6,390,000		$6,795,000		$4,750,000		$6,720,000		$8,955,000		$9,505,000		$34,050,000	
Maturity	02/01		02/01		02/01		02/01		02/01		02/01		02/01		02/01	
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest 1)**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2019	1,745,000	912,703	300,000	170,075	305,000	238,750	395,000	79,850	295,000	166,204	790,000	128,188	750,000	201,669	5,070,000	739,125
2020					315,000	225,025	415,000	68,000	300,000	157,354	800,000	112,388	770,000	179,169	5,200,000	1,224,750
2021					330,000	210,850	430,000	55,550	315,000	148,354	825,000	96,388	795,000	156,069	4,740,000	964,750
2022					345,000	195,670	445,000	42,650	330,000	138,904	840,000	79,888	820,000	132,219	4,170,000	727,750
2023					355,000	179,455	460,000	29,300	340,000	128,591	865,000	60,988	810,000	107,619	3,745,000	519,250
2024					375,000	162,415	470,000	15,040	345,000	117,541	885,000	41,525	825,000	90,406	3,095,000	332,000
2025					390,000	144,040			350,000	105,898	910,000	21,613	845,000	70,813	3,010,000	177,250
2026					410,000	124,540			355,000	93,648			870,000	49,688	260,000	26,750
2027					425,000	103,425			360,000	80,868			895,000	26,850	275,000	13,750
2028					450,000	80,688			400,000	67,548						
2029					470,000	55,488			410,000	52,348						
2030					495,000	28,463			440,000	36,460						
2031										18,860						
2032																
2033																
2034																
2035																
2036																
2037																
2038																
2039																
	1,745,000	912,703	300,000	170,075	4,665,000	1,748,808	2,615,000	290,390	4,240,000	1,312,575	5,915,000	540,975	7,380,000	1,014,500	29,565,000	4,725,375

1) This issue refunded the February 1, 2012 and 2013 through 2024 maturies of the District's $6,840,000 General Obligation School Building Bonds, Series 2003B, dated April 1, 2003.

2) This issue refunded the 2015 through 2025 maturies of the District's $6,435,000 General Obligation School Building Bonds, Series 2004B, dated April 1, 2004; and the February 1, 2015 through February 1, 2026 maturities of the District's $6,755,00 General Obligation Alternative Facilities Bonds, Series 2005 dated February 1, 2005.

3) This issue refunded the 2016 through 2027 maturies of the District's $13,485,000 General Obligation Alternative Facilities Bonds, Series 2006 , dated February 1, 2006.

4) This issue refunded the 2017 through 2025 maturities of the District's General Obligation Refunding Bonds, Series 2006B, and 2018 through 2023 maturities of the District's $21,680,000 General Obligation Refunding Bonds, Series 2006C, both dated November 1, 2006; and the 2018 through 2027 maturities of the District's $4,170,000 General Obligation Alternative Facilities Bonds, Series 2007A, dated March 1, 2007.

Continued on the next page

INDEPENDENT SCHOOL DISTRICT NO. 622 (North St. Paul-Maplewood-Oakdale)
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Taxes, continued.
(As of 11/15/18)
FISCAL YEAR BASIS

	Alternative Facilities Refunding 5) 2017A		Facilities Maintenance Series 2018A		Capital Facilities and Tax Abatement Series 2018B		Taxable OPEB Refunding 6) Series 2018D		Alternative Facilities Refunding 7) Series 2018E							
Dated Amount	5/18/2017 $6,600,000		9/13/2018 $44,885,000		9/13/2018 $6,040,000		11/15/2018 $14,070,000*		11/15/2018 $3,920,000*							
Maturity	02/01		02/01		02/01		02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2019	530,000	96,975	0	0	0	0	0	0	0	0	10,180,000	2,733,538	12,913,538	121,625,000	7.72%	**2019**
2020	615,000	178,050	0	2,134,699	510,000	250,660	1,695,000	548,803	345,000	121,668	10,965,000	5,200,566	16,165,566	110,660,000	16.04%	**2020**
2021	575,000	159,600	0	1,543,156	600,000	165,900	1,605,000	403,138	350,000	93,733	10,565,000	3,997,486	14,562,486	100,095,000	24.06%	**2021**
2022	600,000	142,350	0	1,543,156	620,000	147,900	1,655,000	354,185	360,000	86,383	10,185,000	3,591,054	13,776,054	89,910,000	31.79%	**2022**
2023	620,000	124,350	0	1,543,156	635,000	129,300	1,710,000	302,053	370,000	78,463	9,910,000	3,202,524	13,112,524	80,000,000	39.30%	**2023**
2024	650,000	105,750	0	1,543,156	655,000	110,250	1,765,000	247,333	385,000	69,953	9,450,000	2,835,369	12,285,369	70,550,000	46.47%	**2024**
2025	675,000	86,250	0	1,543,156	670,000	90,600	1,820,000	189,970	395,000	60,520	9,065,000	2,490,109	11,555,109	61,485,000	53.35%	**2025**
2026	705,000	66,000	210,000	1,543,156	690,000	70,500	1,880,000	129,910	410,000	50,250	5,790,000	2,154,441	7,944,441	55,695,000	57.74%	**2026**
2027	735,000	44,850	180,000	1,532,656	535,000	49,800	1,940,000	66,930	420,000	39,180	5,765,000	1,958,309	7,723,309	49,930,000	62.12%	**2027**
2028	760,000	22,800	1,740,000	1,523,656	555,000	33,750			435,000	27,000	4,340,000	1,755,441	6,095,441	45,590,000	65.41%	**2028**
2029			2,090,000	1,454,056	570,000	17,100			450,000	13,950	3,990,000	1,592,941	5,582,941	41,600,000	68.44%	**2029**
2030			2,420,000	1,391,356							3,355,000	1,456,279	4,811,279	38,245,000	70.98%	**2030**
2031			2,810,000	1,315,731							2,810,000	1,334,591	4,144,591	35,435,000	73.12%	**2031**
2032			3,275,000	1,224,406							3,275,000	1,224,406	4,499,406	32,160,000	75.60%	**2032**
2033			3,405,000	1,122,063							3,405,000	1,122,063	4,527,063	28,755,000	78.18%	**2033**
2034			3,540,000	985,863							3,540,000	985,863	4,525,863	25,215,000	80.87%	**2034**
2035			4,495,000	870,813							4,495,000	870,813	5,365,813	20,720,000	84.28%	**2035**
2036			4,875,000	719,106							4,875,000	719,106	5,594,106	15,845,000	87.98%	**2036**
2037			5,080,000	554,575							5,080,000	554,575	5,634,575	10,765,000	91.83%	**2037**
2038			5,280,000	376,775							5,280,000	376,775	5,656,775	5,485,000	95.84%	**2038**
2039			5,485,000	191,975							5,485,000	191,975	5,676,975	0	100.00%	**2039**
	6,465,000	1,026,975	44,885,000	24,656,668	6,040,000	1,065,760	14,070,000	2,242,320	3,920,000	641,098	131,805,000	40,348,222	172,153,222			

*Preliminary, subject to change.

5) This issue refunded the 2019 through 2028 maturities of the District's $10,895,000 General Obligation Alternative Facility Bonds, Series 2008A, dated February 1, 2008.

6) This issue is refunding the 2020 through 2027 maturities of the District's $30,000,000 General Obligation Taxable OPEB Bonds, Series 2009A, dated February 1, 2009. The District is responsible for paying the principal and interest on the non-refunded maturities through February 1, 2019 (the "Call Date", and the principal being refunded on the Call Date. Therefore, the refunded issue has not been included above and has not been included in the calculation of debt ratios.

7) This issue is refunding the 2020 through 2029 maturities of the District's $6,390,000 General Obligation Alternative Facility Bonds, Series 2009B, dated February 1, 2009. The District is responsible for paying the principal and interest on the non-refunded maturities through February 1, 2019 (the "Call Date", and the principal being refunded on the Call Date. Therefore, the refunded issue has not been included above and has not been included in the calculation of debt ratios.

INDEPENDENT SCHOOL DISTRICT NO. 622 (North St. Paul-Maplewood-Oakdale)
Schedule of Bonded Indebtedness
Non-General Obligation Debt Being Paid by Annual Appropriations
(As of 11/15/18)
FISCAL YEAR BASIS

	Refunding 1) 2006D		Cert of Part 2010B		Refunding 2) 2011B		Lease 2016		Cert of Part 2018C							
Dated Amount	11/1/2006 $1,830,000		9/15/2010 $2,500,000		12/15/2011 $3,675,000		7/1/2016 $1,650,204		9/13/2018 $9,405,000							
Maturity	02/01		02/01		02/01		12/30 and 6/30		02/01							
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2019	170,000	7,438	180,000	22,040	565,000	7,345	230,421	11,986	0	0	1,145,421	48,808	1,194,229	11,753,794	8.88%	2019
2020	180,000	7,650	185,000	39,040			235,518	20,135	380,000	436,416	980,518	503,241	1,483,759	10,773,276	16.48%	2020
2021			190,000	33,490			240,728	14,925	515,000	304,081	945,728	352,497	1,298,224	9,827,549	23.81%	2021
2022			195,000	27,505			246,053	9,600	530,000	288,631	971,053	325,736	1,296,789	8,856,496	31.34%	2022
2023			200,000	21,265			251,496	4,157	545,000	272,731	996,496	298,154	1,294,649	7,860,000	39.07%	2023
2024			210,000	14,665					560,000	256,381	770,000	271,046	1,041,046	7,090,000	45.04%	2024
2025			215,000	7,525					585,000	233,981	800,000	241,506	1,041,506	6,290,000	51.24%	2025
2026									610,000	210,581	610,000	210,581	820,581	5,680,000	55.97%	2026
2027									630,000	186,181	630,000	186,181	816,181	5,050,000	60.85%	2027
2028									660,000	160,981	660,000	160,981	820,981	4,390,000	65.97%	2028
2029									675,000	141,181	675,000	141,181	816,181	3,715,000	71.20%	2029
2030									700,000	120,931	700,000	120,931	820,931	3,015,000	76.63%	2030
2031									720,000	99,931	720,000	99,931	819,931	2,295,000	82.21%	2031
2032									740,000	76,531	740,000	76,531	816,531	1,555,000	87.95%	2032
2033									765,000	52,481	765,000	52,481	817,481	790,000	93.88%	2033
2034									790,000	26,663	790,000	26,663	816,663	0	100.00%	2034
	350,000	15,088	1,375,000	165,530	565,000	7,345	1,204,215	60,804	9,405,000	2,867,685	12,899,215	3,116,451	16,015,666			

1) This issue refunded the 2007 through 2021 maturities of the District's $2,390,000 Certificates of Participation, Series 2000A, dated April 1, 2000.

2) This issue refunded the 2012 through 2017 maturities of the District's $8,055,000 Certificates of Participation, Series 2004A, dated April 1, 2004.

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	$8,221,217,472
Multiply by 15%	0.15
Statutory Debt Limit	$1,233,182,621
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes[1] (includes the Series 2018D Bonds and Series 2018E Bonds)*	(115,990,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	(12,899,215)
Unused Debt Limit*	$1,117,192,621

*Preliminary, subject to change.

[1] Does not include the District's $30,000,000 General Obligation Taxable OPEB Bonds, Series 2009A, or the Series 2018D Bonds, as they are not subject to the debt limit calculation.

OVERLAPPING DEBT[1]

Taxing District	2017/18 Adjusted Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Ramsey County	$ 586,968,191	8.4483%	$162,035,000	$ 13,689,203
Washington County	300,202,173	13.8068%	116,345,000	16,063,521
City of Lake Elmo	16,106,770	26.4667%	35,778,522	9,469,394
City of Maplewood	45,957,726	85.1700%	58,291,485	49,646,858
City of North St. Paul	10,436,030	100.0000%	16,595,000	16,595,000
City of Oakdale	30,074,535	0.0637%	23,600,000	15,033
City of White Bear Lake	29,532,883	0.0367%	13,740,000	5,043
City of Woodbury	97,440,350	10.9680%	59,350,000	6,509,508
Metropolitan Council	3,971,779,581	2.3994%	147,660,000 [3]	3,542,954
District's Share of Total Overlapping Debt				$115,536,514

DEBT PAYMENT HISTORY

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

---

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

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value ($8,221,217,472)	Debt/ Current Population Estimate (83,540)
Direct G.O. Debt Being Paid From Taxes and State Aids	$131,805,000	1.60%	$1,577.75
District's Share of Total Overlapping Debt	$115,536,514	1.41%	$1,383.01
Total	$247,341,514	3.01%	$2,960.76

FUTURE FINANCING

In addition to the Concurrent Obligations, the District plans to issue approximately $2,000,000 Certificates of Participation in the next 12 months.

LEVY LIMITS

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

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

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[1]	Total Collected Following Year	Collected to Date[2]	% Collected
2013/14	$39,292,009	$39,002,006	$39,265,803	99.93%
2014/15	41,154,590	40,859,525	41,112,936	99.90%
2015/16	40,969,844	40,706,053	40,905,115	99.84%
2016/17	47,633,077	47,391,626	47,391,626	99.49%
2017/18	47,718,862	In process of collection		

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

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

2 Collections are through December 31, 2017 for Ramsey County and March 15, 2018 for Washington County.

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

TAX CAPACITY RATES[1]

	2013/14	2014/15	2015/16	2016/17	2017/18
I.S.D. No. 622 (North St. Paul-Maplewood-Oakdale)	37.643%	35.864%	35.569%	33.582%	30.089%
Ramsey County	59.105%	54.462%	54.012%	51.173%	49.473%
Washington County	32.811%	30.186%	30.564%	30.448%	29.983%
City of Lake Elmo	27.761%	23.798%	23.121%	20.018%	22.442%
City of Landfall	47.797%	48.731%	55.903%	56.649%	80.742%
City of Maplewood	48.378%	46.353%	48.507%	47.248%	45.911%
City of North St. Paul	36.185%	35.169%	38.707%	41.866%	42.465%
City of Oakdale	41.201%	39.131%	39.492%	39.721%	38.544%
City of Pine Springs	7.451%	6.850%	7.235%	9.110%	8.730%
City of White Bear Lake	21.102%	20.368%	19.690%	18.969%	19.058%
City of Woodbury	38.076%	34.657%	35.287%	35.122%	33.670%
Metro Watershed	4.499%	4.259%	4.214%	3.813%	3.746%
Metropolitan Council	2.729%	2.524%	2.379%	2.243%	2.153%
Metro Mosquito	0.554%	0.511%	0.475%	0.455%	0.440%
Ramsey-Washington Metro Watershed	4.253%	4.494%	4.460%	4.067%	3.878%
Regional Rail	4.196%	3.938%	4.091%	3.875%	3.830%
Regional Rail 519	0.233%	0.212%	0.247%	0.243%	0.224%
South Washington Watershed	0.761%	0.693%	0.753%	0.839%	0.819%
Transit District 509	1.514%	1.357%	1.373%	1.307%	1.226%
Washington County CDA 187	1.290%	1.181%	1.529%	1.475%	1.469%
Woodbury HRA 316	0.343%	0.295%	0.289%	0.276%	0.255%
Valley Branch Watershed 54	1.899%	1.701%	1.761%	1.887%	2.323%
Referendum Market Value Rates:					
I.S.D. No. 622 (North St. Paul-Maplewood-Oakdale)	0.15062%	0.14365%	0.13668%	0.21590%	0.19486%
City of Maplewood	0.01965%	0.00870%	0.00913%	0.00767%	0.00725%
City of North St. Paul	0.07060%	0.06663%	0.05610%	0.05321%	0.05024%
City of Woodbury	0.02594%	0.01308%	0.01216%	0.01187%	0.01116%
Washington County	0.00449%	0.00406%	0.00390%	0.00378%	0.00353%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Ramsey and Washington Counties.

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

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 1,589, including 874 non-licensed employees and 715 licensed employees (675 of whom are teachers). The District provides education for 10,304 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

Public Employees' Retirement Association (PERA)

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

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Principals	June 30, 2019
Paraprofessionals	June 30, 2019
Teachers	June 30, 2019
Custodial/Bus Drivers	June 30, 2019
Nutrition Services	June 30, 2019
Clerical Office and Paraprofessional Employees	June 30, 2019
Education Assistants	June 30, 2019

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 45 (GASB 45). The District's most recent actuarial study of its OPEB obligations shows an actuarial accrued liability of $39,031,544 as of July 1, 2015. The District has been funding these obligations on a pay-as-you-go basis, but in February of 2009 they issued $30,000,000 in OPEB Bonds to fund an irrevocable trust. As of June 30, 2017 the net position of the trust was $12,318,006. Future OPEB costs will be paid partially from the trust and partially from operating funds.

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2014/15	738	4,497	5,375	10,610
2015/16	719	4,534	5,289	10,542
2016/17	666	4,430	5,207	10,303
2017/18	709	4,470	5,197	10,376
2018/19	705	4,424	5,210	10,340

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2019/20	697	4,386	5,235	10,318
2020/21	701	4,346	5,244	10,292
2021/22	702	4,309	5,314	10,324

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Carver Elementary	1958	1958, 1960, 1996, 2000
Castle Elementary	1969	1969, 1988
Cowern Elementary	1953	1953, 1958, 1962, 2004
Eagle Point Elementary	1965	1965, 1966, 2004
Oakdale Elementary	1967	1967, 1970, 1990, 2000
Richardson Elementary	1954	1954, 1966, 2004
Weaver Elementary	1967	1967, 1969
Webster Elementary	1964	1964, 1966
John Glenn Middle School	1962	1962, 1967, 1977, 1988
Maplewood Middle School	1961	1961, 1967
Skyview Community (K-8)	1996	1996
Harmony Living Center	1962	1962, 1992, 2000
North High School	1997	1997
Tartan High School	1971	1971, 1976
Beaver Lake Early Childhood Center	1951	1962, 2014
District Education Center	1967	1999
District Transportation Center	1988	1955, 1957, 1961
Gladstone Education Center	1951	1955, 1957, 1961, 2014
Operation and Maintenance Building	1972	--

FUNDS ON HAND (as of July 31, 2018)

Fund	Total Cash and Investments
General	$20,190,730
Food Service	1,254,342
Community Service	3,960,941
Debt Service	7,471,294
Building/Construction	(395,077)
Trust & Agency	13,724,568
Internal Service	4,838,545
Total Funds on Hand	$51,045,343

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.

	FISCAL YEAR ENDING JUNE 30				
COMBINED STATEMENT	**2015 Audited**	**2016 Audited**	**2017 Audited**	**2017-18 Revised Budget[1]**	**2018-19 Adopted Budget[2]**
Revenues					
Property taxes	$ 19,420,261	$ 19,209,883	$ 25,352,714	$ 33,241,086	$ 33,641,641
Investment earnings	18,736	30,576	61,190	0	0
Other	2,147,350	2,382,776	3,239,010	3,494,113	2,109,950
State sources	101,726,474	107,501,652	106,108,749	109,385,017	111,341,243
Federal sources	4,350,724	4,433,764	4,611,671	3,879,704	3,823,500
Total Revenues	$ 127,663,545	$ 133,558,651	$ 139,373,334	$ 149,999,920	$ 150,916,334
Expenditures					
Current					
Administration	$ 6,204,965	$ 5,654,357	$ 5,783,733	$ 6,409,733	$ 6,329,755
District support services	5,735,305	5,388,840	7,333,244	6,131,749	6,509,927
Elementary & secondary regular instruction	59,933,326	58,694,319	57,954,053	61,137,700	64,126,459
Vocational education instruction	2,588,707	2,548,516	2,614,558	2,729,093	2,523,404
Special education instruction	25,137,862	27,069,630	26,955,254	28,881,827	29,694,389
Instructional support services	6,292,004	5,912,360	6,316,256	6,945,980	7,386,864
Pupil support services	11,819,255	10,501,822	11,924,489	13,566,523	14,043,480
Sites and buildings	11,578,003	10,510,561	17,993,944	19,845,114	17,324,910
Fiscal and other fixed cost programs	555,882	470,182	474,151	600,000	855,800
Capital Outlay	0	0	0	0	0
Debt Service	1,043,210	989,938	1,246,397	0	0
Total Expenditures	$ 130,888,519	$ 127,740,525	$ 138,596,079	$ 146,247,719	$ 148,794,988
Excess of revenues over (under) expenditures	$ (3,224,974)	$ 5,818,126	$ 777,255	$ 3,752,201	$ 2,121,346
Other Financing Sources (Uses)					
Capital lease issued	$ 0	$ 0	$ 1,650,204		
Sale of assets	22,386	4,041	141,660		
Operating transfers in	0	0	0		
Operating transfers out	0	0	0		
Total Other Financing Sources (Uses)	$ 22,386	$ 4,041	$ 141,660		
Net Change in Fund Balances	$ (3,202,588)	$ 5,822,167	$ 2,569,119		
General Fund Balance July 1	7,177,839	3,975,251	12,983,918		
Joint School Proceeds	0	3,186,500			
Residual Equity Transfer in (out)	0	0	0		
General Fund Balance June 30	$ 3,975,251	$ 12,983,918	$ 15,553,037		
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$ 123,613	$ 110,472	$ 135,441		
Restricted	686,109	4,965,791	7,083,939		
Assigned	0	688,388	0		
Unassigned	3,165,529	7,219,267	8,333,657		
Total	$ 3,975,251	$ 12,983,918	$ 15,553,037		

1 The 2017-18 revised budget was adopted on June 26, 2018. The district's preliminary unaudited financial results for FY 2017-18 are showing expenditures lower than budgeted, and revenues greater than budgeted, which administration officials expect to result in a total general fund balance increase of approximately $10 million.

2 The 2018-19 budget was adopted on June 26, 2018.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 77,014 and a current population estimate of 83,540, and comprising an area of 42 square miles, is located in the Minneapolis-St. Paul metropolitan area, bordering the northeast part of the City of St. Paul.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
3M	Engineering	11,000
I.S.D. No. 622 (North St. Paul-Maplewood-Oakdale)	Elementary and secondary education	1,589
St. John's Hospital	Hospital	973
Target	Retail	550
Bureau of Engraving Inc	Printers- manufacturers	500
Bremer Service Center	Call center for Bremer Bank	400
Cub Foods	Grocery	370
City of Maplewood	Municipal government and services	335
Canvas Health Inc.	Counselors- licensed professionals	300
Twin City Hardware	Locks- manufacturers	250

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

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

U.S. CENSUS DATA

Population Trend: Independent School District No. 622 (North St. Paul-Maplewood-Oakdale), Minnesota

2000 U.S. Census population	75,188
2010 U.S. Census population	77,014
2017 Population Estimate	82,540
Percent of Change 2000 - 2010	+ 2.43%

Income and Age Statistics

	North St. Paul-Maplewood-Oakdale School District	Ramsey County	State of Minnesota	United States
2016 per capita income	$32,190	$32,765	$33,225	$29,829
2016 median household income	$64,370	$60,369	$63,217	$55,322
2016 median family income	$94,197	$81,002	$79,595	$67,871
2016 median gross rent	$1,052	$940	$873	$928
2016 median value owner occupied units	$220,400	$220,100	$191,500	$184,700
2016 median age	37.9 yrs.	34.9 yrs.	37.8 yrs.	37.7 yrs.

	State of Minnesota	United States
District % of 2016 per capita income	96.88%	107.92%
District % of 2016 median family income	118.35%	138.79%

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

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	Average Unemployment	
Year	Ramsey County	Ramsey County	State of Minnesota
2014	267,101	4.0%	4.2%
2015	270,500	3.5%	3.7%
2016	272,018	3.6%	3.8%
2017	276,945	3.3%	3.5%
2018, August	284,919	2.6%	2.5%

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

APPENDIX A

FINANCIAL STATEMENTS

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

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

INDEPENDENT SCHOOL DISTRICT NO. 622
NORTH ST. PAUL – MAPLEWOOD – OAKDALE,
MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2017

MMKR
CERTIFIED PUBLIC
ACCOUNTANTS

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. 622
North St. Paul – Maplewood – Oakdale, 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. 622 (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.

Emphasis of Matter

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, during the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 other district information, 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of the District. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

(continued)

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

The introductory and other district information 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 December 8, 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.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 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
December 5, 2017

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

This section of Independent School District No. 622's (the District) annual financial statements 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 other components of the District's annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2017 by $115,045,180 (net position deficit). The District's total net position decreased by $17,750,830 during the fiscal year ended June 30, 2017, excluding the change in accounting principle reported in the current year as discussed below.

- The District recorded a change in accounting principle in the current year with the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans,* and GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The change reflects standards established for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures as they relate to certain pension and other post-employment benefit (OPEB) obligations. The implementation of these standards reduced beginning net position in the government-wide financial statements by $40,735,443.

- Government-wide revenues totaled $173,686,696 and were $17,750,830 less than expenses of $191,437,526.

- The General Fund's total fund balance (under governmental fund presentation) increased $2,569,119 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual financial statements consists of the following parts:

- Independent Auditor's Report;
- MD&A;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Supplemental information consisting of combining and individual fund statements and schedules.

The following explains the two types of statements included in the basic financial statements:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Position and Statement of Activities) 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 the 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 it has 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 indicators of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District requires consideration of 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 all shown in one category titled "governmental activities." These activities, including regular and special education instruction, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

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 (Food Service and Community Service Special Revenue) that do not meet the threshold to be classified as major funds are called "nonmajor" funds. Detailed financial information for nonmajor funds can be found in the supplemental information section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

The District maintains the following kinds of funds:

Governmental Funds – 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 less 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 (reconciliation schedules) immediately following the governmental fund financial statements that explains the relationship (or differences) between these two types of financial statement presentations.

Proprietary Funds – The District maintains one type of proprietary fund. The Internal Service Fund is used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its Internal Service Fund to account for the self-insurance activities of the District employees' medical claims. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to others. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations. 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. 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1 is a summarized view of the District's Statement of Net Position:

Table 1
Summary Statement of Net Position
as of June 30, 2017 and 2016

	2017	2016
Assets		
Current and other assets	$ 80,956,536	$ 84,620,718
Capital assets, net of depreciation	115,148,116	111,047,001
Total assets	$ 196,104,652	$ 195,667,719
Deferred outflows of resources		
Bond refunding deferments	$ 223,566	$ –
OPEB plan deferments	164,411	–
Pension plan deferments	174,234,289	17,119,450
Total deferred outflows of resources	$ 174,622,266	$ 17,119,450
Liabilities		
Current and other liabilities	$ 11,110,993	$ 11,793,950
Long-term liabilities	418,954,617	205,552,510
Total liabilities	$ 430,065,610	$ 217,346,460
Deferred inflows of resources		
Bond refunding deferments	$ 880,063	$ –
Property taxes levied for subsequent year	44,621,056	38,108,988
Pension plan deferments	10,205,369	13,890,628
Total deferred inflows of resources	$ 55,706,488	$ 51,999,616
Net position		
Net investment in capital assets	$ 30,883,474	$ 18,616,494
Restricted	11,882,766	9,894,250
Unrestricted	(157,811,420)	(85,069,651)
Total net position	$ (115,045,180)	$ (56,558,907)

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, compensated absences, pension, and OPEB, which impacts the unrestricted portion of net position.

The District's increase in net investment in capital assets is due to the District repaying debt at a faster rate than the assets being depreciated and capital assets financed with the long-term facilities maintenance levy. An increase in net position restricted for capital asset acquisition, community service, and other state funding restrictions contributed to the growth in the restricted portion of net position. The decrease in unrestricted net position was partially due to the implementation of the GASB statements for pension and OPEB liabilities discussed earlier in this report. An increase in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans also contributed to the change in deferred outflows of resources, long-term liabilities, and unrestricted net position.

Table 2 presents a condensed version of the Statement of Activities of the District:

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

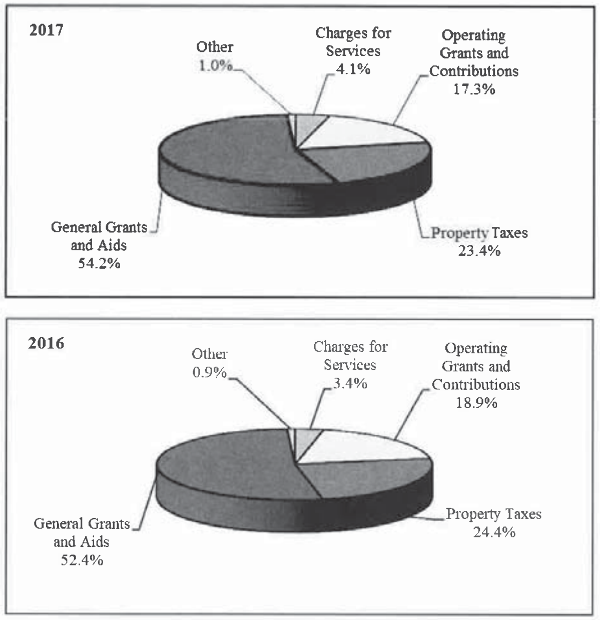
	2017	2016
Revenues		
Program revenues		
Charges for services	$ 7,041,097	$ 5,816,398
Operating grants and contributions	29,999,231	31,942,343
General revenues		
Property taxes	40,698,872	41,269,420
General grants and aids	94,256,869	88,736,879
Other	1,690,627	1,511,451
Total revenues	173,686,696	169,276,491
Expenses		
Administration	7,466,083	5,771,511
District support services	5,966,624	5,488,991
Elementary and secondary regular instruction	79,932,765	59,768,865
Vocational education instruction	3,397,939	2,516,188
Special education instruction	34,871,665	26,599,484
Instructional support services	8,670,260	5,660,427
Pupil support services	13,068,258	10,920,870
Sites and buildings	11,726,835	11,170,601
Fiscal and other fixed cost programs	474,151	470,182
Food service	6,544,722	6,370,475
Community service	9,551,438	7,805,422
Depreciation not included in other functions	4,390,145	4,163,925
Interest and fiscal charges	5,376,641	5,036,685
Total expenses	191,437,526	151,743,626
Change in net position before special item	(17,750,830)	17,532,865
Special item – joint school proceeds	–	3,186,500
Change in net position	(17,750,830)	20,719,365
Net position – beginning, as previously reported	(56,558,907)	(77,278,272)
Change in accounting principle	(40,735,443)	–
Net position – beginning, as restated	(97,294,350)	(77,278,272)
Net position – ending	$ (115,045,180)	$ (56,558,907)

This statement is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Revenue increases during fiscal 2017 include a 2 percent increase in the basic general education formula, Medical Assistance revenue, and long-term facilities maintenance revenue. The significant increase in expenses reflects natural inflationary increases along with the change in the PERA and the TRA multi-employer defined benefit pension plans mentioned earlier.

Figure A shows further analysis of these revenue sources:

Figure A – Sources of Revenues for Fiscal Years 2017 and 2016

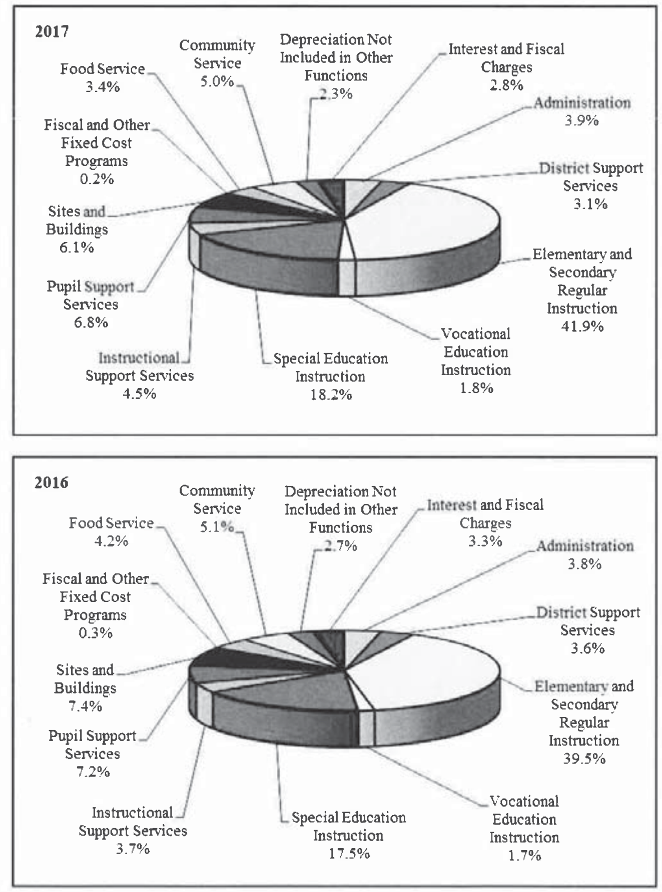


The largest share of the District's revenue is received from the state, including the basic general education aid and most of the operating grants.

Property taxes are the next largest source of funding. The level of funding property tax sources provide is not only dependent on taxpayers of the District by way of operating and building referenda, but also by decisions made by the Legislature in the mix of state aid and local effort in a variety of funding formulas.

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2017 and 2016



The District's expenses are predominately related to educating students. Programs (or functions) such as elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in its governmental funds. Table 3 shows the change in total fund balances of each of the District's governmental funds:

Table 3
Governmental Fund Balances
as of June 30, 2017 and 2016

	2017	2016	Increase (Decrease)
Major funds			
General	$ 15,553,037	$ 12,983,918	$ 2,569,119
Capital Projects – Building Construction	167,632	398,918	(231,286)
Debt Service			
Regular	2,437,461	2,717,082	(279,621)
OPEB	542,732	561,751	(19,019)
Nonmajor funds			
Food Service Special Revenue	1,333,419	1,238,963	94,456
Community Service Special Revenue	2,918,281	1,665,105	1,253,176
Total governmental funds	$ 22,952,562	$ 19,565,737	$ 3,386,825

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

At June 30, 2017, the District's governmental funds reported combined fund balances of $22,952,562, an increase of $3,386,825 in comparison with the prior year. Of this amount, $8,333,657 constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either not in spendable form totaling $495,187 or restricted for particular purposes of $14,123,718.

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Increase (Decrease)	Percent Change
Revenue and other financing sources	$ 137,840,572	$ 141,488,921	$ 3,648,349	2.6%
Expenditures	$ 138,073,983	$ 144,768,316	$ 6,694,333	4.8%

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amends the budget for known changes in circumstances such as enrollment levels, legislative funding, and employee contract settlements.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2017 Actual	Amount	Percent	Amount	Percent
Revenue	$ 139,373,334	$ (465,383)	(0.3%)	$ 5,814,683	4.4%
Expenditures	138,596,079	(6,172,237)	(4.3%)	10,855,554	8.5%
Excess (deficiency) of revenue over expenditures	777,255	5,706,854		(5,040,871)	
Other financing sources	1,791,864	141,660		1,787,823	
Special item – joint school proceeds	–	–		(3,186,500)	
Net change in fund balances	$ 2,569,119	$ 5,848,514		$ (6,439,548)	

The fund balance of the General Fund increased $2,569,119 from the prior year, compared to a $3,279,395 decrease planned in the budget.

General Fund revenues were under budget, primarily due to the District not utilizing federal sources for special education tuition billing as anticipated and due to the District over-budgeting for the TRA state direct aid contributions. The revenue growth over the prior year was due to the new long-term facilities maintenance levy recorded in the General Fund, a 2 percent increase in the basic general education formula, an increase in tuition received from other school districts, and an increase in Medical Assistance revenue.

General Fund expenditures were 4.3 percent under budget, primarily due to the District not utilizing federal sources for special education tuition billing as anticipated, over-budgeting for the TRA state direct aid contributions, and due to lower than expected payments to other school districts. Expenditures increased from the prior year, due to more construction projects occurring for long-term facilities maintenance projects paid out of the General Fund in the current year, contractual salary and benefit increases, increase in special education and homeless transportation costs, and the hiring of additional special education staff.

Comments on Significant Activities in Other Funds

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 and as authorized by the District's long-term facilities maintenance levy as approved by the Minnesota Department of Education. At June 30, 2017, the District had a fund balance of $167,632.

Debt Service Fund

The Debt Service Fund expenditures and other financing uses exceeded revenues and other financing sources by $298,640 in the current year. The funding of the Debt Service Fund is largely controlled with each individual debt obligation's financing plan. The remaining fund balance of $2,980,193 at June 30, 2017 is available for meeting future debt service obligations.

The District has issued refunding bonds in recent years to reduce future debt service payments and related debt levies for taxpayers of the District.

Other Governmental Funds

The Food Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by $94,456, compared to a planned fund balance increase of $4,133. As of June 30, 2017, the fund balance increased to 20.8 percent of expenditures.

The Community Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by $1,253,176, compared to a planned fund balance increase of $570,194. As of June 30, 2017, the fund balance increased to 33.5 percent of expenditures.

Internal Service Fund

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost reimbursement basis. The District currently maintains one Internal Service Fund, which is used to account for the District's self-insured health insurance activities.

Operating revenues for the Internal Service Fund for fiscal 2017 totaled $16,537,115, while operating expenses totaled $15,954,947.

The net position for the Internal Service Fund as of June 30, 2017 was $4,694,983, which represents a $599,661 increase from the prior year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2017 and 2016:

Table 6
Capital Assets

	2017	2016	Change
Land	$ 19,577,877	$ 19,577,877	$ –
Construction in progress	3,670,899	1,239,203	2,431,696
Land improvements	9,333,619	9,259,865	73,754
Buildings and improvements	150,837,487	147,222,142	3,615,345
Furniture and equipment	20,784,835	17,710,796	3,074,039
Less accumulated depreciation	(89,056,601)	(83,962,882)	(5,093,719)
Total	$ 115,148,116	$ 111,047,001	$ 4,101,115
Depreciation expense	$ 5,488,159	$ 5,257,730	$ 230,429

By the end of 2017, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2017.

The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year.

Additional details about capital assets can be found in the notes to basic financial statements.

Long-Term Liabilities

Table 7 illustrates the components of the District's long-term liabilities, together with the change from the prior year:

Table 7
Outstanding Long-Term Liabilities

	2017	2016	Change
General obligation bonds payable	$ 90,730,000	$ 105,860,000	$ (15,130,000)
Certificates of participation payable	3,185,000	4,055,000	(870,000)
Premium (discount) on bonds payable and certificates of participation payable	5,456,546	1,277,180	4,179,366
Capital lease payable	1,429,649	–	1,429,649
Net pension liability	284,276,263	90,267,910	194,008,353
Net OPEB liability	29,356,362	–	29,356,362
Severance benefits payable	3,135,796	2,768,555	367,241
Compensated absences payable	1,385,001	1,323,865	61,136
Total	$ 418,954,617	$ 205,552,510	$ 213,402,107

The change in general obligation bonds payable, certificates of participation payable, and premium/discount reflect the District's issuance of refunding bonds in the current year. A portion of the initial increase from new debt issues was offset by scheduled debt and refunding payments occurring in the current year.

A new capital lease for fiber optic equipment offset by scheduled principal payments made in fiscal 2017 account for the change in capital lease payable in the table above.

The differences in the net pension liability reflects the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA, along with the implementation of the new GASB standard for the District's single-employer pension plan in the current year. The change in the net OPEB liability reflects the implementation of the new GASB standards for OPEB.

The state limits the amount of general obligation debt the District can issue to 15 percent of the market value of all taxable property within the District's corporate limits (see Table 8).

Table 8
Limitations on Debt

District's market value	$ 7,463,934,900
Limit rate	15.0%
Legal debt limit	$ 1,119,590,235

Additional details of the District's long-term debt activity can be found in the notes to basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for a majority of its revenue authority.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added $121, or 2 percent, per pupil to the basic general education funding formula for fiscal year 2018 and an additional $124, or 2 percent, per pupil to the formula for fiscal year 2019.

In November 2016, the District passed an increase in operating referendum of $630 per pupil unit, which will add an additional $6.7 million of revenue to the 2017–2018 General Fund budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives and utilizes. Should you have questions about these statements, or need additional information, please contact Randy Anderson, Director of Business Services, Independent School District No. 622, 2520 – East 12th Avenue, North St. Paul, Minnesota 55109. Randy Anderson may also be reached by telephone at (651) 748-7511.

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Governmental Activities	
	2017	2016
Assets		
Cash and temporary investments	$ 35,157,959	$ 30,189,700
Receivables		
Current taxes	26,426,471	23,079,760
Delinquent taxes	529,636	512,973
Accounts and interest	191,995	183,971
Due from other governmental units	16,348,330	15,863,302
Due from fiduciary fund	1,479,268	1,730,610
Inventory	381,413	407,745
Prepaid items	113,774	89,781
Net pension asset	–	68,941
Net OPEB asset	–	12,493,935
Restricted assets – temporarily restricted		
Cash and investments for capital asset acquisition	327,690	–
Capital assets		
Not depreciated	23,248,776	20,817,080
Depreciated, net of accumulated depreciation	91,899,340	90,229,921
Total capital assets, net of accumulated depreciation	115,148,116	111,047,001
Total assets	196,104,652	195,667,719
Deferred outflows of resources		
Bond refunding deferments	223,566	–
OPEB plan deferments	164,411	–
Pension plan deferments	174,234,289	17,119,450
Total deferred outflows of resources	174,622,266	17,119,450
Total assets and deferred outflows of resources	$ 370,726,918	$ 212,787,169
Liabilities		
Salaries payable	$ 710,980	$ 1,257,369
Accounts and contracts payable	5,293,447	4,110,120
Accrued interest payable	2,767,087	1,969,133
Due to other governmental units	1,431,985	3,325,415
Unearned revenue	907,494	1,131,913
Long-term liabilities		
Due within one year	12,308,592	12,484,997
Due in more than one year	406,646,025	193,067,513
Total long-term liabilities	418,954,617	205,552,510
Total liabilities	430,065,610	217,346,460
Deferred inflows of resources		
Bond refunding deferments	880,063	–
Property taxes levied for subsequent year	44,621,056	38,108,988
Pension plan deferments	10,205,369	13,890,628
Total deferred inflows of resources	55,706,488	51,999,616
Net position		
Net investment in capital assets	30,883,474	18,616,494
Restricted for		
Capital asset acquisition	5,539,780	4,965,539
Debt service	362,410	1,495,119
Food service	1,333,419	1,238,963
Community service	2,935,366	1,684,342
Other purposes (state funding restrictions)	1,711,791	510,287
Unrestricted	(157,811,420)	(85,069,651)
Total net position	(115,045,180)	(56,558,907)
Total liabilities, deferred inflows of resources, and net position	$ 370,726,918	$ 212,787,169

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2017				2016
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 7,466,083	$ –	$ –	$ (7,466,083)	$ (5,702,747)
District support services	5,966,624	252	–	(5,966,372)	(5,488,108)
Elementary and secondary regular instruction	79,932,765	512,913	2,134,475	(77,285,377)	(56,361,379)
Vocational education instruction	3,397,939	–	62,755	(3,335,184)	(2,397,451)
Special education instruction	34,871,665	1,415,409	17,804,647	(15,651,609)	(6,138,105)
Instructional support services	8,670,260	–	42,488	(8,627,772)	(5,549,807)
Pupil support services	13,068,258	66,827	276,191	(12,725,240)	(10,699,716)
Sites and buildings	11,726,835	28,391	–	(11,698,444)	(11,138,169)
Fiscal and other fixed cost programs	474,151	–	–	(474,151)	(470,182)
Food service	6,544,722	1,997,179	4,516,626	(30,917)	(54,685)
Community service	9,551,438	3,020,126	5,162,049	(1,369,263)	(783,926)
Depreciation not included in other functions	4,390,145	–	–	(4,390,145)	(4,163,925)
Interest and fiscal charges	5,376,641	–	–	(5,376,641)	(5,036,685)
Total governmental activities	$ 191,437,526	$ 7,041,097	$ 29,999,231	(154,397,198)	(113,984,885)
General revenues					
Taxes					
Property taxes levied for general purposes				25,272,032	19,224,086
Property taxes levied for capital projects				–	5,067,600
Property taxes levied for community service				1,749,722	1,752,007
Property taxes levied for debt service				13,677,118	15,225,727
General grants and aids				94,256,869	88,736,879
Other general revenues				1,512,578	1,446,262
Investment earnings				178,049	65,189
Special item – joint school proceeds				–	3,186,500
Total general revenues and special item				136,646,368	134,704,250
Change in net position				(17,750,830)	20,719,365
Net position – beginning, as previously reported				(56,558,907)	(77,278,272)
Change in accounting principle				(40,735,443)	–
Net position – beginning, as restated				(97,294,350)	(77,278,272)
Net position – ending				$(115,045,180)	$ (56,558,907)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 622

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
Assets			
Cash and temporary investments	$ 15,038,592	$ 169,574	$ 8,704,612
Cash and investments held by trustee	327,690	–	–
Receivables			
Current taxes	18,143,826	–	7,490,123
Delinquent taxes	302,137	–	204,562
Accounts and interest	57,155	–	–
Due from other governmental units	15,440,765	–	38,936
Due from other funds	1,479,268	–	–
Inventory	22,465	–	–
Prepaid items	112,976	–	–
Total assets	$ 50,924,874	$ 169,574	$ 16,438,233
Liabilities			
Salaries payable	$ 615,304	$ –	$ –
Accounts and contracts payable	3,656,003	1,942	–
Due to other governmental units	690,827	–	–
Unearned revenue	326,149	–	–
Total liabilities	5,288,283	1,942	–
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	177,640	–	149,304
Property taxes levied for subsequent year	29,905,914	–	13,308,736
Total deferred inflows of resources	30,083,554	–	13,458,040
Fund balances			
Nonspendable	135,441	–	–
Restricted	7,083,939	167,632	2,980,193
Assigned	–	–	–
Unassigned	8,333,657	–	–
Total fund balances	15,553,037	167,632	2,980,193
Total liabilities, deferred inflows of resources, and fund balances	$ 50,924,874	$ 169,574	$ 16,438,233

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds 2017	Total Governmental Funds 2016
$ 5,435,855	$ 29,348,633	$ 25,240,247
–	327,690	–
792,522	26,426,471	23,079,760
22,937	529,636	512,973
134,840	191,995	183,971
868,629	16,348,330	15,863,302
–	1,479,268	1,730,610
358,948	381,413	407,745
798	113,774	89,781
$ 7,614,529	$ 75,147,210	$ 67,108,389
$ 95,676	$ 710,980	$ 1,257,369
521,159	4,179,104	3,255,989
741,158	1,431,985	3,325,415
581,345	907,494	1,131,913
1,939,338	7,229,563	8,970,686
17,085	344,029	462,978
1,406,406	44,621,056	38,108,988
1,423,491	44,965,085	38,571,966
359,746	495,187	497,526
3,891,954	14,123,718	11,271,673
–	–	688,388
–	8,333,657	7,108,150
4,251,700	22,952,562	19,565,737
$ 7,614,529	$ 75,147,210	$ 67,108,389

INDEPENDENT SCHOOL DISTRICT NO. 622

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)

	2017	2016
Total fund balances – governmental funds	$ 22,952,562	$ 19,565,737
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	204,204,717	195,009,883
Accumulated depreciation	(89,056,601)	(83,962,882)
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 payable	(90,730,000)	(105,860,000)
Certificates of participation payable	(3,185,000)	(4,055,000)
Premiums and discounts on debt	(5,456,546)	(1,277,180)
Capital leases payable	(1,429,649)	–
Net pension liability	(284,276,263)	(90,198,969)
Net OPEB asset (liability)	(29,356,362)	12,493,935
Severance benefits payable	(3,135,796)	(2,768,555)
Compensated absences payable	(1,385,001)	(1,323,865)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(2,767,087)	(1,969,133)
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 Fund is included in the governmental activities in the Statement of Net Position.	4,694,983	4,095,322
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 – bond refunding deferments	223,566	–
Deferred outflows – OPEB plan deferments	164,411	–
Deferred outflows – pension plan deferments	174,234,289	17,119,450
Deferred inflows – bond refunding deferments	(880,063)	–
Deferred inflows – pension plan deferments	(10,205,369)	(13,890,628)
Deferred inflows – delinquent taxes receivable	344,029	462,978
Total net position – governmental activities	$ (115,045,180)	$ (56,558,907)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 622

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)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	$ 25,352,714	$ –	$ 13,713,233
Investment earnings	61,190	–	74,904
Other	3,239,010	–	155,700
State sources	106,108,749	137,500	389,095
Federal sources	4,611,671	–	85,410
Total revenue	139,373,334	137,500	14,418,342
Expenditures			
Current			
Administration	5,783,733	–	–
District support services	7,333,244	–	–
Elementary and secondary regular instruction	57,954,053	–	–
Vocational education instruction	2,614,558	–	–
Special education instruction	26,955,254	–	–
Instructional support services	6,316,256	–	–
Pupil support services	11,924,489	–	–
Sites and buildings	17,993,944	–	–
Fiscal and other fixed cost programs	474,151	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	368,786	–
Debt service			
Principal	1,090,555	–	10,120,000
Interest and fiscal charges	155,842	–	4,923,102
Total expenditures	138,596,079	368,786	15,043,102
Excess (deficiency) of revenue over expenditures	777,255	(231,286)	(624,760)
Other financing sources (uses)			
Capital lease issued	1,650,204	–	–
Sale of assets	141,660	–	–
Refunding debt issued	–	–	40,650,000
Premium on debt issued	–	–	5,554,794
Payment on refunded debt	–	–	(45,878,674)
Total other financing sources (uses)	1,791,864	–	326,120
Net change in fund balances before special item	2,569,119	(231,286)	(298,640)
Special item – joint school proceeds	–	–	–
Net change in fund balances	2,569,119	(231,286)	(298,640)
Fund balances			
Beginning of year	12,983,918	398,918	3,278,833
End of year	$ 15,553,037	$ 167,632	$ 2,980,193

See notes to basic financial statements

	Total Governmental Funds	
Nonmajor Funds	2017	2016
$ 1,751,874	$ 40,817,821	$ 41,241,560
24,462	160,556	60,511
5,017,305	8,412,015	7,262,660
5,145,744	111,781,088	111,966,489
4,532,931	9,230,012	8,712,733
16,472,316	170,401,492	169,243,953
–	5,783,733	5,654,357
–	7,333,244	5,388,840
–	57,954,053	58,694,319
–	2,614,558	2,548,516
–	26,955,254	27,069,630
–	6,316,256	5,912,360
–	11,924,489	10,501,822
–	17,993,944	10,510,561
–	474,151	470,182
6,299,829	6,299,829	6,220,243
8,626,479	8,626,479	7,826,285
198,376	567,162	3,781,807
–	11,210,555	10,555,000
–	5,078,944	5,360,627
15,124,684	169,132,651	160,494,549
1,347,632	1,268,841	8,749,404
–	1,650,204	–
–	141,660	4,041
–	40,650,000	–
–	5,554,794	–
–	(45,878,674)	–
–	2,117,984	4,041
1,347,632	3,386,825	8,753,445
–	–	3,186,500
1,347,632	3,386,825	11,939,945
2,904,068	19,565,737	7,625,792
$ 4,251,700	$ 22,952,562	$ 19,565,737

INDEPENDENT SCHOOL DISTRICT NO. 622

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)

	2017	2016
Total net change in fund balances – governmental funds	$ 3,386,825	$ 11,939,945
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded in 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	9,604,269	3,691,459
Depreciation expense	(5,488,159)	(5,257,730)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	(14,995)	–
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	(40,650,000)	–
Capital lease payable	(1,650,204)	–
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	55,780,000	9,715,000
Certificates of participation payable	870,000	840,000
Capital lease payable	220,555	–
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.	(797,954)	171,867
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.	(4,179,366)	152,075
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	(193,412,502)	(12,009,718)
Net OPEB liability	(1,779,646)	(3,094,256)
Severance benefits payable	(367,241)	(117,359)
Compensated absences payable	(61,136)	65,679
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.	599,661	1,959,348
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 – bond refunding deferments	223,566	–
Deferred outflows – OPEB plan deferments	164,411	–
Deferred outflows – pension plan deferments	157,114,839	2,961,298
Deferred inflows – bond refunding deferments	(880,063)	–
Deferred inflows – pension plan deferments	3,685,259	9,673,897
Deferred inflows – delinquent taxes receivable	(118,949)	27,860
Change in net position – governmental activities	$ (17,750,830)	$ 20,719,365

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Budgeted Amounts		Actual	Over (Under)
	Original	Final		Final Budget
Revenue				
Local sources				
Property taxes	$ 25,420,906	$ 25,420,906	$ 25,352,714	$ (68,192)
Investment earnings	20,000	20,000	61,190	41,190
Other	1,963,750	1,988,750	3,239,010	1,250,260
State sources	106,871,712	108,295,061	106,108,749	(2,186,312)
Federal sources	1,914,000	4,114,000	4,611,671	497,671
Total revenue	136,190,368	139,838,717	139,373,334	(465,383)
Expenditures				
Current				
Administration	6,127,974	6,209,974	5,783,733	(426,241)
District support services	7,385,768	7,408,600	7,333,244	(75,356)
Elementary and secondary regular instruction	58,666,688	60,479,856	57,954,053	(2,525,803)
Vocational education instruction	2,301,039	2,336,039	2,614,558	278,519
Special education instruction	28,058,715	30,878,715	26,955,254	(3,923,461)
Instructional support services	6,238,495	6,367,495	6,316,256	(51,239)
Pupil support services	11,765,627	12,200,627	11,924,489	(276,138)
Sites and buildings	15,899,677	17,257,010	17,993,944	736,934
Fiscal and other fixed cost programs	500,000	500,000	474,151	(25,849)
Debt service				
Principal	870,000	870,000	1,090,555	220,555
Interest and fiscal charges	260,000	260,000	155,842	(104,158)
Total expenditures	138,073,983	144,768,316	138,596,079	(6,172,237)
Excess (deficiency) of revenue over expenditures	(1,883,615)	(4,929,599)	777,255	5,706,854
Other financing sources				
Capital lease issued	1,650,204	1,650,204	1,650,204	–
Sale of assets	–	–	141,660	141,660
Total other financing sources	1,650,204	1,650,204	1,791,864	141,660
Net change in fund balances	$ (233,411)	$ (3,279,395)	2,569,119	$ 5,848,514
Fund balances				
Beginning of year			12,983,918	
End of year			$ 15,553,037	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2017	2016
Assets		
Current assets		
Cash and temporary investments	$ 5,809,326	$ 4,949,453
Liabilities		
Current liabilities		
Accounts and contracts payable	136,971	146,527
Claims incurred, but not reported	977,372	707,604
Total liabilities	1,114,343	854,131
Net position		
Unrestricted	$ 4,694,983	$ 4,095,322

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2017	2016
Operating revenue		
Charges for services	$ 16,537,115	$ 15,779,084
Operating expenses		
Claims and settlements	14,549,134	13,072,629
Fees and stop loss	1,405,813	751,785
Total operating expenses	15,954,947	13,824,414
Operating income	582,168	1,954,670
Nonoperating revenue		
Investment earnings	17,493	4,678
Change in net position	599,661	1,959,348
Net position		
Beginning of year	4,095,322	2,135,974
End of year	$ 4,694,983	$ 4,095,322

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Cash Flows
Internal Service Fund
Year Ended June 30, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

	2017	2016
Cash flows from operating activities		
Contributions from governmental funds	$ 16,537,115	$ 15,779,084
Payments for health claims	(14,288,922)	(13,415,696)
Payments for fees and stop loss	(1,405,813)	(751,785)
Net cash flows from operating activities	842,380	1,611,603
Cash flows from investing activities		
Investment income received	17,493	4,678
Net change in cash and cash equivalents	859,873	1,616,281
Cash and cash equivalents		
Beginning of year	4,949,453	3,333,172
End of year	$ 5,809,326	$ 4,949,453
Reconciliation of operating income to net cash flows from operating activities		
Operating income	$ 582,168	$ 1,954,670
Adjustments to reconcile operating income to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts and contracts payable	(9,556)	(206,401)
Claims incurred, but not reported	269,768	(136,666)
Net cash flows from operating activities	$ 842,380	$ 1,611,603

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Fiduciary Net Position
as of June 30, 2017

	Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Assets		
Cash and temporary investments	$ 1,096,404	$ 4,057,932
Investments, at fair value		
Local government obligations	–	4,226,958
Negotiable certificates of deposit	–	1,144,336
MNTrust Investment Shares Portfolio	–	2,605,472
Investment pools/mutual funds	98,637	1,501,066
Receivables		
Accounts and interest	18,420	261,510
Prepaid items	3,225	–
Total assets	1,216,686	13,797,274
Liabilities		
Accounts and contracts payable	63,463	–
Due to other funds	–	1,479,268
Total liabilities	63,463	1,479,268
Net position		
Held in trust for scholarships and OPEB	$ 1,153,223	$ 12,318,006

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Additions		
Contributions		
Private donations	$ 1,349,310	$ –
Employee	–	794,774
Total contributions	1,349,310	794,774
Investment earnings		
Interest	624	374,374
Net increase (decrease) in fair value of investments	–	(224,755)
Total investment earnings	624	149,619
Total additions	1,349,934	944,393
Deductions		
Benefits paid to plan members	–	2,285,363
Scholarships and other deductions	1,344,636	–
Total deductions	1,344,636	2,285,363
Change in net position	5,298	(1,340,970)
Net position		
Beginning of year	1,147,925	13,658,976
End of year	$ 1,153,223	$ 12,318,006

See notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 622 (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 District's financial statements 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 (the 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 depended 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 can elect to either control or not control extracurricular student activities. 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 the Statement of Changes in Fiduciary Net Position at the fund financial statement level. Generally, the effect of material 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 instead 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.

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 "depreciation not included in other functions." 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. The Proprietary Fund (Internal Service Fund) is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statement of the Proprietary Fund (Internal Service Fund) is consolidated into the governmental activities in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity. Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust, and private-purpose trust. 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.

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. Revenues are generally considered as available if 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 funding formulas established by Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary 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. A description of the funds included in this report is 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.

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 bond issue or under the long-term facilities maintenance program.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) debt service account. The OPEB debt service account is used to pay principal, interest, and related costs on the 2009A taxable OPEB bond issue.

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used primarily to record financial activities of the District's child nutrition program.

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, or other similar services.

Proprietary Funds

Internal Service Fund – The Internal Service Fund accounts 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's Internal Service Fund is used to account for health insurance offered by the District to its employees as a self-insured plan.

Fiduciary Funds

Private-Purpose Trust Fund – The Private-Purpose Trust Fund is used to account for resources held in trust to be used by various other third parties to award scholarships to former students and for other purposes for which the resources are being held.

Post-Employment Benefits Trust Fund – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of eligible employees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

Each June, the School Board adopts an annual budget for the following fiscal year for all governmental funds, except the Capital Projects – Building Construction Fund, because project-length financial plans are adopted in accordance with bond issue authorization. The budget for each fund is prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level.

Budgeted expenditure appropriations lapse at year-end. Expenditures in the Food Service Special Revenue Fund exceeded budgeted appropriations by $107,928. Revenues in excess of budget financed these variances.

F. Cash and Temporary 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.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the General Fund, restricted accounts are established to pay capital expenditures. Interest earned on these investments is allocated directly to those accounts.

Earnings from the investments of the Capital Projects – Building Construction Fund are allocated specifically to that fund.

In the Post-Employment Benefits Trust Fund, cash and cash equivalents and investments at fair value are deposited by the District in an irrevocable trust account, the use of which is restricted to paying post-employment insurance benefits as specified in the trust agreement. Interest earned in these trust accounts is allocated directly to these funds.

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 equivalent. The proprietary fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, 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. Guaranteed investment contracts are valued on a cost-basis measure and, therefore, are not subject to the fair value disclosure.

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 the end of the fiscal year.

G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are delinquent property taxes 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. Purchased food and supplies are recorded at cost on a first-in, first-out basis. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenses/expenditures at the time of consumption.

J. 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 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 $3,198,920 of the property tax levy collectible in 2017 as revenue to the District in fiscal year 2016–2017. The remaining portion of the taxes collectible in 2017 is recorded as 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 that 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.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is 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 assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary, ranging from 20 to 50 years for land improvements and buildings and improvements, and 5 to 20 years for furniture and equipment. Capital assets that are not depreciated include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks or parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. If material, 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 or discounts on debt issuances are reported as other financing sources or uses, respectively.

M. Compensated Absences Payable

1. **Vacation Pay** – Under the terms of union contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation and related benefits upon termination. Vacation pay is accrued when incurred in the government-wide financial statements. Unused vacation pay is accrued in governmental fund financial statements only when it has matured due to employee termination or similar circumstances.

2. **Sick Pay** – Substantially all district employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of severance benefits for some employees upon termination.

N. Severance Benefits

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. The amount of the severance or retirement benefit is calculated by converting a portion of unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary.

Members of certain employee groups may also elect to receive district matching contributions paid into tax-deferred matching contribution plans. The amount of any severance or retirement benefit due to an individual is reduced by the total contributions made to such a plan over the course of that individual's employment. Severance or retirement benefits are required to be paid out within 30 days following the effective date of retirement. Retirement benefits for eligible teachers are paid into a post-employment healthcare savings plan, administered by the Minnesota State Retirement System. For all other employees, severance benefits are paid out directly to the employee.

The amount of severance is recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance or retirement pay is accrued in the governmental fund financial statements only when it becomes due and payable.

O. State-Wide Pension Plans

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 TRA 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.

P. Other Post-Employment Benefits (OPEB) Plan

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and certain investments that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

Q. Risk Management and Self-Insurance

1. **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 fiscal 2017.

2. **Self-Insurance** – The District has established an Internal Service Fund to account for and finance its self-insured risk of loss for employee health insurance plans. Under these plans, the Internal Service Fund provides coverage to participating employees and their dependents for various healthcare costs as described in the plans.

   The District makes premium payments to the Internal Service Fund on behalf of program participants based on provisional rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the balance of health insurance claim liabilities for the last two years are as follows:

Fiscal Year Ended June 30,	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2016	$ 844,270	$ 14,030,815	$ 14,167,481	$ 707,604
2017	$ 707,604	$ 15,964,503	$ 15,694,735	$ 977,372

R. 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 its 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."

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

S. 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 or by an official to which the governing body delegates the authority. Pursuant to the School Board resolution, the District's Director of Business Services is authorized to establish assignments of fund balance.

- **Unassigned** – The residual classification for the General Fund which also reflects negative residual amounts in other funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

T. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The District reports deferred outflows and inflows of resources related to bond refunding deferments in the government-wide Statement of Net Position. A bond refunding deferment results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The District also reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual experience, changes in proportion, changes of assumptions, differences between projected and actual earnings on pension and OPEB plan investments, and 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 and OPEB standards.

Property taxes levied for subsequent years, which represents property taxes received or reported as a receivable before the period for which the taxes are levied, are 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.

Unavailable revenue from property taxes arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

U. Restricted Assets

Restricted assets are cash and cash equivalents and the related interest receivable, if applicable, 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."

V. 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 amounts reported in the financial statements during the reporting period. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. 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.

X. Change in Accounting Principle

During the year ended June 30, 2017, the District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. These statements included major changes in how plans and employers account for certain pension and OPEB benefit obligations. These statements establish standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Certain amounts necessary to fully restate fiscal year 2016 financial information are not determinable; therefore, prior year comparative amounts have not been restated. The implementation of new GASB statements in the current year resulted in the restatement of net position as of June 30, 2016. The details of the restatement are as follows:

	Governmental Activities
Net position – beginning, as previously reported	$ (56,558,907)
Change in accounting principle	
Net pension asset, under previous reporting standards	(68,941)
Net pension liability, under current reporting standards	(595,851)
Net OPEB asset, under previous reporting standards	(12,493,935)
Net OPEB liability, under current reporting standards	(27,576,716)
Total change in accounting principle	(40,735,443)
Net position – beginning, as restated	$ (97,294,350)

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$ 12,347,798
Investments	37,865,026
Cash on hand	3,630
Total	$ 50,216,454

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Statement of Net Position		
Cash and temporary investments	$	35,157,959
Restricted assets – cash and investments for capital asset acquisition		327,690
Statement of Fiduciary Net Position		
Cash and temporary investments		
Private-Purpose Trust Fund		1,096,404
Post-Employment Benefits Trust Fund		1,189,900
Investments		
Private-Purpose Trust Fund		98,637
Post-Employment Benefits Trust Fund		12,345,864
Total	$	50,216,454

B. Deposits

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

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 policy does not further limit depository choices.

At year-end, the carrying amount of the District's deposits was $12,347,798, while the balance on the bank records was $13,967,306. 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	Credit Risk Credit Rating	Credit Risk Rating Agency	Fair Value Measurements Using	Interest Risk – Maturity Duration in Years Less Than 1	1 to 5	5 to 10	Total
Local government obligations	AA	S&P	Level 2	$ 1,259,700	$ 1,013,116	$ –	$ 2,272,816
Local government obligations	Aaa	Moody's	Level 2	$ 211,218	$ –	$ –	211,218
Local government obligations	Aa	Moody's	Level 2	$ 680,057	$ 1,062,867	$ –	1,742,924
Guaranteed investment contract	N/R	N/A	N/A	$ 140,446	$ –	$ –	140,446
Negotiable certificates of deposit	N/R	N/A	Level 2	$ 1,992,487	$ 885,142	$ –	2,877,629
Investment pools/mutual funds	N/R	N/A	Level 1	N/A	N/A	N/A	1,488,572
Investment pools/mutual funds							
Minnesota School District Liquid Asset Fund	AAA	S&P	N/A	N/A	N/A	N/A	226,587
MNTrust Investment Shares Portfolio	AAA	S&P	N/A	N/A	N/A	N/A	23,892,840
MNTrust Limited Term Duration	AAA	S&P	N/A	N/A	N/A	N/A	4,999,500
Goldman Sachs Government Institutional Fund	AAA	S&P	Level 1	N/A	N/A	N/A	12,494
Total							$ 37,865,026

N/A – Not Applicable
N/R – Not Rated

The Minnesota School District Liquid Asset Fund (MSDLAF), Minnesota Trust (MNTrust) Investment Shares Portfolio, and MNTrust Limited Term Duration are regulated by Minnesota Statutes and are external investment pools not registered with the Securities Exchange Commission. The District's investment in these investment pools 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 the MSDLAF and MNTrust, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the MSDLAF Liquid Class; the redemption notice period is 14 days for the MSDLAF 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.

At year-end, $1,501,066 of the District's investments were uninsured and not registered in the District's name, with the securities held by the purchasing agent, or by its trust department or agent, but not in the District's name.

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's investment policies do not further restrict investing in specific financial instruments.

Post-Employment Benefits Trust Fund – This fund represents investments administered by the District's OPEB Trust Fund investment managers. The District's investment policy extends to the OPEB Trust Fund investments.

Minnesota Statutes authorize the OPEB Trust Fund to invest in obligations of the U.S. treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the state of Minnesota or its municipalities, bankers' acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse repurchase agreements, and commercial paper if issued by a United States corporation or its Canadian subsidiary and if rated in the highest two quality categories by a nationally recognized rating agency; and in the State Board of Investments. Investments are stated at fair value.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5.0 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 policies do not 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, when purchasing investments, the District considers such things as interest rates and cash flow needs.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	$ 19,577,877	$ –	$ –	$ –	$ 19,577,877
Construction in progress	1,239,203	6,771,364	(2,746)	(4,336,922)	3,670,899
Total capital assets, not depreciated	20,817,080	6,771,364	(2,746)	(4,336,922)	23,248,776
Capital assets, depreciated					
Land improvements	9,259,865	–	–	73,754	9,333,619
Buildings and improvements	147,222,142	94,869	–	3,520,476	150,837,487
Furniture and equipment	17,710,796	2,738,036	(406,689)	742,692	20,784,835
Total capital assets, depreciated	174,192,803	2,832,905	(406,689)	4,336,922	180,955,941
Less accumulated depreciation for					
Land improvements	(3,214,020)	(398,112)	–	–	(3,612,132)
Buildings and improvements	(68,369,020)	(3,902,824)	–	–	(72,271,844)
Furniture and equipment	(12,379,842)	(1,187,223)	394,440	–	(13,172,625)
Total accumulated depreciation	(83,962,882)	(5,488,159)	394,440	–	(89,056,601)
Net capital assets, depreciated	90,229,921	(2,655,254)	(12,249)	4,336,922	91,899,340
Total capital assets, net	$ 111,047,001	$ 4,116,110	$ (14,995)	$ –	$ 115,148,116

Depreciation expense for the year ended June 30, 2017 was charged to the following governmental functions:

Administration	$ 478
Elementary and secondary regular instruction	82,315
Special education instruction	27,438
Pupil support services	878,029
Food service	109,754
Depreciation not included in other functions	4,390,145
Total depreciation expense	$ 5,488,159

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
General obligation bonds payable					
2008A Alternative Facility Bonds	02/01/2008	3.00–4.00%	$ 10,895,000	02/01/2018	$ 510,000
2009A Taxable OPEB Bonds	02/01/2009	3.50–6.20%	$ 30,000,000	02/01/2027	17,350,000
2009B Alternative Facility Bonds	02/12/2009	2.00–4.50%	$ 6,390,000	02/01/2029	4,445,000
2010A Alternative Facility Bonds	02/11/2010	0.65–5.75%	$ 6,795,000	02/01/2030	4,960,000
2010C Crossover Refunding Bonds	10/28/2010	3.00–3.20%	$ 4,750,000	02/01/2024	3,000,000
2011A Alternative Facility Bonds	04/14/2011	3.00–4.10%	$ 6,720,000	02/01/2031	4,990,000
2012A Refunding Bonds	04/25/2012	2.00–2.38%	$ 8,955,000	02/01/2025	6,710,000
2012B Alternative Facility Refunding Bonds	10/25/2012	2.13–3.00%	$ 9,505,000	02/01/2027	8,115,000
2016A Refunding Bonds	11/17/2016	5.00%	$ 34,050,000	02/01/2027	34,050,000
2017A Alternative Facility Refunding Bonds	05/18/2017	3.00%	$ 6,600,000	02/01/2028	6,600,000
Total general obligation bonds payable					$ 90,730,000

These bonds were issued to finance acquisition and/or construction of capital facilities, to finance (refund) prior bond issues, or to finance OPEB. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. 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.

The District's 2010A Alternative Facility Bonds were issued as Build America Bonds – Direct Pay, for which the District will receive a federal tax credit equal to 35 percent of the interest payment on this debt issue. Although the District has complied with all eligibility requirements for this credit, the District has received notice from the Internal Revenue Service that future interest payment credits will be reduced.

In November 2016, the District issued $34,050,000 of General Obligation Refunding Bonds, Series 2016A. The proceeds of this issue were used to redeem, in advance of their stated maturities, the remaining maturities of the District's 2006B Refunding Bonds, 2006C Refunding Bonds, and 2007A Alternative Facility Bonds, on the February 1, 2017 call date of the refunded issues. This current refunding will reduce the District's total future debt service payments by $4,824,179 and result in present value savings of $4,577,068.

In May 2017, the District issued $6,600,000 of General Obligation Alternative Facility Refunding Bonds, Series 2017A. The proceeds of this issue and interest earned thereon will be used to refund, in advance of their stated maturities, the 2019 to 2028 maturities of the District's 2008A Alternative Facility Bonds. The proceeds of the 2017A issue have been placed in an escrow account pending the February 1, 2018 call date of the refunded issue. On February 1, 2018, the escrow account will be used to call the remaining principal of the 2008A issue. This advance refunding has met the requirements of an in-substance defeasance and, therefore, the escrow cash and related debt paid by the escrow have been removed from these financial statements. At June 30, 2017, the District has $6,750,000 in defeased bonds outstanding from the 2008A Alternative Facility Bond issue. This advance refunding will reduce the District's total future debt service payments by $746,593 and will result in present value savings of $672,673.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

B. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
Certificates of participation payable					
2006D Refunding Certificates of Participation	11/01/2006	4.00–4.25%	$ 1,830,000	02/01/2020	$ 515,000
2010B Certificates of Participation	09/30/2010	2.00–3.50%	$ 2,500,000	02/01/2025	1,550,000
2011B Refunding Certificates of Participation	12/15/2011	2.00–3.00%	$ 3,675,000	02/01/2019	1,120,000
Total certificates of participation payable					$ 3,185,000

The District sold certificates of participation under Minnesota Statutes § 123B.51 to finance additions and improvements to existing school facilities or to refund prior certificates of participation issued. 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.

C. Capital Lease Payable

During fiscal year 2017, the District entered into a capital lease purchase to provide funds to finance the purchase of fiber optic equipment. The total amount of this capital lease was $1,650,204, at a 2.20 percent interest rate, and a final payment date of June 30, 2023. This lease will be repaid through the General Fund. The leased asset was recorded at $1,650,204 (the present value of future minimum lease payments as of the inception date of the lease) as furniture and equipment. Total accumulated depreciation on this asset at June 30, 2017 was $6,876.

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including severance benefits, OPEB, pension benefits, and compensated absences. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund. The District has also established a Post-Employment Benefits Trust Fund to finance OPEB obligations.

The District has three defined benefit pension plans, including two state-wide, cost-sharing, multi-employer plans administered by the PERA and the TRA, and one single-employer plan administered by the District.

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	Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide multi-employer – PERA	$ 28,751,165	$ 11,159,882	$ 5,961,141	$ 2,310,182
State-wide multi-employer – TRA	254,934,302	163,074,407	4,244,228	40,031,606
Single employer – district	590,796	–	–	51,199
Total	$ 284,276,263	$ 174,234,289	$ 10,205,369	$ 42,392,987

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

E. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds, certificates of participation, and the capital lease are as follows:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Certificates of Participation Principal	Certificates of Participation Interest	Capital Lease Principal	Capital Lease Interest
2018	$ 9,575,000	$ 4,269,183	$ 895,000	$ 98,389	$ 225,434	$ 30,219
2019	10,180,000	3,569,638	915,000	73,645	230,421	25,232
2020	10,145,000	3,128,768	365,000	46,690	235,518	20,135
2021	9,835,000	2,688,063	190,000	33,490	240,728	14,925
2022	9,475,000	2,259,745	195,000	27,505	246,053	9,600
2023–2027	36,710,000	5,512,973	625,000	43,455	251,495	4,157
2028–2031	4,810,000	425,653	–	–	–	–
	$ 90,730,000	$ 21,854,023	$ 3,185,000	$ 323,174	$ 1,429,649	$ 104,268

F. Changes in Long-Term Liabilities

	Beginning Balance	Change in Accounting Principle*	Restated Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General obligation bonds payable	$105,860,000	$ –	$105,860,000	$ 40,650,000	$ 55,780,000	$ 90,730,000	$ 9,575,000
Certificates of participation payable	4,055,000	–	4,055,000	–	870,000	3,185,000	895,000
Plus premium (discount)	1,277,180	–	1,277,180	5,554,794	1,375,428	5,456,546	–
Total bonds and certificates of participation payable	111,192,180	–	111,192,180	46,204,794	58,025,428	99,371,546	10,470,000
Capital lease payable	–	–	–	1,650,204	220,555	1,429,649	225,434
Net pension liability	90,267,910	595,851	90,863,761	207,381,127	13,968,625	284,276,263	–
Net OPEB liability	–	27,576,716	27,576,716	2,514,153	734,507	29,356,362	–
Severance benefits payable	2,768,555	–	2,768,555	439,129	71,888	3,135,796	228,157
Compensated absences payable	1,323,865	–	1,323,865	1,185,425	1,124,289	1,385,001	1,385,001
	$205,552,510	$ 28,172,567	$233,725,077	$259,374,832	$ 74,145,292	$418,954,617	$ 12,308,592

*The amounts in this column reflect only a portion of the change in accounting principle described earlier in these notes.

NOTE 5 – FUND BALANCES

A. Classifications

The following is a breakdown of equity components of governmental funds, which are defined earlier in the report. When applicable, certain restrictions which have an accumulated deficit 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. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	$ 22,465	$ –	$ –	$ 358,948	$ 381,413
Prepaid items	112,976	–	–	798	113,774
Total nonspendable	135,441	–	–	359,746	495,187
Restricted					
Staff development	140,121	–	–	–	140,121
Health and safety	186,567	–	–	–	186,567
Operating capital	5,185,581	–	–	–	5,185,581
Achievement and integration	357,034	–	–	–	357,034
Safe schools	615,334	–	–	–	615,334
Medical assistance	599,302	–	–	–	599,302
Long-term facilities maintenance	–	141,249	–	–	141,249
Capital projects	–	26,383	–	–	26,383
Debt service	–	–	2,437,461	–	2,437,461
OPEB debt service	–	–	542,732	–	542,732
Food service	–	–	–	974,471	974,471
Community education programs	–	–	–	1,689,467	1,689,467
Early childhood family education programs	–	–	–	476,966	476,966
School readiness	–	–	–	381,924	381,924
Adult basic education	–	–	–	367,903	367,903
Community service	–	–	–	1,223	1,223
Total restricted	7,083,939	167,632	2,980,193	3,891,954	14,123,718
Unassigned					
Long-term facilities maintenance restricted account deficit	(511,954)	–	–	–	(511,954)
Unassigned	8,845,611	–	–	–	8,845,611
Total unassigned	8,333,657	–	–	–	8,333,657
Total	$ 15,553,037	$ 167,632	$ 2,980,193	$ 4,251,700	$ 22,952,562

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes that the District will strive to maintain a minimum unassigned General Fund balance of 5.0 percent to 7.0 percent of the annual budget. At June 30, 2017, the unassigned fund balance of the General Fund (excluding restricted account deficits) was 6.4 percent of current year expenditures.

NOTE 6 – 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 Internal Revenue Code.

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.

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.

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for 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.

Tier I Benefits

Step-Rate Formula	Percentage per Year
Basic Plan	
First 10 years of service	2.2 %
All years after	2.7 %
Coordinated Plan	
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:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) Three percent per year early retirement reduction factor for all years under normal retirement age.

(c) 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 applies. 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.

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 $1,710,720. 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 Employee	2016 Employer	2017 Employee	2017 Employer
Basic Plan	11.0 %	11.5 %	11.0 %	11.5 %
Coordinated Plan	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 $4,324,135. 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	(442,978)
Total employer contributions	354,544,518
Total nonemployer contributions	35,587,410
Total contributions reported in Schedule of Employer and Nonemployer Pension Allocations	$ 390,131,928

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2017, the District reported a liability of $28,751,165 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 0.3541 percent at the end of the measurement period and 0.4116 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	$ 28,751,165
State's proportionate share of the net pension liability associated with the District	$ 375,475

For the year ended June 30, 2017, the District recognized pension expense of $2,198,225 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $111,957 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	$ 98,910	$ 2,435,765
Changes in actuarial assumptions	6,293,721	–
Difference between projected and actual investment earnings	3,056,531	–
Changes in proportion	–	3,525,376
District's contributions to the GERF subsequent to the measurement date	1,710,720	–
Total	$ 11,159,882	$ 5,961,141

A total of $1,710,720 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	$ 555,325
2019	$ (207,804)
2020	$ 2,101,958
2021	$ 1,038,542

2. **TRA Pension Costs**

At June 30, 2017, the District reported a liability of $254,934,302 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 1.0688 percent at the end of the measurement period and 1.1144 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	$ 254,934,302
State's proportionate share of the net pension liability associated with the District	$ 25,589,195

For the year ended June 30, 2017, the District recognized pension expense of $36,458,497. It also recognized $3,573,109 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	$ 2,852,662	$ 7,108
Changes in actuarial assumptions	145,339,773	–
Difference between projected and actual investment earnings	10,112,788	–
Changes in proportion	445,049	4,237,120
District's contributions to the TRA subsequent to the measurement date	4,324,135	–
Total	$ 163,074,407	$ 4,244,228

A total of $4,324,135 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	$ 30,416,843
2019	$ 30,416,843
2020	$ 34,606,025
2021	$ 31,264,844
2022	$ 27,801,489

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 disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1 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.

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 %
Total	100 %	

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 those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2052 and, as a result, the municipal bond index rate was used in the determination of the single equivalent interest rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the municipal bond index rate of 3.01 percent was applied to periods on and after 2052, resulting in a SEIR of 4.66 percent. Based on fiduciary net position at prior year measurement date, the discount rate of 8.00 percent was used and it was not necessary to calculate the SEIR.

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	$ 40,835,173	$ 28,751,165	$ 18,797,229
TRA discount rate	3.66%	4.66%	5.66%
District's proportionate share of the TRA net pension liability	$ 328,419,100	$ 254,934,302	$ 195,083,329

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; by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103; 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; by writing to the TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103; or by calling (651) 296-2409 or (800) 657-3669.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups. The District is phasing out post-employment medical and dental insurance to all district employees, in accordance with their respective master employment agreements. The eligibility for, amount of, duration of, and the District's contribution to the cost of the benefits provided varies by contract, hire dates, and date of retirement. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

The District administers a defined benefit Post-Employment Benefits Trust Fund. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund, established by the District to finance these obligations. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

B. Benefits Provided

All retirees of the District upon retirement have the option under state law to continue their medical insurance coverage at their cost through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays the eligible retiree's premiums for medical and dental insurance for some period after retirement. Benefits paid by the District differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has established the Post-Employment Benefits Trust Fund to finance these obligations.

D. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	608
Active plan members	1,294
Total members	1,902

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	$ 41,674,368
Plan fiduciary net position	(12,318,006)
District's net OPEB liability	$ 29,356,362
Plan fiduciary net position as a percentage of the total OPEB liability	29.6%

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2015, and a measurement date of June 30, 2017. The entry age used, level percentage of pay actuarial cost method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.40%
Expected long-term investment return	2.60% (net of investment expenses)
20-year municipal bond yield	3.40%
Inflation rate	2.50%
Salary increases	3.00%
Medical trend rate	7.00% grading to 5.00% over 8 years
Dental trend rate	3.00%
Vision trend rate	5.00%
Medicare supplemental trend rate	4.00%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.

The retirement and withdrawal assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The District's policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes.

The long-term expected rate of return on OPEB plan investments was set based on the plan's target investment allocation described below, along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	10.00 %	4.00 %
Fixed income	85.00	2.50 %
Cash	5.00	1.00 %
Total	100.00 %	2.60 %

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 1.10 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 3.40 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy have also been taken into account. The District discount rate used in the prior measurement date was 3.50 percent.

I. Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a-b)
Beginning balance – July 1, 2016	$ 41,235,692	$ 13,658,976	$ 27,576,716
Changes for the year			
Service cost	1,418,232	-	1,418,232
Interest	1,409,951	-	1,409,951
Contributions – paid through trust	-	794,774	(794,774)
Contributions – paid through operating funds	-	104,144	(104,144)
Net investment income	-	149,619	(149,619)
Benefit payments – paid through trust	(2,285,363)	(2,285,363)	-
Benefit payments – paid through operating funds	(104,144)	(104,144)	-
Total net changes	438,676	(1,340,970)	1,779,646
Ending balance – June 30, 2017	$ 41,674,368	$ 12,318,006	$ 29,356,362

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.50 percent to 3.40 percent.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

J. Net OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 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
OPEB discount rate	2.40%	3.40%	4.40%
Net OPEB liability	$ 33,073,086	$ 29,356,362	$ 26,121,778

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend	Healthcare Trend Rate	1% Increase in Healthcare Trend
OPEB medical trend rate	6.00% decreasing to 4.00% over 8 years	7.00% decreasing to 5.00% over 8 years	8.00% decreasing to 6.00% over 8 years
OPEB dental trend rate	2.00%	3.00%	4.00%
OPEB vision trend rate	4.00%	5.00%	6.00%
OPEB Medicare supplement trend rate	3.00%	4.00%	5.00%
Net OPEB liability	$ 24,831,080	$ 29,356,362	$ 34,815,108

K. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year ended, the District recognized OPEB expense of $2,514,153. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ 164,411	$ -

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

Year Ending June 30,	OPEB Expense Amount
2018	$ 41,103
2019	$ 41,103
2020	$ 41,103
2021	$ 41,102

NOTE 8 – PENSION BENEFITS PLAN – DISTRICT

A. Plan Description

The District provides pension benefits to certain eligible employees through its Pension Benefits Plan, a single-employer defined benefit plan administered by the District. All pension benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. These benefits are summarized as follows:

The District maintains various early retirement incentive payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. No employee can receive severance or retirement benefits in excess of one year's salary.

B. Contributions and 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. There are no invested plan assets accumulated for payment of future benefits.

C. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	3
Active plan members	78
Total members	81

D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation date of July 1, 2015 and a measurement date as of June 30, 2017, using the entry age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.40%
20-year municipal bond yield	3.40%
Inflation rate	2.50%
Salary increases	3.00%

Mortality rates were based on the RP-2014 white collar mortality tables with MP-2015 generational improvement scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

E. Discount Rate

The discount rate used to measure the total pension liability was 3.40 percent. The District discount rate used in the prior measurement date was 3.50 percent. Since the plan is not funded, the discount rate is equal to the 20-year municipal bond rate, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

NOTE 8 – PENSION BENEFITS PLAN – DISTRICT (CONTINUED)

F. Changes in the Net Pension Liability

	Total Pension Liability
Beginning balance – July 1, 2016	$ 595,851
Changes for the year	
Service cost	30,840
Interest	20,359
Benefit payments – employer financed	(56,254)
Total net changes	(5,055)
Ending balance – June 30, 2017	$ 590,796

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.50 percent to 3.40 percent.
- Retirement rates now begin at age 55 even if eligibility requirements have not been met.

G. Net Pension Liability Sensitivity to Discount Rate Changes

The following presents the net pension liability of the District, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 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
Pension discount rate	2.40%	3.40%	4.40%
Net pension liability	$ 606,941	$ 590,796	$ 574,166

H. Pension Expense and Related Deferred Outflows and Deferred Inflows of Resources

For the current year ended, the District recognized pension expense of $51,199. As of year-end, the District reported no deferred outflows of resources or deferred inflows of resources related to this pension plan.

NOTE 9 – 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, which is from January 1 to December 31, 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 Plan, whether or not such contributions have been made.

NOTE 9 – FLEXIBLE BENEFIT PLAN (CONTINUED)

Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated service providers. These payments are made on a monthly basis and are accounted for in the General Fund, special revenue funds, and self-insurance fund.

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 General Fund and special revenue funds.

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 in an amount equal to the 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 10 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Receivables

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. Construction Contracts

The District is committed to various contracts awarded for construction and maintenance projects. The District's commitment for uncompleted work on these contracts at June 30, 2017 was $2,825,326.

C. Legal Claims

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.

D. Operating Leases

The District leases buildings and equipment under operating leases that expire through June 30, 2019. Total costs for such leases were $307,450 for the year ended June 30, 2017. The future minimum lease payments for these leases are as follows:

Year Ending June 30,	Amount
2018	$ 214,500
2019	17,875
Total	$ 232,375

NOTE 11 – JOINT VENTURES

Joint Ice Arena

The District is a party to a joint powers agreement, together with the cities of Oakdale and Maplewood, which establishes a Joint Powers Board. The Joint Powers Board was created in 1996 to provide for the construction, operation, use, maintenance, and repair of a joint ice arena (Tartan Arena).

Each member is entitled to appoint two members to the Joint Powers Board. The District issued bonds in the amount of $1,950,000 to partially finance the construction of Tartan Arena. The District pledged its full faith and credit to the performance of these bonds. Scheduled bond payments are funded from Tartan Arena revenue prior to coverage of operating expenses.

The District also pledged the allocation of funds to pay one-third of any projected shortfalls in annual revenues available for the operation and maintenance of the facility. For the year ended June 30, 2017, operating revenues for the facility, after scheduled bond payments, were $421,617 and operating expenditures were $560,549. All property acquired under this agreement is one-third owned by each member of the joint powers agreement. The District's share of the financial activity of Tartan Arena is included within the District's Community Service Special Revenue Fund.

The Tartan Arena Joint Powers Board adopted a resolution calling for dissolution of the Joint Ice Arena effective July 1, 2017. The distribution of physical assets and residual financial responsibility will be followed in accordance with the terms of the joint powers board dissolution agreement.

NOTE 12 – INTERFUND BALANCES AND TRANSACTIONS

Interfund Receivables and Payables

The District had the following interfund receivables and payables at June 30, 2017:

	Due From Other Funds	Due To Other Funds
Governmental Funds		
General Fund	$ 1,479,268	$ –
Fiduciary Fund		
Post-Employment Benefits Trust Fund	–	1,479,268
Total	$ 1,479,268	$ 1,479,268

These balances represent interfund amounts due to the General Fund relating to post-employment benefit costs to be reimbursed as of June 30, 2017. Such interfund balances are reported in the fund financial statements, but are eliminated as necessary in the government-wide financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 622

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 State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.4593%	$ 21,575,613	$ –	$ 21,575,613	$ 24,110,024	89.49%	78.70%
06/30/2016	06/30/2015	0.4116%	$ 21,331,249	$ –	$ 21,331,249	$ 24,164,168	88.28%	78.20%
06/30/2017	06/30/2016	0.3541%	$ 28,751,165	$ 375,475	$ 29,126,640	$ 21,939,530	131.05%	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	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 1,784,137	$ 1,784,137	$ –	$ 24,164,168	7.38%
06/30/2016	$ 1,645,472	$ 1,645,472	$ –	$ 21,939,530	7.50%
06/30/2017	$ 1,710,720	$ 1,710,720	$ –	$ 22,809,532	7.50%

Note 1: **Changes of Benefit Terms** – On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the GERF, 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. 622

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 State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	1.2242%	$ 56,410,255	$ 3,968,323	$ 60,378,578	$ 55,880,148	100.95%	81.50%
06/30/2016	06/30/2015	1.1144%	$ 68,936,661	$ 8,455,794	$ 77,392,455	$ 56,560,535	121.88%	76.80%
06/30/2017	06/30/2016	1.0688%	$ 254,934,302	$ 25,589,195	$ 280,523,497	$ 55,599,679	458.52%	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	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 4,241,912	$ 4,241,912	$ –	$ 56,560,535	7.50%
06/30/2016	$ 4,169,871	$ 4,169,871	$ –	$ 55,599,679	7.50%
06/30/2017	$ 4,324,135	$ 4,324,135	$ –	$ 57,658,824	7.50%

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 the 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. 622

Pension Benefits Plan
Schedule of Changes in the District's Net
Pension Liability and Related Ratios
Year Ended June 30, 2017

	2017
Total pension liability	
Service cost	$ 30,840
Interest	20,359
Benefit payments	(56,254)
Net change in total pension liability	(5,055)
Total pension liability – beginning of year	595,851
Total pension liability – end of year	$ 590,796
Covered-employee payroll	$ 4,245,066
Total pension liability as a percentage of covered-employee payroll	13.92%

Note 1: **Change of Assumptions** – The discount rate was changed from 3.50 percent to 3.40 percent. Retirement rates now begin at age 55 even if eligibility requirements have not been met.

Note 2: The District has not established a trust fund to finance GASB Statement No. 73 related benefits.

Note 3: The District implemented GASB Statement No. 73 for the year ended June 30, 2017. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 622

Other Post-Employment Benefits Plan
Schedule of Changes in the District's Net
OPEB Liability and Related Ratios
Year Ended June 30, 2017

	2017
Total OPEB liability	
Service cost	$ 1,418,232
Interest	1,409,951
Benefit payments	(2,389,507)
Net change in total OPEB liability	438,676
Total OPEB liability – beginning of year	41,235,692
Total OPEB liability – end of year	41,674,368
Plan fiduciary net position	
Contributions	898,918
Investment earnings	149,619
Benefit payments	(2,389,507)
Net change in plan fiduciary net position	(1,340,970)
Plan fiduciary net position – beginning of year	13,658,976
Plan fiduciary net position – end of year	12,318,006
Net OPEB liability	$ 29,356,362
Plan fiduciary net position as a percentage of the total OPEB liability	29.56%
Covered-employee payroll	$ 76,079,920
Net OPEB liability as a percentage of covered-employee payroll	38.59%

Note 1: **Change of Assumptions** – The discount rate was changed from 3.50 percent to 3.40 percent.

Note 2: The District implemented GASB Statement Nos. 74 and 75 for the year ended June 30, 2017. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 622

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2017

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	1.1%

Note: The District implemented GASB Statement Nos. 74 and No. 75 for the year ended June 30, 2017. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 622

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2017

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 1,452,302	$ 3,983,553	$ 5,435,855
Receivables			
Current taxes	–	792,522	792,522
Delinquent taxes	–	22,937	22,937
Accounts and interest	5,294	129,546	134,840
Due from other governmental units	–	868,629	868,629
Inventory	358,948	–	358,948
Prepaid items	–	798	798
Total assets	$ 1,816,544	$ 5,797,985	$ 7,614,529
Liabilities			
Salaries payable	$ 9,153	$ 86,523	$ 95,676
Accounts and contracts payable	329,829	191,330	521,159
Due to other governmental units	3,419	737,739	741,158
Unearned revenue	140,724	440,621	581,345
Total liabilities	483,125	1,456,213	1,939,338
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	–	17,085	17,085
Property taxes levied for subsequent year	–	1,406,406	1,406,406
Total deferred inflows of resources	–	1,423,491	1,423,491
Fund balances			
Nonspendable for inventory	358,948	–	358,948
Nonspendable for prepaid items	–	798	798
Restricted	974,471	2,917,483	3,891,954
Total fund balances	1,333,419	2,918,281	4,251,700
Total liabilities, deferred inflows of resources, and fund balances	$ 1,816,544	$ 5,797,985	$ 7,614,529

INDEPENDENT SCHOOL DISTRICT NO. 622

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2017

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 1,751,874	$ 1,751,874
Investment earnings	5,746	18,716	24,462
Other	1,997,179	3,020,126	5,017,305
State sources	328,543	4,817,201	5,145,744
Federal sources	4,188,083	344,848	4,532,931
Total revenue	6,519,551	9,952,765	16,472,316
Expenditures			
Current			
Food service	6,299,829	–	6,299,829
Community service	–	8,626,479	8,626,479
Capital outlay	125,266	73,110	198,376
Total expenditures	6,425,095	8,699,589	15,124,684
Net change in fund balances	94,456	1,253,176	1,347,632
Fund balances			
Beginning of year	1,238,963	1,665,105	2,904,068
End of year	$ 1,333,419	$ 2,918,281	$ 4,251,700

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2017	2016
Assets		
Cash and temporary investments	$ 15,038,592	$ 9,688,655
Cash and investments held by trustee	327,690	–
Receivables		
Current taxes	18,143,826	14,177,269
Delinquent taxes	302,137	286,776
Accounts and interest	57,155	76,065
Due from other governmental units	15,440,765	15,251,326
Due from other funds	1,479,268	1,730,610
Inventory	22,465	22,347
Prepaid items	112,976	88,125
Total assets	$ 50,924,874	$ 41,321,173
Liabilities		
Salaries payable	$ 615,304	$ 1,064,009
Accounts and contracts payable	3,656,003	1,702,405
Due to other governmental units	690,827	2,576,543
Unearned revenue	326,149	583,413
Total liabilities	5,288,283	5,926,370
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	177,640	258,322
Property taxes levied for subsequent year	29,905,914	22,152,563
Total deferred inflows of resources	30,083,554	22,410,885
Fund balances		
Nonspendable for inventory	22,465	22,347
Nonspendable for prepaid items	112,976	88,125
Restricted for staff development	140,121	127,055
Restricted for health and safety	186,567	309,186
Restricted for operating capital	5,185,581	959,818
Restricted for operating capital – Valley Crossing	–	3,186,500
Restricted for achievement and integration	357,034	–
Restricted for safe schools	615,334	383,232
Restricted for Medical Assistance	599,302	–
Assigned for subsequent year's budget	–	688,388
Unassigned – long-term facilities maintenance restricted account deficit	(511,954)	–
Unassigned	8,845,611	7,219,267
Total fund balances	15,553,037	12,983,918
Total liabilities, deferred inflows of resources, and fund balances	$ 50,924,874	$ 41,321,173

INDEPENDENT SCHOOL DISTRICT NO. 622

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
Revenue				
Local sources				
Property taxes	$ 25,420,906	$ 25,352,714	$ (68,192)	$ 19,209,883
Investment earnings	20,000	61,190	41,190	30,576
Other	1,988,750	3,239,010	1,250,260	2,382,776
State sources	108,295,061	106,108,749	(2,186,312)	107,501,652
Federal sources	4,114,000	4,611,671	497,671	4,433,764
Total revenue	139,838,717	139,373,334	(465,383)	133,558,651
Expenditures				
Current				
Administration				
Salaries	4,187,463	4,109,481	(77,982)	3,906,999
Employee benefits	1,759,030	1,424,605	(334,425)	1,520,902
Purchased services	118,901	137,571	18,670	107,513
Supplies and materials	30,580	23,809	(6,771)	28,745
Capital expenditures	14,000	14,392	392	30,302
Other expenditures	100,000	73,875	(26,125)	59,896
Total administration	6,209,974	5,783,733	(426,241)	5,654,357
District support services				
Salaries	2,547,709	2,617,915	70,206	2,535,833
Employee benefits	1,025,352	1,043,034	17,682	965,854
Purchased services	1,039,089	963,049	(76,040)	947,359
Supplies and materials	235,525	420,009	184,484	172,811
Capital expenditures	2,456,535	2,277,484	(179,051)	687,712
Other expenditures	104,390	11,753	(92,637)	79,271
Total district support services	7,408,600	7,333,244	(75,356)	5,388,840
Elementary and secondary regular instruction				
Salaries	38,702,737	37,364,713	(1,338,024)	37,011,512
Employee benefits	14,992,663	14,172,076	(820,587)	15,333,731
Purchased services	4,966,291	4,427,559	(538,732)	5,174,684
Supplies and materials	1,480,096	1,360,679	(119,417)	896,245
Capital expenditures	238,519	289,505	50,986	202,653
Other expenditures	99,550	339,521	239,971	75,494
Total elementary and secondary regular instruction	60,479,856	57,954,053	(2,525,803)	58,694,319

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 622

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)				
Vocational education instruction				
Salaries	1,191,516	1,483,504	291,988	1,288,384
Employee benefits	511,759	600,761	89,002	589,995
Purchased services	415,210	330,174	(85,036)	551,141
Supplies and materials	77,850	62,843	(15,007)	53,711
Capital expenditures	12,000	5,585	(6,415)	5,000
Other expenditures	127,704	131,691	3,987	60,285
Total vocational education instruction	2,336,039	2,614,558	278,519	2,548,516
Special education instruction				
Salaries	18,142,577	17,162,269	(980,308)	15,772,314
Employee benefits	7,065,483	6,624,452	(441,031)	6,392,791
Purchased services	5,002,309	2,467,684	(2,534,625)	4,243,612
Supplies and materials	432,050	319,654	(112,396)	250,864
Capital expenditures	74,796	131,154	56,358	242,662
Other expenditures	161,500	250,041	88,541	167,387
Total special education instruction	30,878,715	26,955,254	(3,923,461)	27,069,630
Instructional support services				
Salaries	4,748,323	4,806,432	58,109	4,325,791
Employee benefits	1,240,834	1,194,117	(46,717)	1,217,842
Purchased services	198,191	118,913	(79,278)	149,605
Supplies and materials	141,116	117,665	(23,451)	147,517
Capital expenditures	19,621	25,914	6,293	10,800
Other expenditures	19,410	53,215	33,805	60,805
Total instructional support services	6,367,495	6,316,256	(51,239)	5,912,360
Pupil support services				
Salaries	5,393,416	4,788,297	(605,119)	4,930,801
Employee benefits	1,999,696	1,717,974	(281,722)	1,794,314
Purchased services	3,215,035	3,997,395	782,360	2,719,736
Supplies and materials	824,300	730,912	(93,388)	788,569
Capital expenditures	761,080	672,696	(88,384)	266,746
Other expenditures	7,100	17,215	10,115	1,656
Total pupil support services	12,200,627	11,924,489	(276,138)	10,501,822

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 622

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 Budget	2017 Actual	2017 Over (Under) Budget	2016 Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	3,409,857	3,879,181	469,324	3,761,625
Employee benefits	1,956,169	1,950,321	(5,848)	1,909,888
Purchased services	4,025,101	3,539,993	(485,108)	2,981,938
Supplies and materials	486,680	559,948	73,268	524,660
Capital expenditures	7,029,485	7,683,569	654,084	954,717
Other expenditures	349,718	380,932	31,214	377,733
Total sites and buildings	17,257,010	17,993,944	736,934	10,510,561
Fiscal and other fixed cost programs				
Purchased services	500,000	474,151	(25,849)	470,182
Debt service				
Principal	870,000	1,090,555	220,555	840,000
Interest and fiscal charges	260,000	155,842	(104,158)	149,938
Total debt service	1,130,000	1,246,397	116,397	989,938
Total expenditures	144,768,316	138,596,079	(6,172,237)	127,740,525
Excess (deficiency) of revenue over expenditures	(4,929,599)	777,255	5,706,854	5,818,126
Other financing sources				
Capital lease issued	1,650,204	1,650,204	–	–
Sale of assets	–	141,660	141,660	4,041
Total other financing sources	1,650,204	1,791,864	141,660	4,041
Net change in fund balances before special item	(3,279,395)	2,569,119	5,848,514	5,822,167
Special item – joint school proceeds	–	–	–	3,186,500
Net change in fund balances	$ (3,279,395)	2,569,119	$ 5,848,514	9,008,667
Fund balances				
Beginning of year		12,983,918		3,975,251
End of year		$ 15,553,037		$ 12,983,918

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2017	2016
Assets		
Cash and temporary investments	$ 1,452,302	$ 1,347,190
Receivables		
Accounts and interest	5,294	–
Inventory	358,948	385,398
Total assets	$ 1,816,544	$ 1,732,588
Liabilities		
Salaries payable	$ 9,153	$ 87,159
Accounts and contracts payable	329,829	259,911
Due to other governmental units	3,419	3,603
Unearned revenue	140,724	142,952
Total liabilities	483,125	493,625
Fund balances		
Nonspendable for inventory	358,948	385,398
Restricted for food service	974,471	853,565
Total fund balances	1,333,419	1,238,963
Total liabilities and fund balances	$ 1,816,544	$ 1,732,588

INDEPENDENT SCHOOL DISTRICT NO. 622

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	$ 2,000	$ 5,746	$ 3,746	$ 2,866
Other – primarily meal sales	2,056,800	1,997,179	(59,621)	2,092,912
State sources	338,000	328,543	(9,457)	337,333
Federal sources	3,924,500	4,188,083	263,583	3,885,545
Total revenue	6,321,300	6,519,551	198,251	6,318,656
Expenditures				
Current				
Salaries	1,749,600	1,759,412	9,812	1,734,671
Employee benefits	669,567	660,845	(8,722)	656,659
Purchased services	220,000	285,457	65,457	207,770
Supplies and materials	3,493,000	3,579,376	86,376	3,591,015
Other expenditures	20,000	14,739	(5,261)	30,128
Capital outlay	165,000	125,266	(39,734)	51,373
Total expenditures	6,317,167	6,425,095	107,928	6,271,616
Net change in fund balances	$ 4,133	94,456	$ 90,323	47,040
Fund balances				
Beginning of year		1,238,963		1,191,923
End of year		$ 1,333,419		$ 1,238,963

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2017	2016
Assets		
Cash and temporary investments	$ 3,983,553	$ 3,151,178
Receivables		
Current taxes	792,522	1,006,874
Delinquent taxes	22,937	21,466
Accounts and interest	129,546	107,906
Due from other governmental units	868,629	611,948
Prepaid items	798	1,656
Total assets	$ 5,797,985	$ 4,901,028
Liabilities		
Salaries payable	$ 86,523	$ 105,718
Accounts and contracts payable	191,330	155,475
Due to other governmental units	737,739	745,269
Unearned revenue	440,621	405,548
Total liabilities	1,456,213	1,412,010
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	17,085	19,237
Property taxes levied for subsequent year	1,406,406	1,804,676
Total deferred inflows of resources	1,423,491	1,823,913
Fund balances		
Nonspendable for prepaid items	798	1,656
Restricted for community education programs	1,689,467	775,203
Restricted for early childhood family education programs	476,966	388,688
Restricted for school readiness	381,924	230,474
Restricted for adult basic education	367,903	267,861
Restricted for community service	1,223	1,223
Total fund balances	2,918,281	1,665,105
Total liabilities, deferred inflows of resources, and fund balances	$ 5,797,985	$ 4,901,028

INDEPENDENT SCHOOL DISTRICT NO. 622

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	$ 1,804,726	$ 1,751,874	$ (52,852)	$ 1,751,579
Investment earnings	–	18,716	18,716	9,634
Other – primarily tuition and fees	2,677,463	3,020,126	342,663	2,589,207
State sources	4,816,338	4,817,201	863	4,127,223
Federal sources	256,903	344,848	87,945	305,066
Total revenue	9,555,430	9,952,765	397,335	8,782,709
Expenditures				
Current				
Salaries	3,842,522	3,643,343	(199,179)	3,526,081
Employee benefits	1,328,403	1,178,657	(149,746)	1,165,751
Purchased services	3,061,964	3,306,342	244,378	2,657,001
Supplies and materials	548,198	413,810	(134,388)	413,351
Other expenditures	103,529	84,327	(19,202)	64,101
Capital outlay	100,620	73,110	(27,510)	70,510
Total expenditures	8,985,236	8,699,589	(285,647)	7,896,795
Net change in fund balances	$ 570,194	1,253,176	$ 682,982	885,914
Fund balances				
Beginning of year		1,665,105		779,191
End of year		$ 2,918,281		$ 1,665,105

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2017	2016
Assets		
Cash and temporary investments	$ 169,574	$ 1,537,599
Liabilities		
Salaries payable	$ –	$ 483
Accounts and contracts payable	1,942	1,138,198
Total liabilities	1,942	1,138,681
Fund balances (deficit)		
Restricted for alternative facilities program	–	510,035
Restricted for long-term facilities maintenance	141,249	–
Restricted for capital projects	26,383	–
Unassigned	–	(111,117)
Total fund balances	167,632	398,918
Total liabilities and fund balances	$ 169,574	$ 1,537,599

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2017	2016
Revenue		
Local sources		
Property taxes	$ –	$ 5,067,600
Other	–	41,700
State sources	137,500	–
Total revenue	137,500	5,109,300
Expenditures		
Capital outlay		
Salaries	–	126,909
Employee benefits	–	48,234
Purchased services	–	5,699
Supplies and materials	–	5,341
Capital expenditures	368,786	3,473,741
Total expenditures	368,786	3,659,924
Net change in fund balances	(231,286)	1,449,376
Fund balances (deficit)		
Beginning of year	398,918	(1,050,458)
End of year	$ 167,632	$ 398,918

INDEPENDENT SCHOOL DISTRICT NO. 622

Debt Service Fund
Balance Sheet by Account
as of June 30, 2017
(With Comparative Totals as of June 30, 2016)

	Regular Debt Service Account	OPEB Debt Service Account	Totals 2017	Totals 2016
Assets				
Cash and temporary investments	$ 6,994,415	$ 1,710,197	$ 8,704,612	$ 9,515,625
Receivables				
Current taxes	5,972,974	1,517,149	7,490,123	7,895,617
Delinquent taxes	169,667	34,895	204,562	204,731
Due from other governmental units	38,903	33	38,936	28
Total assets	$ 13,175,959	$ 3,262,274	$ 16,438,233	$ 17,616,001
Deferred inflows of resources				
Unavailable revenue – delinquent taxes	$ 125,490	$ 23,814	$ 149,304	$ 185,419
Property taxes levied for subsequent year	10,613,008	2,695,728	13,308,736	14,151,749
Total deferred inflows of resources	10,738,498	2,719,542	13,458,040	14,337,168
Fund balances				
Restricted for debt service	2,437,461	542,732	2,980,193	3,278,833
Total deferred inflows of resources and fund balances	$ 13,175,959	$ 3,262,274	$ 16,438,233	$ 17,616,001

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2017					2016
		Actual				
	Budget	Regular Debt Service Account	OPEB Debt Service Account	Total	Over (Under) Budget	Actual
Revenue						
Local sources						
Property taxes	$ 14,151,750	$ 11,065,767	$ 2,647,466	$ 13,713,233	$ (438,517)	$ 15,212,498
Investment earnings	17,000	69,707	5,197	74,904	57,904	17,435
Other	155,700	155,700	–	155,700	–	156,065
State sources	399,115	389,018	77	389,095	(10,020)	281
Federal sources	84,998	85,410	–	85,410	412	88,358
Total revenue	14,808,563	11,765,602	2,652,740	14,418,342	(390,221)	15,474,637
Expenditures						
Debt service						
Principal	10,120,000	8,535,000	1,585,000	10,120,000	–	9,715,000
Interest	4,571,097	3,499,314	1,071,783	4,571,097	–	4,961,734
Fiscal charges and other	354,000	337,029	14,976	352,005	(1,995)	248,955
Total expenditures	15,045,097	12,371,343	2,671,759	15,043,102	(1,995)	14,925,689
Excess (deficiency) of revenue over expenditures	(236,534)	(605,741)	(19,019)	(624,760)	(388,226)	548,948
Other financing sources (uses)						
Refunding debt issued	40,650,000	40,650,000	–	40,650,000	–	–
Premium on debt issued	5,554,794	5,554,794	–	5,554,794	–	–
Payment on refunded debt	(38,910,000)	(45,878,674)	–	(45,878,674)	(6,968,674)	–
Total other financing sources (uses)	7,294,794	326,120	–	326,120	(6,968,674)	–
Net change in fund balances	$ 7,058,260	(279,621)	(19,019)	(298,640)	$ (7,356,900)	548,948
Fund balances						
Beginning of year		2,717,082	561,751	3,278,833		2,729,885
End of year		$ 2,437,461	$ 542,732	$ 2,980,193		$ 3,278,833

INDEPENDENT SCHOOL DISTRICT NO. 622

Government-Wide Revenue by Type
Last Ten Fiscal Years

Year Ended June 30,	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	General Revenues: Property Taxes	General Revenues: General Grants and Aids	General Revenues: Investment Earnings and Other	Total
2008	$ 7,544,923	$ 16,778,151	$ 921,564	$ 29,131,756	$ 77,936,235	$ 3,353,067	$135,665,696
	6%	12%	1%	21%	58%	2%	100%
2009	7,034,610	19,414,384	1,496,046	31,822,972	78,841,366	2,165,226	140,774,604
	5%	14%	1%	23%	56%	1%	100%
2010	6,481,090	23,034,902	733,804	36,010,780	78,078,016	2,049,621	146,388,213
	4%	16%	1%	25%	53%	1%	100%
2011	6,409,830	22,364,002	717,093	42,465,843	72,155,166	1,349,205	145,461,139
	4%	15%	1%	29%	50%	1%	100%
2012	6,410,000	23,812,733	776,859	35,324,450	81,936,669	1,000,864	149,261,575
	4%	16%	1%	24%	54%	1%	100%
2013	5,898,321	22,034,721	952,882	34,824,007	80,141,530	1,286,467	145,137,928
	4%	15%	1%	24%	55%	1%	100%
2014	5,775,220	25,576,890	–	28,181,444	89,699,343	1,896,667	151,129,564
	4%	17%	–	19%	59%	1%	100%
2015	6,032,179	26,964,610	–	39,025,601	87,618,485	1,143,267	160,784,142
	4%	17%	–	24%	54%	1%	100%
2016	5,816,398	31,942,343	–	41,269,420	88,736,879	1,511,451	169,276,491
	3%	19%	–	24%	53%	1%	100%
2017	7,041,097	29,999,231	–	40,698,872	94,256,869	1,690,627	173,686,696
	4%	17%	–	23%	55%	1%	100%

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.

INDEPENDENT SCHOOL DISTRICT NO. 622

Government-Wide Expenses by Function
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services	Pupil Support Services
2008	$ 4,363,832	$ 2,398,387	$ 51,734,899	$ 790,055	$ 17,958,216	$ 7,778,043	$ 9,115,068
	3%	2%	39%	1%	14%	6%	7%
2009	4,716,192	2,855,986	55,686,194	894,972	21,616,906	9,372,172	9,548,763
	3%	2%	39%	1%	15%	7%	7%
2010	5,387,109	3,105,906	55,744,097	1,645,492	21,870,189	8,670,281	8,904,244
	4%	2%	39%	1%	16%	6%	7%
2011	5,390,352	3,290,211	56,608,582	1,529,476	22,371,541	9,097,765	10,011,663
	4%	2%	40%	1%	17%	6%	7%
2012	5,309,820	2,965,928	57,322,341	1,907,747	21,709,308	8,335,422	10,896,900
	4%	2%	40%	1%	16%	6%	8%
2013	5,696,613	3,746,860	60,757,308	2,720,883	22,326,972	7,489,802	11,547,693
	4%	3%	41%	2%	15%	5%	8%
2014	5,870,601	5,323,307	61,107,836	2,363,819	24,410,545	7,283,020	11,787,561
	4%	3%	39%	2%	16%	5%	8%
2015	6,245,577	5,774,518	60,183,399	2,515,435	24,607,274	6,131,212	11,916,602
	4%	4%	39%	2%	16%	4%	8%
2016	5,771,511	5,488,991	59,768,865	2,516,188	26,599,484	5,660,427	10,920,870
	4%	4%	39%	2%	18%	4%	7%
2017	7,466,083	5,966,624	79,932,765	3,397,939	34,871,665	8,670,260	13,068,258
	4%	3%	42%	2%	18%	5%	7%

Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Depreciation Not Included in Other Functions	Interest and Fiscal Charges	Total
$ 9,053,388	$ 348,192	$ 5,436,900	$ 7,581,156	$ 6,227,807	$ 7,377,489	$ 130,163,432
7%	–	4%	6%	5%	6%	100%
10,235,133	255,788	5,502,331	7,968,297	6,594,941	7,423,000	142,670,675
7%	–	4%	6%	4%	5%	100%
9,353,992	264,879	5,633,849	7,825,395	2,971,502	7,665,447	139,042,382
7%	–	4%	6%	2%	6%	100%
8,305,688	287,433	5,978,174	8,309,716	3,390,729	7,622,134	142,193,464
6%	–	4%	6%	2%	5%	100%
8,851,610	313,049	5,943,051	8,191,135	3,368,647	7,461,262	142,576,220
6%	–	4%	6%	2%	5%	100%
9,870,233	383,858	5,796,121	7,960,612	3,704,183	6,965,589	148,966,727
7%	–	4%	5%	2%	4%	100%
11,215,056	463,639	6,079,470	8,004,445	3,880,837	6,632,460	154,422,596
7%	–	4%	5%	3%	4%	100%
10,812,813	555,882	6,141,087	7,985,251	3,910,796	5,758,210	152,538,056
7%	–	4%	5%	3%	4%	100%
11,170,601	470,182	6,370,475	7,805,422	4,163,925	5,036,685	151,743,626
7%	–	4%	5%	3%	3%	100%
11,726,835	474,151	6,544,722	9,551,438	4,390,145	5,376,641	191,437,526
6%	–	3%	5%	2%	3%	100%

INDEPENDENT SCHOOL DISTRICT NO. 622

General Fund Revenue by Source
Last Ten Fiscal Years

Year Ended June 30,	Local Property Tax Revenue	State Revenue	Federal Revenue	Other Local and Miscellaneous	Total
2008	$ 17,918,484	$ 85,477,461	$ 4,279,772	$ 2,564,046	$ 110,239,763
	16%	78%	4%	2%	100%
2009	21,226,830	88,959,966	4,324,109	2,006,373	116,517,278
	18%	76%	4%	2%	100%
2010	20,588,351	80,649,148	14,329,420	2,239,106	117,806,025
	17%	69%	12%	2%	100%
2011	26,288,166	82,031,088	6,629,412	1,748,152	116,696,818
	23%	70%	6%	1%	100%
2012	18,697,893	91,939,838	6,559,018	1,535,360	118,732,109
	16%	77%	6%	1%	100%
2013	18,454,543	91,000,638	4,918,898	2,055,980	116,430,059
	16%	78%	4%	2%	100%
2014	12,083,629	102,199,089	4,829,320	2,464,205	121,576,243
	10%	84%	4%	2%	100%
2015	19,420,261	101,726,474	4,350,724	2,166,086	127,663,545
	15%	80%	3%	2%	100%
2016	19,209,883	107,501,652	4,433,764	2,413,352	133,558,651
	14%	81%	3%	2%	100%
2017	25,352,714	106,108,749	4,611,671	3,300,200	139,373,334
	18%	77%	3%	2%	100%

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.

INDEPENDENT SCHOOL DISTRICT NO. 622

General Fund Expenditures by Program
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services	Pupil Support Services	Sites and Buildings	Other Programs	Total
2008	$ 4,374,043	$ 2,435,187	$ 53,130,147	$ 798,676	$ 18,082,623	$ 7,801,655	$ 9,113,629	$ 8,185,039	$ 1,686,473	$ 105,607,472
	4%	2%	50%	1%	17%	7%	9%	8%	2%	100%
2009	6,529,415	4,327,200	75,134,480	894,972	21,609,424	9,330,700	9,552,635	13,103,881	1,389,643	141,872,350
	5%	3%	52%	1%	15%	7%	7%	9%	1%	100%
2010	5,277,573	3,015,817	54,530,676	1,645,492	21,950,307	8,645,005	9,685,448	9,243,624	1,370,365	115,364,307
	5%	3%	47%	2%	19%	7%	8%	8%	1%	100%
2011	5,305,595	4,002,664	55,465,285	1,529,476	22,357,187	9,072,127	10,097,762	12,173,859	1,185,032	121,188,987
	4%	3%	47%	1%	19%	7%	8%	10%	1%	100%
2012	5,155,823	2,830,572	55,575,039	1,907,747	21,683,444	8,343,843	10,630,685	8,339,015	1,585,378	116,051,546
	4%	3%	48%	2%	19%	7%	9%	7%	1%	100%
2013	5,611,039	3,675,221	59,133,667	2,720,883	22,317,638	8,796,278	11,242,143	11,375,982	1,481,617	126,354,468
	4%	3%	47%	2%	18%	7%	9%	9%	1%	100%
2014	5,641,309	5,106,056	59,860,270	2,363,819	24,385,026	7,559,074	11,512,561	11,928,628	1,535,458	129,892,201
	4%	4%	46%	2%	19%	6%	9%	9%	1%	100%
2015	6,204,965	5,735,305	59,933,326	2,588,707	25,137,862	6,292,004	11,819,255	11,578,003	1,599,092	130,888,519
	5%	4%	46%	2%	19%	5%	9%	9%	1%	100%
2016	5,654,357	5,388,840	58,694,319	2,548,516	27,069,630	5,912,360	10,501,822	10,510,561	1,460,120	127,740,525
	5%	4%	46%	2%	21%	5%	8%	8%	1%	100%
2017	5,783,733	7,333,244	57,954,053	2,614,558	26,955,254	6,316,256	11,924,489	17,993,944	1,720,548	138,596,079
	4%	5%	42%	2%	19%	5%	9%	13%	1%	100%

Note: In fiscal 2009, the expenditures included $30,583,899 of employer contributions to the Post-Employment Benefits Trust Fund related to OPEB debt issuance.

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Tax Year Collectible	General Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Total All Funds
Levies						
	2008	$ 21,435,219	$ 1,077,510	$ –	$ 9,814,559	$ 32,327,288
	2009	21,195,701	1,231,953	–	15,133,934	37,561,588
	2010	19,956,942	1,386,016	–	15,133,427	36,476,385
	2011	19,101,942	1,533,337	–	15,938,022	36,573,301
	2012	17,819,202	1,510,521	–	15,108,471	34,438,194
	2013	19,220,241	1,628,075	–	15,037,632	35,885,948
	2014	22,736,688	1,739,488	–	15,072,916	39,549,092
	2015	24,180,017	1,789,077	–	15,467,525	41,436,619
	2016	25,315,933	1,804,676	–	14,151,749	41,272,358
	2017	33,104,834	1,406,406	–	13,308,736	47,819,976
Tax capacity rates						
	2008	8.99300	1.13100	–	10.30200	20.42600
	2009	8.00050	1.27700	–	15.68700	24.96450
	2010	7.59800	1.49000	–	16.27100	25.35900
	2011	7.61000	1.77100	–	18.40400	27.78500
	2012	7.48081	1.89568	–	18.96091	28.33740
	2013	9.56500	2.24600	–	20.74100	32.55200
	2014	14.91700	2.35100	–	20.37500	37.64300
	2015	14.92884	2.17043	–	18.76449	35.86376
	2016	16.48548	2.15839	–	16.92550	35.56937
	2017	17.00880	1.58402	–	14.98950	33.58232
Market value rates						
	2008	0.1398300	–	–	–	0.1398300
	2009	0.1485000	–	–	–	0.1485000
	2010	0.1458400	–	–	–	0.1458400
	2011	0.1502700	–	–	–	0.1502700
	2012	0.1483409	–	–	–	0.1483409
	2013	0.1666600	–	–	–	0.1666600
	2014	0.1506200	–	–	–	0.1506200
	2015	0.1436500	–	–	–	0.1436500
	2016	0.1366819	–	–	–	0.1366819
	2017	0.2158974	–	–	–	0.2158974

Note: A tax rate based on market value is primarily used for a portion of the District's referendum levy.

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 622

Tax Capacities and Market Values
Last Ten Fiscal Years

For Taxes Collectible	Net Tax Capacities				
			Fiscal Disparities		
	Agricultural	Nonagricultural	Contribution	Distribution	Tax Increment
2008	$ 174,327	$ 100,602,510	$ (13,282,622)	$ 10,675,266	$ (1,474,788)
2009	178,015	101,526,122	(14,020,569)	12,361,168	(1,383,776)
2010	198,067	96,899,141	(15,237,979)	12,741,373	(1,317,352)
2011	212,756	90,381,843	(14,370,959)	12,667,198	(1,172,302)
2012	201,037	82,534,347	(13,682,390)	12,035,579	(1,171,893)
2013	165,549	76,691,891	(13,335,710)	11,567,832	(1,088,314)
2014	223,970	78,001,023	(12,698,773)	11,458,013	(1,457,211)
2015	430,038	84,043,471	(12,968,373)	11,680,027	(1,334,853)
2016	483,265	85,701,033	(12,907,022)	12,212,058	(1,978,412)
2017	285,764	90,107,004	(13,134,465)	13,170,723	(2,421,303)

Note: Market value is used primarily for extension of the District's referendum levy.

Source: State of Minnesota School Tax Report

Total Taxable	Market Value
$ 96,694,693	$ 8,066,751,700
98,660,960	8,021,014,250
93,283,250	7,607,252,800
87,718,536	7,100,019,400
79,916,680	6,828,952,000
74,001,248	6,299,805,800
75,527,022	6,424,286,100
81,850,310	6,970,329,000
83,510,922	7,129,353,400
88,007,723	7,463,934,900

INDEPENDENT SCHOOL DISTRICT NO. 622

Property Tax Levies and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy			
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread
2008	$ 28,100,466	$ 3,397,512	$ 829,310	$ 32,327,288
2009	32,448,397	4,145,812	967,379	37,561,588
2010	30,548,650	4,920,463	1,007,272	36,476,385
2011	30,539,758	4,951,226	1,082,317	36,573,301
2012	29,383,091	5,055,103	-	34,438,194
2013	30,881,429	5,004,519	-	35,885,948
2014	33,892,337	5,656,755	-	39,549,092
2015	35,275,869	6,160,750	-	41,436,619
2016	35,150,119	6,122,239	-	41,272,358
2017	41,335,193	6,484,783	-	47,819,976

Note 1: A portion of the total spread levy is paid through various property tax credits which are paid through state aids.

Note 2: Delinquent taxes receivable are written off after seven years. The amount of collections has been adjusted to reflect the write-off of delinquent taxes receivable.

Note 3: For taxes collectible in 2012, a portion of the property tax credits was eliminated and replaced with state aid.

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2017

Delinquent Amount	Delinquent Percent	Current Amount	Current Percent
$ –	– %	$ –	– %
–	–	–	–
–	–	–	–
32,681	0.1	–	–
34,906	0.1	–	–
53,233	0.1	–	–
47,096	0.1	–	–
83,529	0.2	–	–
278,191	0.7	–	–
–	–	26,426,471	55.3
$ 529,636		$ 26,426,471	

INDEPENDENT SCHOOL DISTRICT NO. 622

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served and Tuition Paid): Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	Total Pupil Units
2008	161	622	4,588	6,077	11,448	13,448
2009	167	658	4,508	6,032	11,365	13,330
2010	170	619	4,388	5,895	11,072	13,005
2011	167	596	4,388	5,828	10,979	12,900
2012	176	672	4,334	5,703	10,885	12,734
2013	171	688	4,452	5,601	10,912	12,739
2014	189	662	4,499	5,377	10,727	12,502
2015	202	641	4,498	5,375	10,715	11,790
2016	221	625	4,534	5,289	10,669	11,727
2017	274	570	4,430	5,206	10,480	11,521

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

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

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2008 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2017	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

INDEPENDENT SCHOOL DISTRICT NO. 622

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures		Passed Through to Subrecipients	Noncash Assistance
U.S. Department of Agriculture					
Passed through Minnesota Department of Education					
Child nutrition cluster					
School Breakfast Program	10.553	$ 835,457			
National School Lunch Program	10.555	3,302,626			$ 376,634
Total child nutrition cluster			$ 4,138,083		
Child Nutrition Discretionary Grants Limited Availability	10.579		50,000		
U.S. Department of Education					
Direct					
Indian Education Grants to Local Educational Agencies	84.060		49,325		
Passed through Minnesota Department of Education					
Special education cluster					
Special Education – Grants to States	84.027	2,392,865			
Special Education – Preschool Grants	84.173	86,653			
Total special education cluster			2,479,518		
Special Education – Grants for Infants and Families	84.181		58,308		
Title I Grants to Local Educational Agencies	84.010		1,487,639		
Education for Homeless Children and Youth	84.196		39,737		
English Language Acquisition State Grants	84.365		205,288		
Supporting Effective Instruction State Grants	84.367		249,628		
Statewide Longitudinal Data Systems	84.372		5,000		
Adult Education – Basic Grants to States	84.002		339,848	$ 102,721	
Passed through Northeast Metropolitan Intermediate School District No. 916					
Career and Technical Education – Basic Grants to States	84.048		41,590		
Total federal awards			$ 9,143,964		

Note 1: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with both OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, when applicable. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the District's basic financial statements.

Note 2: All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

Note 3: The District did not elect to use the 10 percent de minimis indirect cost rate.

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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 ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the School Board and Management of
Independent School District No. 622
North St. Paul – Maplewood – Oakdale, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 622 (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, and have issued our report thereon dated December 5, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

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

Minneapolis, Minnesota
December 5, 2017

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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 ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the School Board and Management of
Independent School District No. 622
North St. Paul – Maplewood – Oakdale, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 622's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

(continued)

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

Purpose of This Report

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

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

Minneapolis, Minnesota
December 5, 2017

MMKR
CERTIFIED PUBLIC
ACCOUNTANTS

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

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 622
North St. Paul – Maplewood – Oakdale, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 622 (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, and have issued our report thereon dated December 5, 2017.

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our audit considered all of the listed categories.

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

Purpose of This Report

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

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

Minneapolis, Minnesota
December 5, 2017

A. SUMMARY OF AUDIT RESULTS

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

Financial Statements

What type of auditor's report is issued?		X Unmodified __ Qualified __ Adverse __ Disclaimer
Internal control over financial reporting:		
Material weakness(es) identified?	__ Yes	X No
Significant deficiency(ies) identified?	__ Yes	X None reported
Noncompliance material to the financial statements noted?	__ Yes	X No

Federal Awards

Internal controls over major federal award programs:		
Material weakness(es) identified?	__ Yes	X No
Significant deficiency(ies) identified?	__ Yes	X None reported
Type of auditor's report issued on compliance for major programs?		
U.S. Department of Agriculture – child nutrition cluster	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	__ Yes	X No

Programs tested as major programs:

Program or Cluster	CFDA No.
U.S. Department of Agriculture – child nutrition cluster consisting of:	
– School Breakfast Program	10.553
– National School Lunch Program	10.555

Threshold for distinguishing type A and B programs.	$ 750,000	
Does the auditee qualify as a low-risk auditee?	X Yes	__ No

B. FINANCIAL STATEMENT FINDINGS

None.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

INDEPENDENT SCHOOL DISTRICT NO. 622

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2017

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 139,373,334	$ 139,373,334	$ -
Total expenditures		$ 138,596,079	$ 138,596,079	$ -
Nonspendable				
460	Nonspendable fund balance	$ 135,441	$ 135,441	$ -
Restricted				
403	Staff development	$ 140,121	$ 140,121	$ -
406	Health and safety	$ 186,567	$ 186,567	$ -
407	Capital projects levy	$ -	$ -	$ -
408	Cooperative revenue	$ -	$ -	$ -
413	Project funded by COP	$ -	$ -	$ -
414	Operating debt	$ -	$ -	$ -
416	Levy reduction	$ -	$ -	$ -
417	Taconite building maintenance	$ -	$ -	$ -
423	Certain teacher programs	$ -	$ -	$ -
424	Operating capital	$ 5,185,581	$ 5,185,581	$ -
426	$25 taconite	$ -	$ -	$ -
427	Disabled accessibility	$ -	$ -	$ -
428	Learning and development	$ -	$ -	$ -
434	Area learning center	$ -	$ -	$ -
435	Contracted alternative programs	$ -	$ -	$ -
436	State approved alternative program	$ -	$ -	$ -
438	Gifted and talented	$ -	$ -	$ -
440	Teacher development and evaluation	$ -	$ -	$ -
441	Basic skills programs	$ -	$ -	$ -
445	Career and technical programs	$ -	$ -	$ -
448	Achievement and integration	$ 357,034	$ 357,034	$ -
449	Safe schools levy	$ 615,334	$ 615,334	$ -
450	Pre-kindergarten	$ -	$ -	$ -
451	QZAB payments	$ -	$ -	$ -
452	OPEB liability not in trust	$ -	$ -	$ -
453	Unfunded severance and retirement levy	$ -	$ -	$ -
467	Long-term facilities maintenance	$ (511,954)	$ (511,954)	$ -
472	Medical Assistance	$ 599,302	$ 599,302	$ -
464	Restricted fund balance	$ -	$ -	$ -
Committed				
418	Committed for separation	$ -	$ -	$ -
461	Committed fund balance	$ -	$ -	$ -
Assigned				
462	Assigned fund balance	$ -	$ -	$ -
Unassigned				
422	Unassigned fund balance	$ 8,845,611	$ 8,845,611	$ -
Food Service				
Total revenue		$ 6,519,551	$ 6,519,551	$ -
Total expenditures		$ 6,425,095	$ 6,425,095	$ -
Nonspendable				
460	Nonspendable fund balance	$ 358,948	$ 358,948	$ -
Restricted				
452	OPEB liability not in trust	$ -	$ -	$ -
464	Restricted fund balance	$ 974,471	$ 974,471	$ -
Unassigned				
463	Unassigned fund balance	$ -	$ -	$ -
Community Service				
Total revenue		$ 9,952,765	$ 9,952,765	$ -
Total expenditures		$ 8,699,589	$ 8,699,589	$ -
Nonspendable				
460	Nonspendable fund balance	$ 798	$ 798	$ -
Restricted				
426	$25 taconite	$ -	$ -	$ -
431	Community education	$ 1,689,467	$ 1,689,467	$ -
432	ECFE	$ 476,966	$ 476,966	$ -
440	Teacher development and evaluation	$ -	$ -	$ -
444	School readiness	$ 381,924	$ 381,924	$ -
447	Adult basic education	$ 367,903	$ 367,903	$ -
452	OPEB liability not in trust	$ -	$ -	$ -
464	Restricted fund balance	$ 1,223	$ 1,223	$ -
Unassigned				
463	Unassigned fund balance	$ -	$ -	$ -

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2017

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		$ 137,500	$ 137,500	$ -
Total expenditures		$ 368,786	$ 368,786	$ -
Nonspendable				
460	Nonspendable fund balance	$ -	$ -	$ -
Restricted				
407	Capital projects levy	$ -	$ -	$ -
413	Project funded by COP	$ -	$ -	$ -
467	Long-term facilities maintenance	$ 141,249	$ 141,249	$ -
464	Restricted fund balance	$ 26,383	$ 26,383	$ -
Unassigned				
463	Unassigned fund balance	$ -	$ -	$ -
Debt Service				
Total revenue		$ 11,765,602	$ 11,765,602	$ -
Total expenditures		$ 12,371,343	$ 12,371,343	$ -
Nonspendable				
460	Nonspendable fund balance	$ -	$ -	$ -
Restricted				
425	Bond refundings	$ -	$ -	$ -
451	QZAB payments	$ -	$ -	$ -
464	Restricted fund balance	$ 2,437,461	$ 2,437,461	$ -
Unassigned				
463	Unassigned fund balance	$ -	$ -	$ -
Trust				
Total revenue		$ 1,349,934	$ 1,349,934	$ -
Total expenditures		$ 1,344,636	$ 1,344,636	$ -
422	Net position	$ 1,153,223	$ 1,153,223	$ -
Internal Service				
Total revenue		$ 16,554,608	$ 16,554,608	$ -
Total expenditures		$ 15,954,947	$ 15,954,947	$ -
422	Net position	$ 4,694,983	$ 4,694,983	$ -
OPEB Revocable Trust Fund				
Total revenue		$ -	$ -	$ -
Total expenditures		$ -	$ -	$ -
422	Net position	$ -	$ -	$ -
OPEB Irrevocable Trust Fund				
Total revenue		$ 944,393	$ 944,393	$ -
Total expenditures		$ 2,285,363	$ 2,285,363	$ -
422	Net position	$ 12,318,006	$ 12,318,006	$ -
OPEB Debt Service Fund				
Total revenue		$ 2,652,740	$ 2,652,739	$ 1
Total expenditures		$ 2,671,759	$ 2,671,759	$ -
Nonspendable				
460	Nonspendable fund balance	$ -	$ -	$ -
Restricted				
425	Bond refundings	$ -	$ -	$ -
464	Restricted fund balance	$ 542,732	$ 542,732	$ -
Unassigned				
463	Unassigned fund balance	$ -	$ -	$ -

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

APPENDIX B

FORM OF LEGAL OPINION

(See following page)

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

$3,920,000*
GENERAL OBLIGATION ALTERNATIVE FACILITIES REFUNDING BONDS, SERIES 2018E
INDEPENDENT SCHOOL DISTRICT NO. 622
(NORTH ST. PAUL-MAPLEWOOD-OAKDALE)
RAMSEY AND WASHINGTON COUNTIES, MINNESOTA

We have acted as Bond Counsel in connection with the issuance by Independent School District No. 622 (North St. Paul-Maplewood-Oakdale), Ramsey and Washington Counties, Minnesota (the "District"), of its General Obligation Alternative Facilities Refunding Bonds, Series 2018E (the "Bonds"), in the aggregate principal amount of $3,920,000*, bearing a date of original issue of November 15, 2018. The Bonds are fully registered as to principal and interest and are originally issued using a global book-entry system.

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

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

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

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

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

(3) Interest on the Bonds is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes. Interest on the Bonds is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax measured by income. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals and other taxpayers under Section 55 of the Internal Revenue Code of 1986, as amended, (the "Code") or for purposes of the Minnesota alternative minimum tax applicable to individuals, trusts and estates Interest on the Bonds is includable in adjusted current earnings of corporations for purposes of the Minnesota alternative minimum tax and federal alternative minimum tax applicable to corporations for tax years beginning before January 1, 2018.

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

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

DATED at Mendota Heights, Minnesota, this 15th day of November, 2018.

KNUTSON, FLYNN & DEANS
Professional Association

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following page)

CONTINUING DISCLOSURE CERTIFICATE
(Full Disclosure)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 622 (North St. Paul-Maplewood-Oakdale), State of Minnesota (the "District"), in connection with the issuance of its General Obligation Alternative Facilities Refunding Bonds, Series 2018E (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the School Board on October 23, 2018 (the "Resolution"). The District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 (the "State Payment Law" described in the Official Statement for the Bonds) which provides for payment by the State of Minnesota in the event of a potential default of a District obligation. The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

SECTION 3. Provision of Annual Reports.

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

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

(c) The Dissemination Agent shall:

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

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

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

1. An annual Audited Financial Statement.

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

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

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 14. District Contact Information.

Title:	Superintendent
Name of District:	Independent School District No. 622 (North St. Paul-Maplewood-Oakdale)
Address:	2520 East 12th Avenue North St. Paul, MN 55109
Telephone No.	(651) 748-7622

Dated this 15th day of November, 2018

INDEPENDENT SCHOOL DISTRICT NO. 622
(NORTH ST. PAUL-MAPLEWOOD-OAKDALE)
RAMSEY AND WASHINGTON COUNTIES
STATE OF MINNESOTA

By: ____________________________________
Chair

And: ____________________________________
Clerk

[Signature Page for Continuing Disclosure Certificate]

APPENDIX E

TERMS OF PROPOSAL

$3,920,000* GENERAL OBLIGATION ALTERNATIVE FACILITIES REFUNDING BONDS, SERIES 2018E INDEPENDENT SCHOOL DISTRICT NO. 622 (NORTH ST. PAUL-MAPLEWOOD-OAKDALE), MINNESOTA

Proposals for the purchase of $3,920,000* General Obligation Alternative Facilities Refunding Bonds, Series 2018E (the "Bonds") of Independent School District No. 622 (North St. Paul-Maplewood-Oakdale), 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 11:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 11:00 A.M. Central Time, on 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 authorized pursuant to Minnesota Statutes, Chapter 475, and Section 475.67, by the District, for the purpose of effecting a current refunding of certain outstanding general obligations of the District as more fully described herein. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

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

Year	Amount*	Year	Amount*	Year	Amount*
2020	$345,000	2024	$385,000	2028	$435,000
2021	350,000	2025	395,000	2029	450,000
2022	360,000	2026	410,000		
2023	370,000	2027	420,000		

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 2020 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.

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

DELIVERY

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

LEGAL OPINION

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

SUBMISSION OF PROPOSALS

Proposals must not be for less than $3,849,440 plus accrued interest on the principal sum of $3,920,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

1) Electronically to bondsale@ehlers-inc.com; or

2) Facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or

3) Electronically via **PARITY** in accordance with this Terms of Proposal until 11:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

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

A good faith deposit ("Deposit") in the amount of $78,400 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.

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

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

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

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

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

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

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

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

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

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

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

The winning bidder will advise the District promptly after the close of the fifth (5^{th}) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5^{th}) business day after the sale date.

The District acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) <u>If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the 10% test</u>, the Underwriter agrees to promptly report to the District, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Bonds are awarded by the District to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of $10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Board of Education

Independent School District No. 622
(North St. Paul-Maplewood-Oakdale), Minnesota

PROPOSAL FORM

The Board of Education **October 23, 2018**
Independent School District No. 622 (North St. Paul-Maplewood-Oakdale), Minnesota

RE: **$3,920,000* General Obligation Alternative Facilities Refunding Bonds, Series 2018E**
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 $3,849,440) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

__________	% due	2020	__________	% due	2024	__________	% due	2028
__________	% due	2021	__________	% due	2025	__________	% due	2029
__________	% due	2022	__________	% due	2026			
__________	% due	2023	__________	% due	2027			

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

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 2020 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 $78,400, to be held by the District pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138.** Such Deposit shall be received by Ehlers & Associates no later than two hours after the proposal opening time. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. If our proposal is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about November 15, 2018.

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

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

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

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

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

Account Manager: ______________________________ By: ______________________________
Account Members:

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

The foregoing offer is hereby accepted by and on behalf of the Board of Education of Independent School District No. 622 (North St. Paul-Maplewood-Oakdale), Minnesota, on October 23, 2018.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________