

# PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 11, 2018

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for federal or Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations with respect to taxable years beginning before January 1, 2018 and in taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

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

**New Issue**

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

## INDEPENDENT SCHOOL DISTRICT NO. 110 (WACONIA PUBLIC SCHOOLS), MINNESOTA (Carver and Hennepin Counties)

(Minnesota School District Credit Enhancement Program)

### **\$7,210,000\* GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS, SERIES 2018A**

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

**CONSIDERATION:** October 22, 2018, 7:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$7,210,000\* General Obligation School Building Refunding Bonds, Series 2018A (the "Bonds") are authorized pursuant to Minnesota Statutes, Chapter 475, and Section 475.67, by Independent School District No. 110 (Waconia Public Schools), Minnesota (the "District"), for the purpose of effecting a current refunding of certain outstanding general obligations of the District as more fully described herein. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

**DATE OF BONDS:** November 15, 2018

**MATURITY:** February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$1,985,000	2021	\$2,065,000
2020	1,940,000	2022	1,220,000

**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:** February 1, 2019 and semiannually thereafter.

**OPTIONAL**

**REDEMPTION:** The Bonds are being offered without option of prior redemption.

**MINIMUM PROPOSAL:** \$7,080,220

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$144,200 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** Bond Trust Services Corporation

**BOND COUNSEL:** Dorsey & Whitney LLP

**MUNICIPAL ADVISOR:** Ehlers and Associates, Inc.

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

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



## REPRESENTATIONS

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

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

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

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

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

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

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

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

## CLOSING CERTIFICATES

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

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## **WACONIA PUBLIC SCHOOLS SCHOOL BOARD**

		<u>Term Expires</u>
Brian Rothstein	Chairperson	January 2019
Tabitha Laumann	Vice Chair	January 2021
John Weinand	Member	January 2019
Cathy Thom	Member	January 2021
Mike Bullis	Member	January 2019
Dana Geller	Member	January 2021
Keith Griffin	Member	January 2019

## **ADMINISTRATION**

Patrick Devine, Superintendent of Schools  
Todd Swanson, Director of Finance and Operations

## **PROFESSIONAL SERVICES**

Dorsey & Whitney LLP, District Attorney and Bond Counsel, Minneapolis, Minnesota

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

## INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 110 (Waconia Public Schools), Minnesota (the "District") and the issuance of its \$7,210,000\* General Obligation School Building Refunding Bonds, Series 2018A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the sale of the Bonds ("Award Resolution") to be adopted by the Board of Education on October 22, 2018.

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

## THE BONDS

### GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of November 15, 2018. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2019, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

### OPTIONAL REDEMPTION

The Bonds are being offered without option of prior redemption.

\*Preliminary, subject to change.

**AUTHORITY; PURPOSE**

The Bonds are authorized pursuant to Minnesota Statutes, Chapter 475, and Section 475.67, by District, for the purpose of effecting a current refunding of the District’s \$19,370,000 General Obligation School Building Refunding Bonds, Series 2009A (the "Series 2009A Bonds") as follows:

<b>Issue Being Refunded</b>	<b>Date of Refunded Issue</b>	<b>Call Date</b>	<b>Call Price</b>	<b>Maturities Being Refunded</b>	<b>Interest Rates</b>	<b>Principal to be Refunded</b>	<b>CUSIP Base 930047</b>
Series 2009A Bonds	2/19/09	12/1/18	Par	2019 2022 (Term)	3.50% 4.125%	\$1,900,000 <u>5,340,000</u>	KF1 KJ3
Total Series 2009A Bonds Being Refunded						<u>\$7,240,000</u>	

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.

**ESTIMATED SOURCES AND USES\***

**Sources**

Par Amount of Bonds	\$7,210,000	
Reoffering Premium	<u>220,658</u>	
<b>Total Sources</b>		<b>\$7,430,658</b>

**Uses**

Total Underwriter's Discount (0.500%)	\$36,050	
Costs of Issuance	56,000	
Deposit to Current Refunding Fund	7,335,592	
Rounding Amount	<u>3,016</u>	
<b>Total Uses</b>		<b>\$7,430,658</b>

\*Preliminary, subject to change

**SECURITY**

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

## **RATING**

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

The District currently has a "Aa3" underlying rating from Moody's and will be requesting an underlying rating on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgement of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

## **STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS**

By resolution adopted for this issue on September 24, 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 obligation by not filing the following in the last five years as required by the Rule. Except to the extent that the following are deemed to be material, the District believes it has not failed to comply in all material respects with its prior undertakings under the Rule. In the interest of full disclosure, the District notes the following: Prior continuing disclosure undertakings entered into by the District included language stating that an Annual Report including the District's audited financial statements and operating data would be filed "as soon as available." Although the District did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. The District has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

<b>Disclosure Deficiency Description</b>	<b>Due Date/Date of Event</b>	<b>Date Filed</b>
Late Filing of the Fiscal Year End June 30, 2016 Operating Data and CAFR for the Certificates of Participation, Series 2017A (CUSIP 930051)	June 30, 2017	July 14, 2017

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

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

## **LEGAL OPINION**

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

## **TAX CONSIDERATIONS**

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

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

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

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

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

### ***Tax Exempt Interest***

In the opinion of Dorsey & Whitney, LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes (ii) is not an item of tax preference for federal alternative minimum tax purposes; (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for federal or Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations with respect to taxable years beginning before January 1, 2018 and in taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

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

### ***Original Issue Discount***

Bonds may be issued at a discount from their principal amount (any such Bonds being "Discount Bonds"). The excess of the principal amount of Bonds of a given maturity over their "issue price" (*i.e.*, the first price at which a substantial amount of the Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) constitutes "original issue discount" ("OID"). OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder's federal and Minnesota tax bases. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

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

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

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

### ***Market Discount***

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

### ***Bond Premium***

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

### ***Related Tax Considerations***

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

Section 265(a) of the Code denies a deductible for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a reduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, no deduction is allowed under Section 265(b) of the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Bonds is not subject to the disallowance under Section 265(b) of the Code, the deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds may be subject to reduction under Section 291 of the Code.

The Bonds are "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Bonds is not subject to the disallowance under Section 265(b) of the Code, the deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds may be subject to reduction under Section 291 of the Code.

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

### ***Sale or Other Disposition***

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

### ***Information Reporting and Backup Withholding***

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

## **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 CliftonLarsonAllen LLP, Austin, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

## **RISK FACTORS**

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

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

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

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

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

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

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

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

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

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

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

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

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

# VALUATIONS

## OVERVIEW

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

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

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

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

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

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

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

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

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



## CURRENT PROPERTY VALUATIONS

2017/18 Economic Market Value \$2,840,326,047<sup>1</sup>

### 2017/18 Assessor's Estimated Market Value

	<b>Carver County</b>	<b>Hennepin County</b>	<b>Total</b>
Real Estate	\$ 2,205,501,100	\$ 465,421,100	\$ 2,670,922,200
Personal Property	<u>25,876,800</u>	<u>5,346,400</u>	<u>31,223,200</u>
Total Valuation	<u>\$ 2,231,377,900</u>	<u>\$ 470,767,500</u>	<u>\$ 2,702,145,400</u>

### 2017/18 Net Tax Capacity

	<b>Carver County</b>	<b>Hennepin County</b>	<b>Total</b>
Real Estate	\$ 22,287,128	\$ 4,733,257	\$ 27,020,385
Personal Property	<u>513,734</u>	<u>104,678</u>	<u>618,412</u>
Net Tax Capacity	\$ 22,800,862	\$ 4,837,935	\$ 27,638,797
Less: Captured Tax Increment Tax Capacity <sup>2</sup>	(279,894)	0	(279,894)
Fiscal Disparities Contribution <sup>3</sup>	<u>(1,605,720)</u>	<u>(219,251)</u>	<u>(1,824,971)</u>
Taxable Net Tax Capacity	\$ 20,915,248	\$ 4,618,684	\$ 25,533,932
Plus: Fiscal Disparities Distribution <sup>3</sup>	<u>2,003,252</u>	<u>433,969</u>	<u>2,437,221</u>
Adjusted Taxable Net Tax Capacity	<u>\$ 22,918,500</u>	<u>\$ 5,052,653</u>	<u>\$ 27,971,153</u>

<sup>1</sup> According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for Independent School District No. 110 (Waconia Public Schools) is about 95.13% of the actual selling prices of property most recently sold in the District. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the District of \$2,840,326,047.

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

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

## 2017/18 NET TAX CAPACITY BY CLASSIFICATION

	<b>2017/18 Net Tax Capacity</b>	<b>Percent of Total Net Tax Capacity</b>
Residential homestead	\$17,832,364	64.52%
Agricultural	2,227,680	8.06%
Commercial/industrial	4,001,661	14.48%
Public utility	432,673	1.57%
Railroad operating property	978	0.00%
Non-homestead residential	2,395,212	8.67%
Commercial & residential seasonal/rec.	129,817	0.47%
Personal property	618,412	2.24%
Total	<u>\$27,638,797</u>	<u>100.00%</u>

## TREND OF VALUATIONS

<b>Levy Year</b>	<b>Assessor's Estimated Market Value</b>	<b>Assessor's Taxable Market Value</b>	<b>Net Tax Capacity<sup>1</sup></b>	<b>Adjusted Taxable Net Tax Capacity<sup>2</sup></b>	<b>Percent +/- in Estimated Market Value</b>
2013/14	\$2,081,459,900	\$1,945,862,845	\$20,860,645	\$21,020,277	+ 5.17%
2014/15	2,313,795,900	2,189,414,265	23,270,307	23,448,278	+11.16%
2015/16	2,457,488,300	2,334,601,300	24,807,523	24,945,567	+ 6.21%
2016/17	2,541,075,500	2,414,532,860	25,810,152	26,111,298	+ 3.40%
2017/18	2,702,145,400	2,577,070,811	27,638,797	27,971,153	+ 6.34%

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

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

## LARGER TAXPAYERS AND TAXPAYING PARCELS<sup>1</sup>

Taxpayer	Type of Property	2017/18 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Ridgeview Real Estate, LLC	Commercial	\$ 365,020	1.32%
Xcel Energy	Utility	321,890	1.16%
Great River Energy	Utility	299,740	1.08%
Ilex Group, Inc.	Commercial	270,176	0.98%
Centerpoint Energy Minnegasco	Utility	243,574	0.88%
Elkay Wood Products Company	Commercial	169,708	0.61%
Target Corporation	Commercial	158,084	0.57%
Northern Natural Gas, Co.	Utility	127,886	0.46%
Lakeview Clinic Building, Corp.	Commercial	126,886	0.46%
Health Care Reit, Inc.	Residential	91,848	0.33%
Total		<u>\$2,174,812</u>	<u>7.87%</u>

District's Total 2017/18 Net Tax Capacity      \$27,638,797

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

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

# DEBT

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

### General Obligation Debt (see schedule following)

Total g.o. debt being paid from taxes and state aids<sup>2</sup> (includes the Bonds)\* \$123,645,000

### Lease Purchase Obligations (see schedule following)<sup>3</sup>

Total lease purchase obligations paid by annual appropriations<sup>4</sup> \$ 3,160,000

\*Preliminary, subject to change.

## STATE AID FOR DEBT SERVICE

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

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

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

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

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 110 (WACONIA PUBLIC SCHOOLS), MINNESOTA**  
 Schedule of Bonded Indebtedness  
 General Obligation Debt Being Paid From Taxes  
 (As of 11/15/18)

Fiscal Year Ending	OPEB Series 2008A		Capital Facilities Series 2013A		Refunding 1) Series 2015A		Building Series 2015B		Building Refunding 2) Series 2015C		Facilities Maintenance Series 2016A	
	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity
2019	330,000	9,900	125,000	7,988	510,000	400,575	0	1,240,803	500,000	91,363	0	51,250
2020			125,000	13,475	1,125,000	780,750	0	2,481,606	505,000	167,725	445,000	102,500
2021			130,000	10,975	1,225,000	747,000	0	2,481,606	510,000	152,575	560,000	93,600
2022			135,000	8,375	1,970,000	685,750	0	2,481,606	775,000	137,275	780,000	82,400
2023			135,000	5,675	3,150,000	587,250	0	2,481,606	1,155,000	106,275	685,000	66,800
2024			140,000	2,975	3,305,000	429,750	0	2,481,606	1,185,000	77,400	680,000	53,100
2025					3,470,000	264,500	0	2,481,606	1,200,000	30,000	845,000	39,500
2026					2,275,000	91,000	2,030,000	2,481,606			520,000	22,600
2027							4,635,000	2,420,706			310,000	12,200
2028							4,770,000	2,281,656			300,000	6,000
2029							4,915,000	2,138,556				
2030							5,060,000	1,991,106				
2031							5,215,000	1,839,306				
2032							5,370,000	1,682,856				
2033							5,530,000	1,521,756				
2034							5,695,000	1,355,856				
2035							5,925,000	1,128,056				
2036							6,110,000	942,900				
2037							6,300,000	751,963				
2038							6,615,000	436,963				
2039	330,000	9,900	790,000	49,463	17,030,000	3,986,575	75,000,000	37,325,703	5,830,000	762,613	5,125,000	529,950

1) This issue refunded the 2016 through 2025 maturities of the District's \$24,000,000 General Obligation School Building Bonds, Series 2005A dated July 1, 2005.  
 2) This issue refunded the 2017 through 2025 maturities of the District's \$9,275,000 General Obligation School Building Refunding Bonds, Series 2006A, dated April 26, 2006.

Continued on the next page...

**INDEPENDENT SCHOOL DISTRICT NO. 110 (WACONIA PUBLIC SCHOOLS), MINNESOTA**  
 Schedule of Bonded Indebtedness  
 General Obligation Debt Being Paid From Taxes continued  
 (As of 11/15/18)

Fiscal Year Ending	Tax Abatement Series 2017B		Facilities Maintenance Series 2017C		Building Refunding 3) Series 2018A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Principal	Interest	Principal	Interest						
2019			245,000	61,650	310,000	111,700	1,985,000	2,036,113	6,041,113	119,640,000	3.24%	2019
2020			295,000	118,400	405,000	214,100	1,940,000	4,087,556	8,927,556	114,800,000	7.15%	2020
2021			305,000	112,500	420,000	201,950	2,065,000	3,931,606	9,146,606	109,585,000	11.37%	2021
2022			310,000	106,400	425,000	193,550	1,220,000	3,744,156	9,359,156	103,970,000	15.91%	2022
2023			315,000	100,200	440,000	180,800		3,528,606	9,408,606	98,090,000	20.67%	2023
2024			320,000	93,900	460,000	163,200		3,301,931	9,391,931	92,000,000	25.69%	2024
2025			325,000	87,500	470,000	149,400		3,052,506	9,362,506	85,690,000	30.70%	2025
2026			335,000	81,000	490,000	130,600		2,806,806	8,456,806	80,040,000	35.27%	2026
2027			340,000	74,300	510,000	111,000		2,618,206	8,413,206	74,245,000	39.95%	2027
2028			345,000	67,500	520,000	100,800		2,455,956	8,390,956	68,310,000	44.75%	2028
2029			360,000	57,150	535,000	85,200		2,280,906	8,090,906	62,500,000	49.45%	2029
2030			370,000	46,350	550,000	69,150		2,106,606	8,086,606	56,520,000	54.29%	2030
2031			380,000	35,250	570,000	52,650		1,927,206	8,092,206	50,355,000	59.27%	2031
2032			390,000	23,850	585,000	35,550		1,742,256	8,087,256	44,010,000	64.41%	2032
2033			405,000	12,150	600,000	18,000		1,551,906	8,086,906	37,475,000	69.69%	2033
2034								1,355,856	7,050,856	31,780,000	74.30%	2034
2035								1,128,056	7,053,056	25,855,000	79.09%	2035
2036								942,900	7,052,900	19,745,000	84.03%	2036
2037								751,963	7,051,963	13,445,000	89.13%	2037
2038								436,963	7,051,963	6,830,000	94.48%	2038
2039								221,975	7,051,975	0	100.00%	2039
			5,040,000	1,078,100	7,290,000	1,817,650	7,210,000	46,010,038	169,655,038			

\*Preliminary, subject to change.

3) This issue is refunding the 2019 through 2022 maturities of the District's \$19,370,000 General Obligation School Building Refunding Bonds, Series 2009A, dated February 19, 2009. Therefore, the refunded issue has not been included above and has not been included in the calculation of debt ratios.

**INDEPENDENT SCHOOL DISTRICT NO. 110 (WACONIA PUBLIC SCHOOLS), MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**Certificates of Participation**  
**(As of 11/15/18)**

**Cert of Part**  
**Series 2017A**

Dated Amount	06/29/2017 \$3,160,000	Maturity		2/01									
Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending					
2019	120,000	57,031	120,000	57,031	177,031	3,040,000	3.80%	2019					
2020	125,000	110,463	125,000	110,463	235,463	2,915,000	7.75%	2020					
2021	130,000	106,713	130,000	106,713	236,713	2,785,000	11.87%	2021					
2022	135,000	102,813	135,000	102,813	237,813	2,650,000	16.14%	2022					
2023	140,000	98,763	140,000	98,763	238,763	2,510,000	20.57%	2023					
2024	140,000	94,563	140,000	94,563	234,563	2,370,000	25.00%	2024					
2025	145,000	88,963	145,000	88,963	233,963	2,225,000	29.59%	2025					
2026	155,000	83,163	155,000	83,163	238,163	2,070,000	34.49%	2026					
2027	160,000	76,963	160,000	76,963	236,963	1,910,000	39.56%	2027					
2028	165,000	71,763	165,000	71,763	236,763	1,745,000	44.78%	2028					
2029	170,000	66,400	170,000	66,400	236,400	1,575,000	50.16%	2029					
2030	175,000	61,300	175,000	61,300	236,300	1,400,000	55.70%	2030					
2031	180,000	56,050	180,000	56,050	236,050	1,220,000	61.39%	2031					
2032	185,000	50,650	185,000	50,650	235,650	1,035,000	67.25%	2032					
2033	190,000	44,730	190,000	44,730	234,730	845,000	73.26%	2033					
2034	200,000	38,650	200,000	38,650	238,650	645,000	79.59%	2034					
2035	205,000	32,250	205,000	32,250	237,250	440,000	86.08%	2035					
2036	215,000	22,000	215,000	22,000	237,000	225,000	92.88%	2036					
2037	225,000	11,250	225,000	11,250	236,250	0	100.00%	2037					
	3,160,000	1,274,474	3,160,000	1,274,474	4,434,474								

## BONDED DEBT LIMIT

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

2017/18 Economic Market Value	\$2,840,326,047
Multiply by 15%	<u>0.15</u>
Statutory Debt Limit	\$ 426,048,907
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes <sup>1</sup> (includes the Bonds)*	(123,315,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	<u>(3,160,000)</u>
Unused Debt Limit*	<u><u>\$ 302,733,907</u></u>

\*Preliminary, subject to change.

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<sup>1</sup> Does not include the \$2,695,000 General Obligation Taxable OPEB Bonds, Series 2008A, as they are not subject to the debt limit calculation.



## OVERLAPPING DEBT<sup>1</sup>

Taxing District	2017/18 Adjusted Taxable Net Tax Capacity	% In District	Total G.O. Debt <sup>2</sup>	District's Proportionate Share
Carver County	\$ 142,864,272	16.0421%	\$ 30,602,000	\$ 4,909,203
Hennepin County	1,838,226,093	0.2749%	1,025,550,000 <sup>3</sup>	2,819,237
City of Minnetrista	17,364,791	14.8556%	14,962,000	2,222,695
City of New Germany	372,227	100.0000%	1,815,000	1,815,000
City of Saint Bonifacius	2,473,001	100.0000%	2,090,000	2,090,000
City of Victoria	14,880,642	7.0897%	19,960,000	1,415,104
City of Waconia	14,888,812	100.0000%	25,385,000	25,385,000
Three Rivers Park District	1,304,690,419	0.3873%	53,355,000	206,644
Metropolitan Council	3,971,779,581	0.5770%	147,660,000 <sup>4</sup>	851,998
District's Share of Total Overlapping Debt				<u>\$41,714,881</u>

## DEBT PAYMENT HISTORY

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

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- <sup>1</sup> Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. It does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.
- <sup>2</sup> Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.
- <sup>3</sup> Hennepin County also has General Obligation Solid Waste Revenue Bonds outstanding which are payable entirely from the County's solid waste enterprise fund; General Obligation Bonds (Century Plaza Debt) which are expected to be paid from building rental fees from County departments and non-County tenants; and General Obligation Ice Arena Revenue Bonds which are expected to be paid from building rental payments from Augsburg College. These issues have not been included in the overlapping debt or debt ratios.
- <sup>4</sup> 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

	<b>G.O. Debt</b>	<b>Debt/Economic Market Value (\$2,840,326,047)</b>	<b>Debt/ Current Population Estimate (21,007)</b>
Direct G.O. Debt Being Paid From Taxes (includes the Bonds)*	\$123,645,000	4.35%	\$5,885.90
District's Share of Total Overlapping Debt	<u>\$ 41,714,881</u>	<u>1.47%</u>	<u>\$1,985.76</u>
Total*	<u>\$165,359,881</u>	<u>5.82%</u>	<u>\$7,871.66</u>

\*Preliminary, subject to change.

## FUTURE FINANCING

The District plans to issue a lease purchase for property of approximately \$750,000 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 <sup>1</sup>	Total Collected Following Year	Collected to Date <sup>2</sup>	% Collected
2013/14	\$10,333,174	\$10,269,635	\$10,330,793	99.98%
2014/15	10,932,995	10,865,058	10,925,513	99.93%
2015/16	11,170,607	11,078,272	11,159,264	99.90%
2016/17	11,144,863	11,111,362	11,125,709	99.83%
2017/18	12,178,867	In process of collection		

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

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

<sup>2</sup> Collections are through May 20, 2018 for Carver County and June 1, 2018 for Hennepin County.

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

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

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
I.S.D. No. 110 (Waconia Public Schools)	36.307%	35.253%	33.232%	31.235%	33.492%
Carver County	45.211%	40.488%	38.880%	38.851%	37.436%
Hennepin County	49.959%	46.398%	45.356%	44.087%	42.808%
City of Waconia	49.423%	48.780%	49.267%	52.805%	52.836%
City of Minnetrista	29.761%	28.448%	28.792%	26.590%	25.742%
City of St. Bonifacius	30.637%	30.478%	28.973%	27.163%	26.784%
Town of Benton <sup>2</sup>	12.786%	12.621%	12.279%	11.419%	13.191%
Metropolitan Mosquito	0.563%	0.507%	0.483%	0.475%	0.456%
Metropolitan Council	1.069%	0.976%	0.925%	0.883%	0.844%
Three Rivers Park District	4.169%	3.789%	3.601%	3.365%	3.161%
Park Museum	0.766%	0.702%	0.712%	0.711%	0.710%
HCRRA	1.777%	1.817%	1.879%	1.925%	1.962%
Hennepin HRA	0.514%	0.471%	0.439%	0.497%	0.457%

*Referendum Market Value Rates:*

I.S.D. No. 110 (Waconia Public Schools)	0.13713%	0.12368%	0.12539%	0.12564%	0.11856%
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**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by Carver and Hennepin Counties.

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

<sup>2</sup> Representative town rate.

## THE ISSUER

### EMPLOYEES

The District is governed by an elected school board and employs a staff of 504, including 185 non-licensed employees and 309 licensed employees (289 of whom are teachers). The District provides education for 4,105 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

<b>Bargaining Unit</b>	<b>Expiration Date of Current Contract</b>
Waconia Education Association	June 30, 2019
Waconia Custodial Local 284	June 30, 2019
Waconia Principals Association	June 30, 2019
Education Minnesota District #110 Educational Support Professionals	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 \$4,538,303 as of July 1, 2015. The had been funding these obligations on a pay-as-you-go basis, but in December of 2008, the District issued \$2,695,000 in General Obligation Taxable OPEB Bonds to fund an irrevocable trust. As of June 30, 2017, the net position of the trust was \$2,440,886. Future OPEB costs will be paid partially from the trust and partially from operating funds.

## STUDENT BODY

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

<b>Year</b>	<b>Kindergarten</b>	<b>Grades 1-6</b>	<b>Grades 7-12</b>	<b>Total</b>
2014/15	264	1,712	1,782	3,758
2015/16	288	1,739	1,832	3,859
2016/17	271	1,801	1,811	3,883
2017/18	305	1,807	1,927	4,039
2018/19	290	1,850	1,965	4,105

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

<b>Year</b>	<b>Kindergarten</b>	<b>Grades 1-6</b>	<b>Grades 7-12</b>	<b>Total</b>
2019/20	290	1,845	1,985	4,120
2020/21	285	1,845	2,015	4,145
2021/22	290	1,875	2,020	4,185

## SCHOOL BUILDINGS

<b>School Building</b>	<b>Year Constructed</b>	<b>Years of Additions/ Remodelings</b>
Bayview Elementary	1918	1936, 1955, 1969, 2007
Southview Elementary	1961	1969, 2007
Middle School	1994	2007, 2017
Waconia High School	2001	2007, 2017
Laketown Elementary	2015	--

**FUNDS ON HAND** (as of June 30, 2018)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$ 2,463,894
Food Service	888,018
Community Service	903,195
Debt Service	5,365,011
Building/Construction	2,983,583
Trust & Agency	106,767
Internal Service	350,968
OPEB Irrevocable Trust Fund	2,440,886
OPEB Debt Service Fund	211,757
<b>Total Funds on Hand</b>	<b><u><u>\$15,714,079</u></u></b>

**LITIGATION**

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

**MUNICIPAL BANKRUPTCY**

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

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

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

## SUMMARY GENERAL FUND INFORMATION

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

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				
	2015 Audited	2016 Audited	2017 Audited	2018 Unaudited <sup>1</sup>	2018-19 Adopted Budget <sup>2</sup>
<b>Revenues</b>					
Local property taxes	\$ 4,130,466	\$ 3,901,221	\$ 3,958,907	\$ 5,034,061	\$ 5,681,898
Other local and county revenues	927,156	1,048,546	1,060,957	0	0
Revenues from state sources	30,486,941	32,373,993	34,032,404	36,055,547	37,106,886
Revenues from federal sources	477,307	906,961	897,292	872,259	861,259
Sales and other conversion of assets	11,768	25,927	36,832	15,000	15,000
<b>Total Revenues</b>	<b>\$ 36,033,638</b>	<b>\$ 38,256,648</b>	<b>\$ 39,986,392</b>	<b>\$ 41,976,867</b>	<b>\$ 43,665,043</b>
<b>Expenditures</b>					
Current					
Administration	\$ 1,130,873	\$ 1,197,254	\$ 1,239,950	\$ 1,320,919	\$ 1,355,122
District support services	1,426,491	1,556,443	1,770,509	1,813,293	1,842,368
Elementary & secondary regular instruction	17,431,103	18,652,690	19,844,921	20,527,204	21,109,875
Vocational education instruction	350,479	407,835	562,394	650,524	657,131
Special education instruction	5,726,449	6,639,325	7,633,556	8,474,184	8,682,232
Instructional support services	2,346,130	2,494,787	2,715,986	3,114,110	3,256,893
Pupil support services	3,050,469	3,223,789	3,488,037	3,491,785	3,521,365
Sites and buildings	3,143,645	3,290,769	3,794,790	3,926,781	4,641,318
Fiscal and other fixed cost programs	93,455	89,127	94,107	210,000	215,250
Capital Outlay	708,473	1,218,710	770,994	0	0
Debt Service	624,945	163,493	147,132	0	0
<b>Total Expenditures</b>	<b>\$ 36,032,512</b>	<b>\$ 38,934,222</b>	<b>\$ 42,062,376</b>	<b>\$ 43,528,800</b>	<b>\$ 45,281,554</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ 1,126</b>	<b>\$ (677,574)</b>	<b>\$ (2,075,984)</b>	<b>\$ (1,551,933)</b>	<b>\$ (1,616,511)</b>
<b>Other Financing Sources (Uses)</b>					
Sales of Capital Assets	\$ 2,339	\$ 2,800	\$ 2,150	\$ 0	
Issuance of Capital Lease	0	0	399,154	0	
Operating transfers in	22,316	0	0	0	
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 24,655</b>	<b>\$ 2,800</b>	<b>\$ 401,304</b>	<b>\$ 0</b>	
<b>Net Change in Fund Balances</b>	<b>\$ 25,781</b>	<b>\$ (674,774)</b>	<b>(\$1,674,680)</b>	<b>(\$1,551,933)</b>	
General Fund Balance July 1	6,867,134	6,892,915	6,218,141	4,543,461	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance June 30	\$ 6,892,915	\$ 6,218,141	\$ 4,543,461	\$ 2,991,528	
<b>DETAILS OF JUNE 30 FUND BALANCE</b>					
Nonspendable	\$ 29,399	\$ 21,030	\$ 92,523	\$ 25,000	
Restricted	2,553,214	2,374,590	2,167,880	1,594,005	
Assigned	626,930	453,109	250,000	150,000	
Unassigned	3,683,372	3,369,412	2,033,058	1,222,523	
<b>Total</b>	<b>\$ 6,892,915</b>	<b>\$ 6,218,141</b>	<b>\$ 4,543,461</b>	<b>\$ 2,991,528</b>	

**NOTE:** The district is holding a referendum on November 6, 2018, seeking approval to increase its operating referendum revenue by \$525 per pupil. If approved, this would increase general fund revenue by approximately \$2.2 million per year, beginning with fiscal year 2019-20. If the referendum is not approved, the district is committed to making other budget adjustments required to restore a balanced budget.

<sup>1</sup> Unaudited data is as of June 25, 2018.

<sup>2</sup> The 2018-19 budget was adopted on June 25, 2018.



## GENERAL INFORMATION

### LOCATION

The District, with a 2010 U.S. Census population of 19,303, and a current population estimate of 21,007, and comprising an area of 95 square miles, is located approximately 40 miles southwest of the Minneapolis-St. Paul metropolitan area.

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

Larger employers in the City of Waconia include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
Ridgeview Medical Center	Hospital and home health care services	1,500
I.S.D. No. 110 (Waconia Public Schools)	Elementary and secondary education	504
Medallion Cabinetry Inc.	Wood cabinets and doors manufacturing	500 <sup>2</sup>
Good Samaritan Society Waconia and Westview Acres	Nursing home	300
Crown College	Secondary education	214
Mackenthun's Fine Foods	Retail grocery store	200
Physicians Service Network	Physicians and surgeons	200
Target	Retail	150
Lakeview Clinic	Medical care services	120
UFC Farm Supply	General merchandise- supplies and feed	120
Milltronics USA Inc	Machine Tools- Manufacturers	100

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

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

<sup>2</sup> Elkay Manufacturing, Inc. listed in the Larger Taxpayers on page 14 is the parent company of Medallion Cabinetry Inc.

## U.S. CENSUS DATA

**Population Trend:** Independent School District No. 110 (Waconia Public Schools), Minnesota

2000 U.S. Census population	13,839
2010 U.S. Census population	19,303
2016 Population Estimate	21,007
Percent of Change 2000 - 2010	+ 39.48%

### Income and Age Statistics

	<b>Waconia Public School District</b>	<b>Carver County</b>	<b>State of Minnesota</b>	<b>United States</b>
2016 per capita income	\$38,244	\$41,759	\$33,225	\$29,829
2016 median household income	\$89,980	\$88,638	\$63,217	\$55,322
2016 median family income	\$106,797	\$105,464	\$79,595	\$67,871
2016 median gross rent	\$882	\$976	\$873	\$928
2016 median value owner occupied units	\$269,400	\$277,600	\$191,500	\$184,700
2016 median age	35.8 yrs.	37.1 yrs.	37.8 yrs.	37.7 yrs.

	<b>State of Minnesota</b>	<b>United States</b>
District % of 2016 per capita income	115.11%	128.21%
District % of 2016 median family income	134.18%	157.35%

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

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Carver County	Carver County	Carver County	State of Minnesota
2014	52,490	3.6%	3.6%	4.2%
2015	53,356	3.2%	3.2%	3.7%
2016	53,533	3.3%	3.3%	3.9%
2017	54,739	3.1%	3.1%	3.5%
2018, August	56,784	2.2%	2.2%	2.5%

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

**FINANCIAL STATEMENTS**

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

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2017**



**WACONIA PUBLIC SCHOOLS**

**Independent School District #110**

**512 Industrial Boulevard**

**Waconia, MN 55387**

**Prepared by**

**Business Office Staff**



CliftonLarsonAllen

CliftonLarsonAllen LLP  
CLAconnect.com

## INDEPENDENT AUDITORS' REPORT

Board of Education  
Independent School District No. 110  
Waconia Public Schools  
Waconia, 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. 110 (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.

### **Auditors' 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 auditors' 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.

**Opinions**

In our opinion, the financial statements referred to above 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 and respective budgetary comparisons for General Fund, Food Service Fund, and Community Service Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

During fiscal year ended June 30, 2017, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of these standards, the District reported a restatement for the change in accounting principle (see Note 13). The District also reported a prior period restatement related to retainage payable (see Note 13). Our auditors' opinion was not modified with respect to the restatement.

**Other Matters**

*Report on Summarized Comparative Information*

We have previously audited the District's 2016 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and we expressed unmodified audit opinions on those audited financial statements in our report dated December 7, 2016. In our opinion, the summarized 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.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Changes in the District's Net OPEB Liability and Related Ratios, the Schedule of Money Weighted Rate of Return on Plan Assets, the Schedule of District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary 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, individual fund financial statements, the Uniform Financial Accounting and Reporting Standards Compliance Table, and the statistical section as listed in the table of contents, are presented for purposes of additional analysis and are not required part of the basic financial statements.

**Other Matters (Continued)**

*Supplementary Information (Continued)*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
December 12, 2017

WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017

This section of Waconia Schools – Independent School District 110's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follows this section.

**FINANCIAL HIGHLIGHTS**

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

- Total General Fund revenues were \$39,986,392 as compared to \$42,062,376 of expenditures.
- Beginning net position was restated by (\$2,653,498) to account for a change in accounting principle (see Note 13).
- Beginning net position was also restated by (\$1,111,887) due to understating contracts payable and expenditures in the prior year (see Note 13).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

**Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, deferred inflows of resources and liabilities. 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.

WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)  
Government-Wide Statements (Continued)**

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

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

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

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

**Fund Financial Statements**

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

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

The District has three kinds of funds:

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

- o The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities. The District currently has one Internal Service Fund for self-insurance of dental benefits.



**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

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

**Net Position**

The District's combined net position was \$(20,116,038) on June 30, 2017. This was a decrease of 643.6% from the prior year (see Table A-1). Deferred outflows of resources increased by approximately \$51,600,000, net pension liability increased by approximately \$64,400,000, deferred inflows of resources decreased by \$1,800,000 all related to the change in the estimate of the net pension liability. OPEB liability also increased by approximately \$4,200,000 due to the implementation of a new accounting standard.

**Table A-1  
The District's Net Position**

	Governmental Activities 2017	2016	Percentage Change
Current and Other Assets	\$ 39,541,181	\$ 70,550,734	(44.0)%
Capital Assets	122,822,988	87,497,892	40.4
<b>Total Assets</b>	<b>162,364,169</b>	<b>158,048,626</b>	2.7
Deferred Outflows of Resources	57,197,742	5,599,424	921.5
Current Liabilities	15,342,122	10,212,432	50.2
Long-Term Liabilities	212,182,096	142,273,813	49.1
<b>Total Liabilities</b>	<b>227,524,218</b>	<b>152,486,245</b>	49.2
Deferred Inflows of Resources	12,153,731	13,866,905	(12.4)
<b>Net Position:</b>			
Net Investment in Capital Assets	5,807,583	11,479,331	(49.4)
Restricted	9,227,653	4,285,034	115.3
Unrestricted	(35,151,274)	(18,469,465)	90.3
<b>Total Net Position</b>	<b>\$ (20,116,038)</b>	<b>\$ (2,705,100)</b>	643.6

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

**Changes in Net Position**

The District's total revenues were \$53,727,383 for the year ended June 30, 2017. Property taxes and state formula aid accounted for 74% of total revenue for the year (see Figure A-1). Another 16% came from operating and capital grants. The remainder came from charges for services, other general revenues combined with investment earnings, and program revenues.

**Table A-2  
Change in Net Position**

	2017	2016	Total % Change
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services	\$ 4,683,772	\$ 4,353,538	7.1 %
Operating Grants and Contributions	8,208,183	7,922,878	3.6
Capital Grants and Contributions	589,518	577,212	2.1
<b>General Revenues</b>			
Property Taxes	11,177,352	10,896,793	1.6
Unrestricted State Aid	28,649,861	26,062,381	9.9
Investment Earnings	304,783	263,181	15.8
Other	133,914	190,323	(29.6)
<b>Total Revenues</b>	<b>53,727,383</b>	<b>50,366,306</b>	6.7
<b>Expenses</b>			
Administration	1,852,247	1,350,014	37.2
District Support Services	1,756,135	1,860,958	5.9
Regular Instruction	32,057,865	21,900,480	46.4
Vocational Education Instruction	735,232	417,813	76.0
Special Education Instruction	9,590,186	6,795,348	41.1
Instructional Support Services	4,233,473	3,712,399	14.0
Pupil Support Services	3,848,279	3,263,934	17.9
Sites and Buildings	3,941,604	2,620,701	56.4
Food Service	84,107	89,127	5.6
Community Service	2,436,628	1,973,210	23.5
Interest and Fiscal Charges on Long-Term Liabilities	3,144,737	2,726,005	15.4
<b>Total Expenses</b>	<b>67,372,936</b>	<b>50,456,099</b>	(9.0)
<b>Change in Net Position</b>	<b>(13,645,553)</b>	<b>(89,793)</b>	(2,615,307)
Beginning Net Position	(2,705,100)	-	-
Change in Accounting Principle and Prior Period Restatement	(3,765,385)	-	-
Beginning Net Position, as Restated	(6,470,485)	-	-
<b>Ending Net Position</b>	<b>\$ (20,116,038)</b>	<b>\$ (2,705,100)</b>	643.6

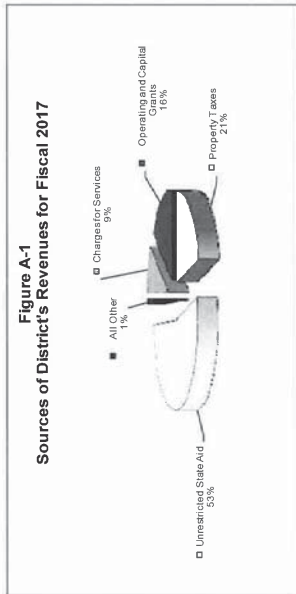
The total cost of all programs and services including interest and fiscal charges was \$67,372,936. Total expenses exceeded revenues by \$13,645,553. The large increase in expenses is due to the increase in net pension liability and related pension expense and an increase in personnel costs.

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

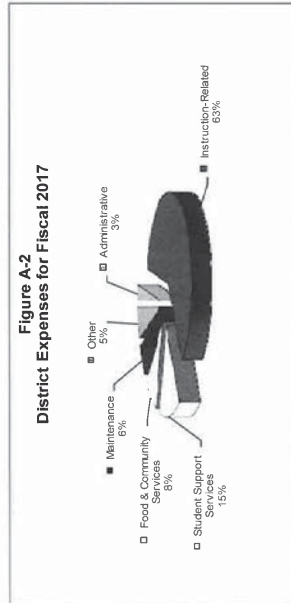
The total revenue for all governmental activities this year was \$63,727,383 as depicted in Figure A-1 below.

- Some of the revenue was paid by the users of the District's programs of 9%.
- The federal and state governments subsidized certain programs with grants and contributions of 16%.
- The remainder of the District's revenue came from the District taxpayers, 21%, and the taxpayers of our state, 53%, through unrestricted state aids.



The total cost of all programs and services were \$67,372,936 as depicted in Figure A-2 below.

- Instruction Related Costs incur 63% of expenses.
- Student Support Services incur another 15% of expenses.
- Food Service and Community Services incur 8% of expenses.
- Maintenance costs incur 6% of expenses.
- Administrative costs account for 3% of expenses.
- The remaining 5% is other expenses.



**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

Typically, the District does not include in an analysis of all governmental funds a breakout of expenses as depicted in Figure A-2. To do so distorts the latitude available to the District to allocate resources to instruction. All governmental funds include not only funds received for the general operation of the district, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The above graph, by pooling all expenses, implies that the District does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option.

The total cost of governmental activities, as well as the net cost of these activities, is represented in Table A-3. The net cost represents total cost less program revenues applicable to each category.

**Table A-3  
Program Expenses and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2017	2016		2017	2016	
Administration	\$ 1,852,247	\$ 1,350,014	37.2 %	\$ 1,852,247	\$ 1,350,014	37.2 %
District Support Services	1,758,135	1,660,958	5.9	1,639,723	1,536,422	6.7
Regular Instruction	32,057,885	21,900,480	46.4	28,965,494	18,871,990	53.5
Vocational Education Instruction	735,232	417,813	76.0	730,489	409,152	78.5
Special Education Instruction	9,590,186	6,795,348	41.1	4,504,162	2,063,034	123.2
Instructional Support Services	4,233,473	3,712,399	14.0	4,076,378	3,615,269	12.8
Pupil Support Services	3,846,279	3,263,934	17.9	3,723,460	3,201,442	16.3
Sites and Buildings	3,841,604	2,520,701	56.4	3,664,831	2,046,154	79.1
Fiscal and Other Fixed						
Cost Programs	94,107	89,127	5.6	94,107	89,127	5.6
Food Service	2,436,628	1,973,210	23.5	293,833	(43,529)	(775.0)
Community Service	3,144,737	2,726,005	15.4	584,316	417,286	40.0
Interest and Fiscal Charges						
on Long-Term Liabilities	3,680,423	4,046,110	(9.0)	3,680,423	4,046,110	(9.0)
Total	\$ 67,372,936	\$ 50,456,099	33.5	\$ 53,911,463	\$ 37,602,471	43.4

The total cost of all governmental activities for the year ended June 30, 2017 was \$67,372,936.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$18,069,063, which is \$31,461,535 less than last year's ending fund balance of \$49,530,598 after the prior period restatement. Most of the decrease relates to an increase in spending on construction projects throughout 2017 and the prior period adjustment related to a restatement of retainage payable.

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**GENERAL FUND**

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

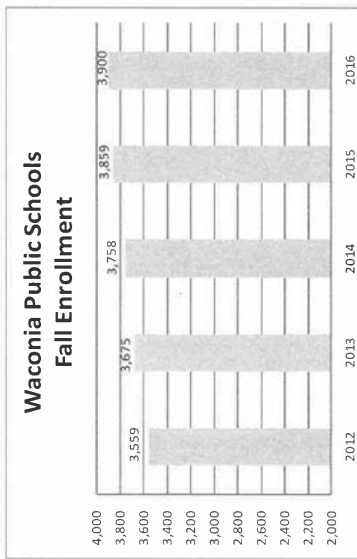
Approximately 97% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 68% of personnel expenditures. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

**ENROLLMENT**

Enrollment is a critical factor in determining revenue with approximately 95% of General Fund revenue being determined by enrollment. The following chart shows that the number of students has increased by 9% over the last five years.

**Table A-4  
Five-Year Enrollment Trend**

Site	Grades	2012		2013		2014		2015		2016	
		Fall Enrollment	Fall Enrollment	Fall Enrollment	Fall Enrollment	Fall Enrollment	Fall Enrollment	Fall Enrollment	Fall Enrollment	Fall Enrollment	Fall Enrollment
Southview	K-4	638	662	651	698	641					
Bayview	K-4	694	722	763	752	619					
Laketown	K-5	-	-	-	-	498					
Cleanwater	5-8	1,089	1,136	1,175	1,181	870					
Senior High	9-12	1,076	1,101	1,103	1,174	1,220					
ALC	9-12	52	54	66	54	52					
<b>Totals</b>		<b>3,559</b>	<b>3,675</b>	<b>3,758</b>	<b>3,859</b>	<b>3,900</b>					



**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**GENERAL FUND (CONTINUED)**

Over the last five years, the District has experienced an increase in average daily membership of 341 students or 9.0%. It is anticipated that this trend will continue for the next five years.

The following schedule presents a summary of General Fund Revenues.

**Table A-5  
General Fund Revenues**

Fund	Year Ended		Change	Percent
	June 30, 2017	June 30, 2016		
Local Sources:				
Property Taxes	\$ 3,958,907	\$ 3,901,221	\$ 57,686	1.5 %
Earnings on Investments	36,832	25,927	10,905	42.1
Other	1,060,957	1,048,546	12,411	1.2
State Sources	34,032,404	32,373,993	1,658,411	5.1
Federal Sources	897,292	906,961	(9,669)	(1.1)
<b>Total General Fund Revenue</b>	<b>\$ 39,986,392</b>	<b>\$ 38,256,648</b>	<b>\$ 1,729,744</b>	<b>4.5</b>

Total General Fund Revenue increased by \$1,729,744 or 4.5% over the previous year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in total revenue. The state basic general education revenue formula per student increased compared to the prior year. State aid for special education increased compared the prior year resulting in a smaller needed subsidy of special education programming.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6  
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2017	June 30, 2016		
Salaries	\$ 24,910,691	\$ 22,710,319	\$ 2,200,372	9.7 %
Employee Benefits	8,612,166	8,033,749	578,417	7.2
Purchased Services	5,290,666	5,183,775	106,891	2.1
Supplies and Materials	1,704,938	1,336,013	368,925	27.6
Capital Expenditures	1,136,443	1,225,675	(87,232)	(7.1)
Other Expenditures	405,472	444,691	(39,219)	(8.8)
<b>Total Expenditures</b>	<b>\$ 42,062,376</b>	<b>\$ 38,934,222</b>	<b>\$ 3,128,154</b>	<b>8.0</b>

Total General Fund expenditures increased by \$3,128,154 or 7.0% from the previous year. Most of this increase was due to the hiring of staff to account for enrollment increases and salary increases for existing staff.

WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017

**GENERAL FUND (CONTINUED)**

Unassigned fund balance is the single best measure of overall financial health. The unassigned fund balance of \$2,033,058 at June 30, 2017 represents 5.5% of annual expenditures.

**General Fund Budgetary Highlights**

Following approval of the budget prior to the beginning of the fiscal year, the District revises the annual operating budget in mid-year. These budget amendments typically fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over, and budgeting for student population increases.
- Legislation passes subsequent to budget adoption, changes necessitated by collective bargaining agreements, and increases in appropriations for significant unbudgeted costs.

Actual revenues were \$685,357 more than expected primarily due to an increase in students which resulted in an increase in state aid.

The actual expenditures were \$1,197,598 more than budgeted primarily due to an increase in special education costs and an increase in personnel costs.

**DEBT SERVICE FUNDS**

The Debt Service Fund revenues and other financing sources exceeded expenditures and other financing uses by \$378,421 in FY2017. The remaining fund balance of \$1,835,588 at June 30, 2017 is available for meeting future debt service obligations.

The OPEB Debt Service Fund had \$76,438 in fund balance at June 30, 2017. This fund was established to make the debt service payment related to the OPEB bonds.

**CAPITAL PROJECTS FUND**

The Capital Projects Fund expenditures and other financing uses exceeded revenues and other financing sources by \$28,826,701 in FY2017. This decrease is due to expenditures of the prior year's bonds that were issued. The remaining fund balance of \$10,154,422 at June 30, 2017 is available for future construction projects.

**OTHER MAJOR FUNDS**

Expenditures exceeded revenues and other financing sources in Food Service Fund by \$207,697 and in the Community Education Fund by \$10,752.

From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, both the Community Service and Food Service Funds continue to operate on a sound financial basis.

**INTERNAL SERVICE FUND**

Proprietary funds such as the Internal Service Fund are reported using the economic resources measurement focus and the accrual basis of accounting.

WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2017, the District had invested over \$164.9 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table A-7). (More detailed information about capital assets can be found in Note 4 to the financial statements.)

Table A-7

**The District's Capital Assets**

	2017	2016	Percentage Change
Land	\$ 5,524,742	\$ 5,524,742	- %
Construction in Progress	37,729,466	31,842,626	18.5
Land Improvements	4,215,464	4,215,464	-
Buildings and Improvements	108,343,072	76,999,303	40.7
Equipment	9,046,152	8,261,589	9.5
Less: Accumulated Depreciation	(42,035,908)	(38,233,945)	9.9
<b>Total</b>	<b>\$ 122,822,988</b>	<b>\$ 88,609,779</b>	<b>38.6</b>

**Facilities – Next Five Years**

On November 4, 2014, the voters of the District approved a \$75,000,000 bond issue to add a new K-5 elementary school, and make major remodeling/additions to the current middle school to transform the facility into a high school campus. The current high school will also undergo some remodeling to transform it into a grades 6-8 middle school facility. The purchase of approximately 70 acres of land near the current middle school has been completed with the various land owners. Another purchase for approximately 55 acres of land off Airport Road in Waconia for the construction of the elementary school has also been completed. The elementary school opened in the fall of 2016. The changes for the high school and middle school are scheduled to be completed by the fall of 2017. The additional instructional spaces are very welcome to the growing community of Waconia.

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Long-Term Liabilities**

At year-end, the District had \$122,902,917 in long-term debt, an increase of 5.1% from last year – as shown in Note 5 to financial statements. This is due to new issuance of debt.

**Table A-8  
The District's Long-Term Liabilities**

	2017	2016	Percentage Change
General Obligation Bonds	\$ 114,455,000	\$ 111,825,000	2.4 %
Net Bond Premium and Discount	4,898,054	4,979,912	(1.6)
Certificates of Participation Payable	3,160,000	-	100.0
Obligations Under Capital Leases	90,529	145,776	(37.9)
Lease Purchase Agreement	299,334	-	100.0
<b>Total</b>	<b>\$ 122,902,917</b>	<b>\$ 116,950,688</b>	<b>5.1</b>
<b>Long-Term Liabilities:</b>			
Due within One Year	\$ 3,290,498	\$ 2,715,248	
Due in More than One Year	119,612,419	114,235,440	
<b>Total</b>	<b>\$ 122,902,917</b>	<b>\$ 116,950,688</b>	

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

Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. The District is currently settled with all of its bargaining units. The future revenues of the District and other Minnesota school districts will depend heavily on the future actions of the legislature.

The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District 110, 512 Industrial Boulevard, Waconia, Minnesota 55387.

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

<b>ASSETS</b>	
Cash and Investments	\$ 29,151,778
Receivables:	
Property Taxes	6,069,032
Due From Other Governments	4,076,790
Other	121,558
Prepaid Items	100,831
Inventories	21,192
Capital Assets:	
Land and Construction in Progress	43,254,208
Other Capital Assets, Net of Depreciation	79,568,780
Total Assets	<u>162,364,169</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Related	57,060,351
OPEB Related	13,730
Loss on Refunding	123,661
Total Deferred Outflows of Resources	<u>57,197,742</u>
<b>LIABILITIES</b>	
Salaries Payable	3,575,885
Accounts and Contracts Payable	5,999,620
Accrued Interest	1,670,500
Due to Other Governmental Units	138,652
Unearned Revenue:	
Local Sources	367,751
Long-Term Liabilities:	
Net Pension Liability	89,522,108
Net OPEB Liability	3,047,569
Portion Due Within One Year	3,589,714
Portion Due in More Than One Year	119,612,419
Total Liabilities	<u>227,524,218</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Related	1,213,540
Property Taxes Levied for Subsequent Year	10,940,191
Total Deferred Inflows of Resources	<u>12,153,731</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	5,807,583
Restricted for:	
Operating Capital Purposes	1,856,557
State-Mandated Restrictions	311,323
Food Service	884,034
Community Service	576,198
Debt Service	271,120
Capital Projects - Building Construction	5,328,421
Unrestricted	<u>(35,151,274)</u>
Total Net Position	<u>\$ (20,116,038)</u>

See accompanying Notes to Basic Financial Statements.

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total Governmental Activities
<b>Governmental Activities</b>					
Administration	\$ 1,852,247	\$ -	\$ -	\$ -	\$ (1,852,247)
District Support Services	1,758,135	-	112,243	6,169	(1,639,723)
Regular Instruction	32,057,885	538,306	2,212,696	341,389	(28,965,494)
Vocational Education Instruction	735,232	-	4,743	-	(730,489)
Special Education Instruction	9,590,186	179,892	4,800,142	5,990	(4,604,162)
Instructional Support Services	4,233,473	649	-	154,446	(4,078,378)
Pupil Support Services	3,848,279	-	124,819	-	(3,723,460)
Sites and Buildings	3,941,604	195,249	-	81,524	(3,664,831)
Fiscal and Other Fixed Cost Programs	94,107	-	-	-	(94,107)
Food Service	2,436,628	1,496,562	646,233	-	(293,833)
Community Service	3,144,737	2,253,114	307,307	-	(584,316)
Interest and Fiscal Charges on Long-Term Liabilities	3,680,423	-	-	-	(3,680,423)
<b>Total School District</b>	<b>\$ 67,372,936</b>	<b>\$ 4,663,772</b>	<b>\$ 8,208,183</b>	<b>\$ 589,518</b>	<b>(53,911,463)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					
					3,959,064
Community Service					
					247,167
Debt Service					
					6,971,121
State Aid Not Restricted to Specific Purposes					
					28,649,861
Earnings on Investments					
					304,783
Gain on Sale of Capital Assets					
					2,150
Miscellaneous					
					131,764
<b>Total General Revenues</b>					
					<b>40,265,910</b>
Change in Net Position					
					(13,645,553)
Net Position - Beginning of Year					
					(2,705,100)
Change in Accounting Principle and Prior Period Restatement					
					(3,765,385)
Net Position - Beginning of Year, as Restated					
					(6,470,485)
Net Position - End of Year					
					<b>\$ (20,116,038)</b>

See accompanying Notes to Basic Financial Statements.

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, JUNE 30, 2016)**

	Major		
	General	Food Service	Community Service
<b>ASSETS</b>			
Cash and Investments	\$ 5,859,181	\$ 960,213	\$ 971,210
Receivables:			
Current Property Taxes	2,009,994	-	134,600
Delinquent Property Taxes	35,682	-	2,262
Due from Other Minnesota School Districts	53,757	-	-
Due from Minnesota Department of Education	3,494,917	-	35,741
Due from Federal through Minnesota Department of Education	227,851	-	-
Due from Other Governmental Units	246,924	-	-
Other Receivables	25,024	1,046	36,496
Due from Other Funds	11,796	-	-
Prepaid Items	92,523	1,635	6,673
Inventory	-	21,192	-
Total Assets	<u>\$ 12,057,649</u>	<u>\$ 984,086</u>	<u>\$ 1,186,982</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
Liabilities:			
Salaries Payable	\$ 3,405,039	\$ 61,165	\$ 109,681
Accounts and Contracts Payable	322,387	2,123	63,661
Due to Other Governmental Units	137,632	-	1,020
Due to Other Funds	-	781	-
Unearned Revenue	148,922	35,983	182,846
Total Liabilities	<u>4,013,980</u>	<u>100,052</u>	<u>357,208</u>
Deferred Inflows of Resources:			
Property Taxes Levied for Subsequent Year	3,481,889	-	253,576
Unavailable Revenue - Delinquent Property Taxes	18,319	-	1,078
Total Deferred Inflows of Resources	<u>3,500,208</u>	<u>-</u>	<u>254,654</u>
Fund Balance:			
Nonspendable	92,523	22,827	6,673
Restricted for:			
Staff Development	50,460	-	-
Deferred Maintenance	-	-	-
Learning and Development	-	-	-
Area Learning Center	6,862	-	-
Gifted and Talented	7,810	-	-
Basic Skills Programs	84,073	-	-
Operating Capital	1,856,557	-	-
Safe Schools	91,715	-	-
Community Education Programs	-	-	431,393
Early Childhood and Family Educations Programs	-	-	41,424
School Readiness	-	-	40,120
Projects Funded by COP	-	-	-
Long-Term Facilities Maintenance	51,994	-	-
Medical Assistance	18,409	-	-
Other Purposes	-	861,207	55,510
Assigned for:			
Assigned for Pool Operations	-	-	-
Assigned for Severance	250,000	-	-
Unassigned	2,033,058	-	-
Total Fund Balance	<u>4,543,461</u>	<u>884,034</u>	<u>575,120</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 12,057,649</u>	<u>\$ 984,086</u>	<u>\$ 1,186,982</u>

See accompanying Notes to Basic Financial Statements.



Capital Projects	Funds		Total Governmental Funds	
	Debt Service	OPEB Debt Service	2017	2016
\$ 15,701,882	\$ 5,007,540	\$ 234,712	\$ 28,734,738	\$ 59,667,845
-	3,640,898	183,393	5,968,885	6,008,584
-	59,132	3,071	100,147	92,980
-	-	-	53,757	27,037
-	15,331	2,269	3,548,258	2,432,732
-	-	-	227,851	169,862
-	-	-	246,924	208,443
58,992	-	-	121,558	271,287
781	-	-	12,577	239,279
-	-	-	100,831	43,207
-	-	-	21,192	19,677
<u>\$ 15,761,655</u>	<u>\$ 8,722,901</u>	<u>\$ 423,445</u>	<u>\$ 39,136,718</u>	<u>\$ 69,180,933</u>
\$ -	\$ -	\$ -	\$ 3,575,885	\$ 3,208,515
5,595,437	-	-	5,983,608	4,630,580
-	-	-	138,652	231,132
11,796	-	-	12,577	239,279
-	-	-	367,751	411,613
<u>5,607,233</u>	<u>-</u>	<u>-</u>	<u>10,078,473</u>	<u>8,721,119</u>
-	6,859,226	345,500	10,940,191	10,880,186
-	28,087	1,507	48,991	49,030
-	<u>6,887,313</u>	<u>347,007</u>	<u>10,989,182</u>	<u>10,929,216</u>
-	-	-	122,023	62,884
-	-	-	50,460	42,394
-	-	-	-	90,326
-	-	-	-	154,466
-	-	-	6,862	90,242
-	-	-	7,810	492
-	-	-	84,073	97,866
-	-	-	1,856,557	1,759,482
-	-	-	91,715	139,322
-	-	-	431,393	460,178
-	-	-	41,424	39,796
-	-	-	40,120	20,473
2,915,589	-	-	2,915,589	-
55,978	-	-	107,972	-
-	-	-	18,409	-
7,182,855	1,835,588	76,438	10,011,598	43,751,524
-	-	-	-	253,109
-	-	-	250,000	200,000
-	-	-	2,033,058	2,368,044
<u>10,154,422</u>	<u>1,835,588</u>	<u>76,438</u>	<u>18,069,063</u>	<u>49,530,598</u>
<u>\$ 15,761,655</u>	<u>\$ 8,722,901</u>	<u>\$ 423,445</u>	<u>\$ 39,136,718</u>	<u>\$ 69,180,933</u>

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

**Total Fund Balance for Governmental Funds** \$ 18,069,063

Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	5,524,742
Construction in Progress	37,729,466
Land Improvements, Net of Accumulated Depreciation	1,310,778
Buildings and Improvements, Net of Accumulated Depreciation	75,650,535
Equipment, Net of Accumulated Depreciation	2,607,467

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as deferred inflows of resources in the funds.	48,991
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Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(1,670,500)
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OPEB deferred outflows are reported only on the statement of net position	13,730
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The District's Net Pension Liability and related deferred inflows and outflows are recorded only on the Statement of Net Position. Balances at year-end are:

Net Pension Liability	(89,522,108)
Deferred Inflows of Resources - Pension Related	(1,213,540)
Deferred Outflows of Resources - Pension Related	57,060,351

Internal service funds are used by management to charge the costs of dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. Internal service fund net position at year-end is:	401,028
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Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position. Balances at year-end are:

Bonds Payable	(114,455,000)
Unamortized Premiums	(4,953,629)
Unamortized Discounts	55,575
Certificates of Participation Payable	(3,160,000)
Unamortized Deferred Gain on Refunding	123,661
Obligations Under Capital Leases	(90,529)
Net OPEB Liability	(3,047,569)
Obligations Under Lease Purchase Agreement	(299,334)
Compensated Absences Payable	(299,216)

<b>Total Net Position of Governmental Activities</b>	<b><u><u>\$ (20,116,038)</u></u></b>
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See accompanying Notes to Basic Financial Statements.

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)**

	Major		
	General	Food Service	Community Service
<b>REVENUES</b>			
Local Sources:			
Property Taxes	\$ 3,958,907	\$ -	\$ 247,376
Earnings on Investments	36,832	5,980	5,489
Other	1,060,957	1,496,562	2,253,114
State Sources	34,032,404	120,708	374,386
Federal Sources	897,292	525,525	-
Total Revenues	<u>39,986,392</u>	<u>2,148,775</u>	<u>2,880,365</u>
<b>EXPENDITURES</b>			
Current:			
Administration	1,239,950	-	-
District Support Services	1,770,509	-	-
Regular Instruction	19,844,921	-	-
Vocational Education Instruction	562,394	-	-
Special Education Instruction	7,633,556	-	-
Instructional Support Services	2,715,986	-	-
Pupil Support Services	3,488,037	-	-
Sites and Buildings	3,794,790	-	-
Fiscal and Other Fixed Cost Programs	94,107	-	-
Food Service	-	2,238,850	-
Community Service	-	-	2,860,741
Capital Outlay	770,994	117,622	15,523
Debt Service:			
Principal	141,478	-	13,589
Interest and Fiscal Charges	5,654	-	1,264
Bond Issuance Costs	-	-	-
Total Expenditures	<u>42,062,376</u>	<u>2,356,472</u>	<u>2,891,117</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(2,075,984)	(207,697)	(10,752)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Capital Assets	2,150	-	-
Issuance of Bonds	-	-	-
Issuance of Refunding Bonds	-	-	-
Issuance of Capital Lease	399,154	-	-
Bond Premium	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	<u>401,304</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,674,680)	(207,697)	(10,752)
Fund Balance - Beginning of Year	6,218,141	1,091,731	585,872
Prior Period Restatement	-	-	-
Fund Balance - Beginning of Year, As Restated	<u>6,218,141</u>	<u>1,091,731</u>	<u>585,872</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 4,543,461</u>	<u>\$ 884,034</u>	<u>\$ 575,120</u>

See accompanying Notes to Basic Financial Statements.

Capital Projects	Funds		Total Governmental Funds	
	Debt Service	OPEB Debt Service	2017	2016
\$ -	\$ 6,636,179	\$ 334,929	\$ 11,177,391	\$ 11,016,257
234,597	18,515	1,121	302,534	261,954
4,500	-	-	4,815,133	4,546,702
-	121,315	5,337	34,654,150	32,885,187
-	-	-	1,422,817	1,391,504
<u>239,097</u>	<u>6,776,009</u>	<u>341,387</u>	<u>52,372,025</u>	<u>50,101,604</u>
-	-	-	1,239,950	1,197,254
-	-	-	1,770,509	1,556,443
-	-	-	19,844,921	18,652,690
-	-	-	562,394	407,835
-	-	-	7,633,556	6,639,325
-	-	-	2,715,986	2,494,787
-	-	-	3,488,037	3,223,789
-	-	-	3,794,790	3,290,769
-	-	-	94,107	89,127
-	-	-	2,238,850	1,916,419
-	-	-	2,860,741	2,686,815
37,849,481	-	-	38,753,620	27,943,691
-	2,480,000	295,000	2,930,067	4,805,808
-	3,935,803	54,626	3,997,347	4,396,256
88,367	48,955	-	137,322	48,955
<u>37,937,848</u>	<u>6,464,758</u>	<u>349,626</u>	<u>92,062,197</u>	<u>79,349,963</u>
(37,698,751)	311,251	(8,239)	(39,690,172)	(29,248,359)
-	-	-	2,150	2,800
8,497,830	67,170	-	8,565,000	-
-	-	-	-	6,830,000
-	-	-	399,154	-
374,220	-	-	374,220	595,958
-	-	-	-	(6,960,000)
<u>8,872,050</u>	<u>67,170</u>	<u>-</u>	<u>9,340,524</u>	<u>468,758</u>
(28,826,701)	378,421	(8,239)	(30,349,648)	(28,779,601)
40,093,010	1,457,167	84,677	49,530,598	78,310,199
(1,111,887)	-	-	(1,111,887)	-
<u>38,981,123</u>	<u>1,457,167</u>	<u>84,677</u>	<u>48,418,711</u>	<u>78,310,199</u>
<u>\$ 10,154,422</u>	<u>\$ 1,835,588</u>	<u>\$ 76,438</u>	<u>\$ 18,069,063</u>	<u>\$ 49,530,598</u>

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

**Net Change in Fund Balance-Total Governmental Funds** \$ (30,349,648)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlays	38,015,172
Depreciation Expense	(3,801,963)

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the Statement of Net Position.

Principal Payments - Capital Leases	155,067
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The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

General Obligation Bond Proceeds	(5,405,000)
Certificate of Participation Payable Proceeds	(3,160,000)
Lease Purchase Proceeds	(399,154)
Bond Premium	(374,220)
Repayment of Bond Principal	2,775,000
Change in Accrued Interest Expense - General Obligation Bonds	5,733
Amortization of Bond Premium	468,659
Amortization of Bond Discount	(12,581)
Amortization of Gain (Loss) on Refunding	(14,483)

*See accompanying Notes to Basic Financial Statements.*

**WACONIA PUBLIC SCHOOLS  
 INDEPENDENT SCHOOL DISTRICT NO. 110  
 RECONCILIATION OF THE STATEMENT OF  
 REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES (CONTINUED)  
 YEAR ENDED JUNE 30, 2017**

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current-period's expenditures and, therefore, are unavailable in the funds.	\$ (39)
Payment of OPEB benefits are recognized as expenditures at the fund level while the change in the Net OPEB obligation is recognized in the Statement of Net Position.	(444,729)
Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the Statement of Activities is measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources.	(11,066,340)
In the Statement of Activities, certain operating expenses - compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(59,609)
Internal service funds are used by the District to charge the costs of employee dental benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities.	22,582
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ (13,645,553)</u></u>

*See accompanying Notes to Basic Financial Statements.*

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 4,034,075	\$ 4,072,204	\$ 3,958,907	\$ (113,297)
Earnings on Investments	12,000	40,000	36,832	(3,168)
Other	709,850	925,720	1,060,957	135,237
State Sources	34,234,752	33,398,950	34,032,404	633,454
Federal Sources	801,000	864,161	897,292	33,131
Total Revenues	<u>39,791,677</u>	<u>39,301,035</u>	<u>39,986,392</u>	<u>685,357</u>
<b>EXPENDITURES</b>				
Current:				
Administration	1,252,498	1,255,611	1,239,950	(15,661)
District Support Services	1,591,698	1,753,364	1,770,509	17,145
Elementary and Secondary Regular Instruction	19,112,948	19,559,763	19,844,921	285,158
Vocational Education Instruction	329,106	508,064	562,394	54,330
Special Education Instruction	6,746,739	7,044,616	7,633,556	588,940
Instructional Support Services	2,746,767	2,738,776	2,715,986	(22,790)
Pupil Support Services	3,465,550	3,399,009	3,488,037	89,028
Sites and Buildings	3,711,751	3,371,125	3,794,790	423,665
Fiscal and Other Fixed Cost Programs	281,486	300,855	94,107	(206,748)
Capital Outlay	636,000	783,120	770,994	(12,126)
Debt Service:				
Principal	59,150	150,475	141,478	(8,997)
Interest and Fiscal Charges	-	-	5,654	5,654
Total Expenditures	<u>39,933,693</u>	<u>40,864,778</u>	<u>42,062,376</u>	<u>1,197,598</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(142,016)	(1,563,743)	(2,075,984)	(512,241)
<b>OTHER FINANCING SOURCES</b>				
Sale of Capital Assets	-	1,500	2,150	650
Capital Lease Proceeds	-	-	399,154	399,154
Total Other Financing Sources	<u>-</u>	<u>1,500</u>	<u>401,304</u>	<u>399,804</u>
Net Change in Fund Balance	<u>\$ (142,016)</u>	<u>\$ (1,562,243)</u>	<u>(1,674,680)</u>	<u>\$ (112,437)</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>6,218,141</u>	
End of Year			<u>\$ 4,543,461</u>	

See accompanying Notes to Basic Financial Statements.

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
FOOD SERVICE FUND  
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Earnings on Investments	\$ 1,500	\$ 2,500	\$ 5,980	\$ 3,480
Other - Primarily Meal Sales	1,537,150	1,471,552	1,496,562	25,010
State Sources	113,050	115,500	120,708	5,208
Federal Sources	507,000	510,000	525,525	15,525
Total Revenues	<u>2,158,700</u>	<u>2,099,552</u>	<u>2,148,775</u>	<u>49,223</u>
<b>EXPENDITURES</b>				
Current:				
Food Service	2,108,819	2,130,319	2,238,850	108,531
Capital Outlay	156,000	121,000	117,622	(3,378)
Total Expenditures	<u>2,264,819</u>	<u>2,251,319</u>	<u>2,356,472</u>	<u>105,153</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (106,119)</u>	<u>\$ (151,767)</u>	<u>(207,697)</u>	<u>\$ (55,930)</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>1,091,731</u>	
End of Year			<u>\$ 884,034</u>	

See accompanying Notes to Basic Financial Statements.



**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
COMMUNITY SERVICE FUND  
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 252,736	\$ 252,736	\$ 247,376	\$ (5,360)
Earnings on Investments	1,200	1,200	5,489	4,289
Other - Primarily Tuition and Fees	2,083,350	2,182,350	2,253,114	70,764
State Sources	361,707	361,707	374,386	12,679
Total Revenues	2,698,993	2,797,993	2,880,365	82,372
<b>EXPENDITURES</b>				
Current:				
Community Service	2,671,447	2,739,364	2,860,741	121,377
Capital Outlay	3,000	17,950	15,523	(2,427)
Debt Service:				
Principal	15,500	13,500	13,589	89
Interest and Fiscal Charges	-	-	1,264	1,264
Total Expenditures	2,689,947	2,770,814	2,891,117	120,303
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 9,046</b>	<b>\$ 27,179</b>	<b>(10,752)</b>	<b>\$ (37,931)</b>
<b>FUND BALANCE</b>				
Beginning of Year			585,872	
End of Year			\$ 575,120	

See accompanying Notes to Basic Financial Statements.

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
INTERNAL SERVICE FUND  
JUNE 30, 2017  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	Governmental Activities - Internal Service Funds	
	2017	2016
<b>ASSETS</b>		
Current Assets:		
Cash and Investments	\$ 417,040	\$ 431,785
Accounts Receivable	-	1,020
Total Current Assets	417,040	432,805
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	16,012	9,726
Due to other School Districts	-	44,633
Total Current Liabilities	16,012	54,359
<b>NET POSITION</b>		
Unrestricted	\$ 401,028	\$ 378,446

*See accompanying Notes to Basic Financial Statements.*

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION  
PROPRIETARY FUND  
INTERNAL SERVICE FUND  
YEAR ENDED JUNE 30, 2017  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)**

	Governmental Activities - Internal Service Funds	
	2017	2016
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 300,915	\$ 280,139
<b>OPERATING EXPENSES</b>		
Dental Insurance Claim Payments	280,582	264,059
<b>OPERATING INCOME</b>	20,333	16,080
<b>NONOPERATING INCOME</b>		
Earnings on Investments	2,249	1,227
<b>CHANGE IN NET POSITION</b>	22,582	17,307
Total Net Position - Beginning of Year	378,446	361,139
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 401,028	\$ 378,446

*See accompanying Notes to Basic Financial Statements.*

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
INTERNAL SERVICE FUND  
YEAR ENDED JUNE 30, 2017  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)**

	Governmental Activities - Internal Service Funds	
	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Interfund Services Provided	\$ 300,915	\$ 280,139
Payments for Dental Fees and Insurance Claims	(318,929)	(223,958)
Net Cash Provided (Used) by Operating Activities	<u>(18,014)</u>	<u>56,181</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	3,269	1,227
Sale of Investments	-	38,224
Net Cash Provided by Operating Activities	<u>3,269</u>	<u>39,451</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(14,745)	95,632
Cash and Cash Equivalents - Beginning of Year	<u>431,785</u>	<u>336,153</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 417,040</u>	<u>\$ 431,785</u>
Displayed on Statements of Fund Net Position as Cash and Investments	<u>\$ 417,040</u>	<u>\$ 431,785</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 20,333	\$ 16,080
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Increase (Decrease) in Accounts Payable	6,286	(4,532)
Increase (Decrease) in Claims Payable	(44,633)	44,633
Total Adjustments	<u>(38,347)</u>	<u>40,101</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (18,014)</u>	<u>\$ 56,181</u>

See accompanying Notes to Basic Financial Statements.

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2017**

	Private- Purpose Trust	Irrevocable OPEB Trust
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash	\$ 117,923	\$ 1,811,981
Government and Municipal Securities	-	260,567
Deliverable CD's	-	368,338
Total Assets	<u>117,923</u>	<u>2,440,886</u>
<b>LIABILITIES</b>		
Accounts and Contracts Payable		
Accounts Payable	2,504	-
Unearned Revenue	12,000	-
Total Liabilities	<u>14,504</u>	<u>-</u>
<b>NET POSITION</b>		
Restricted for Scholarships	103,419	-
Restricted for OPEB Benefits	-	2,440,886
Total Net Position	<u>\$ 103,419</u>	<u>\$ 2,440,886</u>

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2017**

	Private- Purpose Trust	Irrevocable OPEB Trust
	<u>          </u>	<u>          </u>
<b>ADDITIONS</b>		
Employer Contributions	\$ -	\$ 84,747
Gifts and Donations	35,760	-
Investment Income:		
Net Increase (Decrease) in Fair Value of Investments	669	10,910
Interest and Dividends	-	33,059
Less Investment Expense	-	(250)
Net Investment Income	<u>669</u>	<u>43,719</u>
Total Additions	36,429	128,466
<b>DEDUCTIONS</b>		
OPEB Health Insurance Payments	-	234,747
Scholarships Awarded	40,552	-
Total Deductions	<u>40,552</u>	<u>234,747</u>
<b>CHANGE IN NET POSITION</b>	(4,123)	(106,281)
Net Position - Beginning of Year	<u>107,542</u>	<u>2,547,167</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 103,419</u>	<u>\$ 2,440,886</u>

See accompanying Notes to Basic Financial Statements.

WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**A. Basis of Presentation**

The financial statements of Independent School District No. 110 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

**B. Financial Reporting Entity**

The District is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting Principles Generally Accepted in the United States of America (GAAP) require that the District's financial statements include all funds, account groups, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all fund and account groups of the District. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota State Statutes, the District's School Board has not elected to control or exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are not included in these financial statements.

**C. Basic Financial Statement Presentation**

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

WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Basic Financial Statement Presentation (Continued)**

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 items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

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. Fiduciary funds are presented in the fiduciary fund financial statements by type: private purpose trust and irrevocable OPEB 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 statements.

The 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 internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 fund is charges for service in the form of insurance premiums. Operating expenses for the internal service fund include the cost of services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Measurement Focus and Basis of Accounting**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

**1. Revenue Recognition**

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

**2. Recording of Expenditures**

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

**Description of Funds**

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the district are organized on the basis of funds, each of which is considered a separate accounting 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. It includes the general operations and pupil transportation activities of the district, as well as the capital related activities such as maintenance of facilities equipment purchases, health and safety projects, and disabled accessibility projects.

WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Measurement Focus and Basis of Accounting (Continued)**

*Major Governmental Funds (Continued)*

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditures. Revenues consist of user fees, and state and federal reimbursements restricted for the Food Service Fund.

Community Service Special Revenue Fund

The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs or other similar services. Revenues consist of local property taxes, state tax credits, user fees and state aids restricted for the Community Service 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. The Fund was established for building construction activity authorized by specific voter-approved bond issues.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest, and related costs.

Other Postemployment Benefits Debt Service Fund

The Other Postemployment Benefits (OPEB) Debt Service Fund is used to account for the accumulation of resources for, and payment of, OPEB obligation bond principal, interest, and related costs.

Proprietary Fund

Internal Service Fund

The Internal Service Fund accounts for 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 includes its self-insured dental insurance plan for its employees.

Fiduciary Funds

Private Purpose Trust Fund

The Private Purpose Trust Fund is used to account for money held by the District in the capacity of trustee or custodian, where both the principal and interest may be spent.

Other Postemployment Benefits Irrevocable Trust Fund

The Other Postemployment Benefits Irrevocable Fund is used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits.

WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**E. Budgeting**

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by October 1 of each year. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board. Individual amendments were not material in relation to the original appropriations.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

**F. Cash and investments**

Cash and investments consist of interest bearing accounts, certificates of deposit, government agency investments and deposits in the Minnesota Trust Investment Shares Portfolio.

Cash balances from all funds, except the OPEB Irrevocable Trust Fund, are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors.

**G. Accounts Receivable**

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances; therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are property taxes receivable.

WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**H. Inventories**

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

**I. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are expensed during the periods benefited.

**J. Property Taxes**

Property tax levies are established by the School Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15, and counties generally remit taxes to Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through state credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as unavailable revenue (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." In the Debt Service Fund, all property taxes collected in a calendar year are recorded as revenue in the fiscal year which begins July 1 of that calendar year.

In accordance with state law, the current tax shift consists of an amount equal to 31% of the operating levy that was in place for the District's 2000 Pay 2001 levy, which is frozen at \$310,967. Certain other portions of the District's 2016 Pay 2017 levy, normally revenue for the 2016-2017 fiscal year, are also advance recognized at June 30, 2017, as required by state statute to match revenue with the same fiscal year as the related expenditures.



WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**J. Property Taxes (Continued)**

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 unavailable because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2017, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**K. Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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

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

**L. Deferred Outflows of Resources**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. The District will not recognize the related outflows until a future event occurs.

**M. Long-Term Obligations**

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

WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**M. Long-Term Obligations (Continued)**

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

**N. Accrued Employee Benefits**

**1. Compensated Absences**

Vacation Pay and Sick Leave

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. These benefits are reported as liabilities in the government-wide financial statements and as expenditures when taken in the fund financial statements. At June 30, 2017, a liability for vacation pay totaling \$265,136 is recorded in the Statement of Net Position.

The District has a sick leave bank to which employees contribute earned sick leave. Participating employees use sick leave from this bank upon depletion of their own sick leave balances. At June 30, 2017, a liability for this sick leave bank of \$26,291 is recorded in the Statement of Net Position.

Severance Payable

Various bargaining groups, other than teachers, have contract language providing for severance benefits upon meeting the defined requirements. The amount paid varies based on years of service and is based on accumulated sick leave. The vested amount for all eligible employees at year-end totals \$7,789 and is recorded as a liability on the government-wide financial statements.

**2. Other Postemployment Benefits**

Under the terms of certain collectively bargained employment contracts, including the teachers' and administrators' contracts, the District is required to pay fixed amounts (generally \$350 per month) toward the health insurance premiums of retired employees until they reach specified age requirements such as Medicare eligibility.

For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

WACONIA PUBLIC SCHOOLS  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Deferred Inflows of Resources**

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time.

**P. Pensions**

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

**Q. Statement of Cash Flows**

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalents.

**R. Fund Balance**

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance related to prepaids and inventory. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The District currently does not report any committed fund balance. The Board of Education passed a resolution authorizing the Director of Finance and Operations the ability to assign fund balances and its intended uses. Unassigned fund balance is considered the remaining amounts, usually in the General Fund only. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned for those purposes.

In accordance with the District's fund balance policy, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the District's policy to use committed first, then assigned and finally unassigned fund balance.

The District has a minimum fund balance policy, which identifies a minimum unassigned fund balance in the General Fund of no less than 5% and not more than 25% of the general fund operating budgeted expenditures.

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

**S. Net Position**

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

**T. Summarized Comparative Information**

The basic financial statements include certain prior-year summarized comparative information in total but not at the level required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2016 from which the summarized information was derived.

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

**A. Excess of Expenditures Over Budget**

Expenditures exceeded budgeted amounts in the following fund at June 30, 2017.

	Budget	Expenditures	Excess
General Fund	\$ 40,864,778	\$ 42,062,376	\$ 1,197,598
Special Revenue Funds			
Food Service Fund	2,251,319	2,356,472	105,153
Community Service Fund	2,770,814	2,891,117	120,303

All related expenditures were approved by the District's Board.

**B. Due to/from Other Funds**

	Due from Other Funds:	
	Capital Projects	General Fund
Due to Other Funds:		
Food Service	\$ 781	\$ -
Capital Projects	-	11,796
Total	<u>\$ 781</u>	<u>\$ 11,796</u>

The amount due to the Capital Projects Fund from the General Fund relates to the various reimbursements for construction meetings and Laketown fees and technology. The amount due to the Food Service Fund from the Capital Projects Fund relates to a bill for food equipment that the Capital Projects owes Food Service.

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**NOTE 3 DEPOSITS AND INVESTMENTS**

**A. Deposits**

The School District maintains a cash and investment pool that is available for use by all funds, except the OPEB Irrevocable Trust Fund. Each fund type's portion of this pool is displayed in the financial statements as "Cash and Investments." In accordance with Minnesota Statutes the School District maintains deposits at financial institutions which are authorized by the School District Board.

**Custodial Credit Risk** – Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a specific deposit policy for custodial credit risk but rather follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The District's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by collateral in accordance with Minnesota Statutes.

**B. Investments**

The District does not have an investment policy and invests its idle funds as authorized by Minnesota Statutes as follows:

- 1) Direct obligations or obligations guaranteed by the United States or its agencies
- 2) Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- 3) General obligations rated "A" or better; revenue obligations rated "AA" or better
- 4) General obligations of the Minnesota Housing Finance Agency rate "A" or better
- 5) Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System
- 6) Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less
- 7) Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.

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**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

- 8) Repurchase or reverse purchase agreement and securities lending agreements 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, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

In addition, investments held by the OPEB Irrevocable Trust Fund may be invested as authorized by Minnesota State Statute Section 356A.06, Subdivision 7.

**External Investment Pools -**

	Amount
MN Trust Shares Portfolio	\$ 5,788,814
MN Trust Term Series	7,500,000
Total	\$ 13,288,814

The MN Trust is a money market account that is valued at amortized cost with maturities of investments of one year or less.

**Investments Held with Broker –**

**Interest Rate Risk –**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities to meet cash requirements for ongoing operations. Information about the sensitivity of the fair values of the District's investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the School District's investments by maturity:

Type	Total	6 Months or Less	7 to 12 Months	13 to 36 Months	More than 36 Months
MN Trust Investment Shares Portfolio	\$ 5,788,814	\$ 5,788,814	\$ -	\$ -	\$ -
Savings Deposit Account	2,258,507	1,997,940	-	-	260,567
State and Local Obligations	7,500,000	7,500,000	-	-	-
MN Trust Term Series	2,848,021	1,361,631	496,409	989,981	-
Negotiable Certificates of Deposit	-	-	-	-	-
Total	\$ 18,395,342	\$ 16,648,385	\$ 496,409	\$ 989,981	\$ 260,567

**Custodial Credit Risk –**

For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's bond documents require insurance covering all balances held in each investment account. As of June 30, 2017, the investment balances were fully covered by insurance for each brokerage firm.

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**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

**Investments Held with Broker (Continued) –**

**Credit Risk –**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes year-end ratings for the District's investments as rated by Moody's Investors Service:

Type	Quality Rating	Credit	Amount
MN Trust Investment Shares Portfolio	AAA	AAA	\$ 5,788,814
State and Local Obligations	Aa2/AA+	AAA	2,258,507
MN Trust Term Series	Not Rated	Not Rated	7,500,000
Negotiable Certificates of Deposit	Not Rated	Not Rated	2,848,021
Total			\$ 16,395,342

The deposits and investments are presented in these financial statements as follows:

Total Deposits	\$ 12,686,340
MN Trust Shares Portfolio	5,788,814
MN Trust Term Series	7,500,000
State and Local Obligations	2,258,507
Negotiable Certificates of Deposit	2,848,021
Total	\$ 31,081,682

**Statement of Net Position**

Cash and Investments	\$ 29,151,778
Agency and Trust Fund Cash and Investments	1,929,904
Total	\$ 31,081,682

**C. Fair Value Measurements**

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Fair Value Measurements (Continued)**

Financial assets and liabilities recorded on the combined statement of financial position are categorized based on the inputs to the valuation techniques as follows:

- **Level 1** – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- **Level 2** – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- **Level 3** – Financial asset and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use a pricing the asset.

Assets measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
State and Local Obligations	\$ -	\$ 2,258,507	\$ -	\$ 2,258,507
CD's	-	2,848,021	-	2,848,021
Total	\$ -	\$ 5,106,528	\$ -	\$ 5,106,528

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 5,524,742	\$ -	\$ -	\$ 5,524,742
Construction in Progress	31,842,626	37,854,443	(31,977,503)	37,723,466
Total Capital Assets, Not Being Depreciated	37,367,368	37,854,443	(31,977,503)	43,254,208
Capital Assets, Being Depreciated:				
Land Improvements	4,215,464	-	-	4,215,464
Buildings and Improvements	76,999,303	31,343,769	-	108,343,072
Equipment	8,261,959	784,563	-	9,046,522
Total Capital Assets, Being Depreciated	89,476,356	32,128,332	-	121,604,688
Accumulated Depreciation for:				
Land Improvements	(2,733,142)	(171,544)	-	(2,904,686)
Buildings and Improvements	(29,537,822)	(3,154,715)	-	(32,692,537)
Equipment	(5,962,981)	(475,704)	-	(6,438,685)
Total Accumulated Depreciation	(38,233,945)	(3,802,963)	-	(42,036,908)
Total Capital Assets, Being Depreciated, Net	51,242,411	28,325,369	-	79,567,780
Governmental Activities Capital Assets, Net	\$ 88,609,779	\$ 66,190,912	\$ (31,977,503)	\$ 122,822,988

**WACONIA PUBLIC SCHOOLS**  
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**NOTE 4 CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions of the District as follows:

<b>Governmental Activities</b>	\$	146,517
Administrative Services		18,270
District Support Services		3,308,890
Regular Instruction		4,237
Vocational Instruction		27,418
Community Education		6,154
Instructional Support		122,213
Pupil Service		15,230
Food Service		151,034
Sites, Buildings & Equipment		3,801,963
Total Depreciation Expense, Governmental Activities	\$	<u>3,801,963</u>

**NOTE 5 LONG-TERM LIABILITIES**

The District has issued general obligation school building bonds to finance the construction of capital facilities or to refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies are dedicated for the retirement of these bonds and loans. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

**A. Components of Long-Term Debt**

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
12/23/2008	4.00% - 6.00%	\$ 2,695,000	2/1/2019	\$ 310,000	\$ 640,000
2/19/2009	2.25% - 4.13%	19,370,000	2/1/2022	1,730,000	8,970,000
5/1/2013	2.00% - 2.13%	1,435,000	2/1/2024	120,000	910,000
1/13/2015	3.00% - 5.00%	17,555,000	2/1/2026	270,000	17,300,000
2/18/2015	3.00% - 5.00%	75,000,000	2/1/2039	-	75,000,000
12/30/2015	2.50% - 4.00%	6,830,000	2/1/2015	515,000	6,345,000
9/29/2016	3.00% - 5.00%	5,405,000	2/1/2037	165,000	5,290,000
Total General Obligation Bonds				3,110,000	114,455,000
Bond Premium - Net				-	4,953,629
Bond Discounts - Net				-	(65,575)
Certificates of Participation				-	-
Lease Purchase Obligations:					
Vehicle Lease				10,853	10,853
Technology Lease				122,611	289,334
Copier Equipment				47,034	79,676
Total Leases Purchase Obligations				180,498	389,863
Compensated Absences Payable				299,216	299,216
Total				\$ 3,588,714	\$ 125,202,133

**WACONIA PUBLIC SCHOOLS**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

**A. Components of Long-Term Debt (Continued)**

- 1. General Obligation School Building Bonds**  
 On February 18, 2015, the District issued \$75,000,000 General Obligation School Bonds, Series 2015B. These bonds were issued to finance acquisition and betterment of school sites and facilities.
- 2. General Obligation Capital Facilities Bonds**  
 On May 1, 2013, the District issued \$1,435,000 of General Obligation Capital Facilities Bonds, Series 2013A. These bonds were issued to finance acquisition and/or construction/improvement of capital facilities.  
 On September 29, 2016, the District issued \$5,405,000 General Obligation Facility Series 2016A. These bonds were issued for general maintenance projects.
- 3. General Obligation Refunding Bonds**  
 On February 19, 2009, the District issued \$19,370,000 of General Obligation School Building Refunding Bonds, Series 2009A to refund in advance of their stated maturities the remaining maturities of the General Obligation School Building Bonds, Series 1998A and the General Obligation School Building Bonds, Series 1999A. The original issue dates of the bonds refunded were December 1, 1998 and April 1, 1999, respectively.  
 On January 13, 2015, the District issued \$17,555,000 of General Obligation School Building Refunding Bonds, Series 2015A to advance refund the General Obligation School Building Bonds, Series 2005A dated July 1, 2005.  
 On December 30, 2015, the District issued \$6,830,000 of General Obligation School Building Refunding Bonds, Series 2015C to advance refund the General Obligation School Building Bonds, Series 2006A dated April 26, 2006.
- 4. General Obligation Taxable OPEB Bonds**  
 On December 23, 2008, the District issued \$2,695,000 General Obligation Taxable OPEB Bonds, Series 2008A. These bonds were issued to finance future other postemployment payments.  
 Assets of the Debt Service Fund and the OPEB Debt Service Fund, together with scheduled future ad valorem tax levies are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota Statute.
- 5. Certificates of Participation**  
 On July 29, 2017, the District issued \$3,160,000 Certificates of Participation, Series 2017A. This certificate was issued to finance acquisition and betterment of school sites and facilities.

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**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

**A. Components of Long-Term Debt (Continued)**

**6. Capital Lease**

On July 1, 2014, the District entered into a lease for two vehicles. Payments on the lease are due annually and commenced July 2014. Capital assets relating to the lease had a cost of \$42,469, current year depreciation of \$2,831 and accumulated depreciation of \$5,662 at June 30, 2017.

On January 28, 2014, the District entered into a lease for copier equipment. Payments on the lease are due monthly and commenced February 2014. Capital assets relating to the lease had a cost of \$221,015, current year depreciation of \$44,203 and accumulated depreciation of \$106,824 at June 30, 2017.

On May 3, 2017, the District entered into a lease for Apple products and services. Payments on the lease are due annually and commenced July 2017. Capital assets relating to the lease had a cost of \$107,280, current year depreciation of \$21,456 at June 30, 2017.

On August 3, 2016, the District entered into a lease for computers and iPads. Payments on the lease are due annually and commenced August 2016. Capital assets relating to the lease had a cost of \$291,874, current year depreciation of \$58,375 at June 30, 2017.

**B. Minimum Debt Payments**

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences payable are as follows:

Year Ending June 30,	General Obligation Bonds Payable	
	Principal	Interest
2018	\$ 3,110,000	\$ 4,162,306
2019	3,485,000	3,957,701
2020	4,300,000	4,445,394
2021	4,660,000	4,420,025
2022	5,055,000	4,464,094
2023 - 2027	26,460,000	18,359,419
2028 - 2032	26,505,000	11,421,956
2033 - 2037	30,595,000	6,883,811
2038 - 2039	13,445,000	895,188
<b>Total</b>	<b>\$ 117,615,000</b>	<b>\$ 59,009,894</b>

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

**B. Minimum Debt Payments (Continued)**

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2017:

Year Ending June 30,	Amount
2018	\$ 191,188
2019	160,381
2020	27,299
2021	27,276
<b>Total Minimum Lease Payments</b>	<b>406,144</b>
Less: Amounts Representing Interest	16,281
<b>Present Value of Net Minimum Lease Payments</b>	<b>\$ 389,863</b>

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

**Compensated Absences Payable**

Compensated absences payable consists of unused vacation, sick leave bank and severance benefits payable to employees upon retirement. All benefits are paid by the General and Special Revenue Funds. Annual payments to retire the severance benefits liability have not been determined and will depend on actual employee turnover. Resources for the payment of compensated absences benefits payable included in long-term liabilities will be provided primarily by the General Fund.

**Arbitrage Rebate Liability**

The Tax Reform Act of 1986 requires school districts and other governmental entities to pay to the federal government income earned on the proceeds from the issuance of debt in excess of interest costs, pending the expenditure of the borrowed funds. This rebate of interest income (known as arbitrage) applies to governmental debt issued after August 31, 1986.

Certain bond issues of the District are subject to the arbitrage rebate requirements. However, management does not expect to incur any significant arbitrage rebate liability.

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**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

**D. Changes in Long-Term Debt**

	June 30, 2016	Net Additions	Retirements	June 30, 2017
Bonds Payable	\$ 111,825,000	\$ 5,405,000	\$ 2,775,000	\$ 114,455,000
Bond Premium	5,048,088	374,220	468,659	4,953,629
Bond Discounts	(68,156)	-	(12,561)	(80,717)
Certificates of Participation Payable	-	3,160,000	-	3,160,000
Lease Purchase Obligations	145,776	399,154	155,067	389,863
Compensated Absences Payable	239,607	364,616	305,007	299,216
Total	<u>\$ 117,190,285</u>	<u>\$ 9,702,990</u>	<u>\$ 3,691,152</u>	<u>\$ 123,202,133</u>

**NOTE 6 RESTRICTED AND ASSIGNED FUND BALANCE**

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. Any such "restrictions" which have an accumulated deficit rather than a positive balance at June 30 are reported as a deficit balance because there is specific revenue authority under state accounting guidelines which will be utilized to eliminate the deficit. A description of these "deficit balance restrictions" is included herein since the District has specific statutory authority to levy taxes for such deficits.

Certain portions of fund balance are assigned as determined by Director of Finance and Operations. The authority to assign fund balance was provided by the Board of Education to the Director of Finance and Operations.

WACONIA PUBLIC SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 6 RESTRICTED AND ASSIGNED FUND BALANCE (CONTINUED)**

Restricted and assigned fund balances at June 30, 2017 are as follows:

	Restricted	Assigned
<b>General Fund:</b>		
Restricted for Staff Development	\$ 50,460	\$ -
Restricted for Area Learning Center	6,862	-
Restricted for Gifted and Talented	7,810	-
Restricted for Basic Skills Programs	84,073	-
Restricted for Health and Safety	1,866,557	-
Restricted for Operating Capital	91,715	-
Restricted for Safe Schools	51,994	-
Restricted for Long-Term Facilities Maintenance	18,409	-
Restricted for Medical Assistance	-	250,000
Assigned for Severance	-	250,000
Total General Fund	<u>2,167,880</u>	<u>250,000</u>
<b>Special Revenue Funds:</b>		
Food Service Fund:		
Restricted for Other Purposes	861,207	-
Community Service Fund:		
Restricted for School Readiness	40,120	-
Education Programs	431,393	-
Restricted for Early Childhood and Family Education Programs	41,424	-
Restricted for Other Purposes	55,510	-
Total Special Revenue Funds	<u>1,429,654</u>	<u>-</u>
<b>Capital Projects - Building Construction Fund</b>		
Restricted for Projects Funded by COP	2,915,589	-
Restricted for Long-Term Facilities Maintenance	55,978	-
Restricted for Construction	7,182,855	-
Total Capital Projects - Building Construction Fund	<u>10,154,422</u>	<u>-</u>
<b>Debt Service Fund:</b>		
Restricted for Debt Repayment	1,835,568	-
<b>OPER Debt Service Fund:</b>		
Restricted for Debt Repayment	76,438	-
Total All Funds	<u>\$ 15,663,982</u>	<u>\$ 250,000</u>

**A. Restricted for Health and Safety**

Restricted for Health and Safety represents available resources in the General Fund to be used for health and safety projects in accordance with an approved health and safety plan.

**B. Restricted for Staff Development**

Restricted for Staff Development represents unspent staff development revenues set aside from General Education Revenue that were restricted for staff development.

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NOTE 6 RESTRICTED AND ASSIGNED FUND BALANCE (CONTINUED)

- C. Restricted for Deferred Maintenance**  
Restricted for Deferred Maintenance represents available resources to be used only to provide for those activities having a useful life of five years or more. These include painting, carpet replacement, tuck pointing, replacement/repair of plumbing, electrical systems, HVAC and roofing. The cumulative excess/deficit of such revenue over expenditures is reported as a restriction of fund balance in the General Fund.
- D. Restricted for Learning and Development**  
Restricted for Learning and Development represents accumulated resources available to provide learning and development programs.
- E. Restricted for Area Learning Center**  
Restricted for Area Learning Center represents available resources to be used for students attending area learning centers.
- F. Restricted for Gifted and Talented**  
Restricted for Gifted and Talented represents accumulated resources available to provide gifted and talented programming.
- G. Restricted for Basic Skills Program**  
Restricted for the Basic Skills Program represents accumulated resources available to be used for the basic skills program.
- H. Restricted for Operating Capital**  
The District levies taxes and receives state aid to be used for the purchase of equipment, books and vehicles and to purchase, rent, improve and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.
- I. Restricted for Safe Schools**  
Restricted for Safe Schools represents the unspent resources available from the safe schools levy.
- J. Restricted for Community Education Programs**  
Restricted for Community Education Programs represents accumulated resources available to provide general community education programming.
- K. Restricted for Early Childhood and Family Education Programs**  
Restricted for Early Childhood and Family Education Programs represents accumulated resources available to provide services for early childhood and family education programming.

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NOTE 6 RESTRICTED AND ASSIGNED BALANCE (CONTINUED)

- L. Restricted for School Readiness**  
Restricted for School Readiness represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.
- M. Restricted for Long-Term Facilities Maintenance (LTFM)**  
Represents available resources to be used for LTFM capital projects in accordance with the 10-year plan.
- N. Restricted for Projects Funded by COP**  
Represents resources for projects funded by certificate of participation/lease purchase agreement with related lease levy authority.
- O. Restricted for Medical Assistance**  
Represents resources available to be used for medical assistance expenditures.
- P. Restricted for Other Purposes**  
Restricted for Other Purposes represents amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation, such as building expenditures, community service, and debt payments.

Other Restricted:	\$	861,207
Restricted for Food Service		55,510
Restricted for Community Service		1,835,588
Restricted for Bond Payments		2,752,305
Total Other Restricted		5,444,610

- Q. Assigned for Severance**  
Assigned for Severance represents set aside fund balance amounts to finance future severance payments to District employees upon retirement.



NOTE 7 PENSION PLANS

A. Plan Description

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Fund (TRA). PERA and TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. PERA and TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (General Employees Plan)

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 General Employees Plan. The General Employees members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Teachers Retirement Fund (TRA)

TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

Teachers employed in Minnesota's public elementary and secondary schools, charter 1 schools, and certain educational institutions maintained by the state (except those teachers employed by the city of St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by the Minnesota State College and Universities (MnState) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnState.

B. Benefits Provided

PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statute 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% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

TRA: Postretirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0%. After the TRA funded ratio exceeds 90% for two consecutive years, the annual postretirement benefit will increase to 2.5%.

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

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

1. General Employees Plan 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 PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

2. TRA Benefits

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 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

Tier 1	Step Rate Formula		Percentage
	First Ten Years of Service	All Years After	
Basic	2.2%	2.7%	per Year
Coordinated	1.2%	1.7%	per Year
	First Ten Years of Service are Up to July 1, 2006	First Ten Years of Service are Up to July 1, 2006 or After	
	All Other Years of Service if Services Years are Up to July 1, 2006	All Other Years of Service if Services Years are July 1, 2006 or After	

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)  
 Tier I Benefits (Continued)

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) 3.0% 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).

or

Tier II Benefits

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

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

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

NOTE 7 PENSION PLANS (CONTINUED)

C. Contributions

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

1. General Employees Plan Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in fiscal year 2017. In fiscal year 2017, the District was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members. The District's contributions to the General Employees Plan for the Plan's fiscal year ended June 30, 2017, were \$527,390. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year were:

	Ending June 30, 2017	
	Employee	Employer
Basic	11.0%	11.5%
Coordinated	7.5%	7.5%

The District's contributions to TRA for the Plan's fiscal year ended June 30, 2017, were \$1,585,298. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2017, the District reported a liability of \$8,233,177 for its proportionate share of the General Employees Plan's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing District and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$107,503. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the District's proportion was .1014% which was an increase of .0027% from its proportion measured as of June 30, 2015.

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NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$1,011,817 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$32,055 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At June 30, 2017, the District reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 24,367	\$ 668,823
Changes in Actuarial Assumptions	1,775,698	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	919,178	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	112,070	137,969
District Contributions Subsequent to the Measurement Date	\$ 527,390	-
Total	\$ 3,358,703	\$ 806,792

\$527,390 reported as deferred outflows of resources related to pensions resulting from District contributions to General Employees Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to General Employees Plan pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2018	\$ 541,356
2019	353,355
2020	832,412
2021	297,398

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NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs

At June 30, 2017, the District reported a liability of \$81,288,931 for its proportionate share of 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 TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was .3408% at the end of the measurement period and .3228% for the beginning of the period.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 81,288,931
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	8,159,126

For the year ended June 30, 2017, the District recognized pension expense of \$12,207,169. It also recognized \$1,139,310 as pension expense for the support provided by direct aid.

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NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 796,259	\$ 2,266
Changes in Actuarial Assumptions	46,354,046	-
Net Difference Between Projected and Actual Investment Earnings	3,516,613	-
Changes in Proportion Differences Between Contributions and Made and the District's Proportionate Share of Contributions	1,449,432	404,482
District Contributions Subsequent to the Measurement Date	1,585,298	-
Total	<u>\$ 53,701,646</u>	<u>\$ 406,748</u>

\$1,585,298 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2018	\$ 10,279,294
2019	10,279,294
2020	11,411,967
2021	10,548,293
2022	9,190,754

The District's total pension expense for all plans for the year ended June 30, 2017 was \$14,390,351 which includes \$1,171,365 for the support provided by direct aid.

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NOTE 7 PENSION PLANS (CONTINUED)

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	2.75%
Active Member Payroll Growth	3.25% per Year	3.50% Based on Years of Service
Investment Rate of Return	7.50%	8.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabled persons were based on RP 2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan and Correctional Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: one percent per year for all future years for the General Employees Plan.

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

The following changes in actuarial assumptions occurred in 2016:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

There was a change in actuarial assumptions that affected the measurement of the total liability for TRA since the prior measurement date for TRA. Post-retirement benefit adjustments are now assumed to stay level at 2.0% annually. While in the previous measurement the COLA increased to 2.5% in 2034.

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**NOTE 7 PENSION PLANS (CONTINUED)**

**E. Actuarial Assumptions (Continued)**

The State Board of Investment, which manages the investments of PERA and 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 arithmetic 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 Equity	45 %	5.50 %
International Equity	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Cash	2	0.50
<b>Totals</b>	<b>100 %</b>	

**F. Discount Rate**

The discount rate used to measure the total General Employees Plan pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund 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.

The discount rate used to measure the TRA pension liability was 4.66%. This is a decrease from the discount rate at the prior measurement date of 8.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2052 and, as a result, the Municipal Bond Index Rate was used in 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% was applied to periods on and after 2052, resulting in a SEIR of 4.66%. Based on Fiduciary Net Position at prior year measurement date, the discount rate of 8.00% was used and it was not necessary to calculate the SEIR.

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**NOTE 7 PENSION PLANS (CONTINUED)**

**G. Pension Liability Sensitivity**

The following 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 one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
General Employees Plan Discount Rate	6.50%	7.50%	8.50%
District's Proportionate Share of the GERR Net Pension Liability	\$ 11,693,951	\$ 8,233,177	\$ 5,115,146
TRA Discount Rate	3.66%	4.66%	5.66%
District's Proportionate Share of the TRA Net Pension Liability	\$ 104,720,462	\$ 81,288,931	\$ 62,204,714

**H. Pension Plan Fiduciary Net Position**

Detailed information about General Employees Plan's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at [www.fmpbera.org](http://www.fmpbera.org).

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org); by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-652-9026.

**NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN**

**A. Plan Description**

The District operates and administers a single-employer defined benefit other postemployment benefit plan (the Plan) that provides health and dental insurance to retired and active eligible employees and their spouses through the District's health insurance plan. There are 458 active participants and 32 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing the District's employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

**B. Funding Policy**

The District has assets restricted for OPEB. These assets are in qualified irrevocable trust which are included as a fiduciary fund in these financial statements. The District's investment policy is to follow state statutes as listed in Note 3. The District is assumed to make no future contributions to the trust. Benefit payments equal to the annual direct subsidy plus implicit subsidy are assumed to be made from the trust. Contribution requirements are also negotiated between the District and union representatives. The District contributes \$0 to \$4,200 of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2017, the District contributed \$84,747 to the plan.

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**NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**C. Net OPEB Liability (Asset) of the District**

The components of the net OPEB liability (asset) of the District at June 30, 2017, were as follows:

Total OPEB Liability	\$ 5,488,455
Plan Fiduciary Net Position	2,440,886
District's Net OPEB Liability (Asset)	\$ 3,047,569
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	44%

**D. Actuarial Methods and Assumptions**

The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payments of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return, and a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions above are not met.

The District's net OPEB liability (asset) was measured as of June 30, 2017, and the total OPEB liability (asset) used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2015. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll-forward techniques.

The total OPEB liability was determined by an actuarial valuation as of July 1, 2015 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	2.40%
Health Care Trend Rates	7.00% grading
Denial Trend Rates	to 5.00% over 8
	years
	4.00%

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2015.

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**NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**D. Actuarial Methods and Assumptions (Continued)**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (or target allocation), if available) and by adding expected inflation (2.50%). Best estimates of geometric real and nominal rates of return for each major asset class included in the OPEB plan's assets allocation as of the measurement date are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic Equity	0.00%	0.00%
International Equity	0.00%	0.00%
Fixed Income	95.00%	2.50%
Real Estate and Alternatives	0.00%	0.00%
Cash and Equivalents	5.00%	1.00%
Net Assumed Investment Return (Weighted Avg. Rounded to 1/4%)		2.40%

The discount rate used to measure the total OPEB liability was 3.20%. The projection of cash flows and OPEB trust assets used to determine the discount rate were based on recent employer contribution history and their stated funding policy. The OPEB trusts' long-term assumed investment return was used to discount projected benefit payments for as long as projected trust assets are available to fund OPEB payments. Once projected trust assets are exhausted, the municipal bond index rate was applied to the remaining expected benefit payments.

The expected employer asset return is based on the long-term expected return on short-term/cash equivalent assets using our capital market assumption model.

Since the most recent GASB 45 valuation, the following changes have been made:

- The actuarial cost method changed from using the Projected Unit Credit cost method to the Entry Age Normal level percentage of pay cost method.
- The discount rate was changed from 3.50% to 3.20%.

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**NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**E. Changes in the Net OPEB Liability (Asset)**

	Increase (Decrease)	Net OPEB Liability (Asset)
	(b)	(a) - (b)
Balances at June 30, 2016	\$ 5,136,277	\$ 2,589,110
Changes for the Year:		
Service Cost	413,072	413,072
Interest	173,853	173,853
Contributions-Employer	84,747	(84,747)
Net Investment Income	43,719	(43,719)
Benefit Payments	(234,747)	-
Net Changes	352,178	458,459
Balances at June 30, 2017	\$ 5,488,455	\$ 3,047,569

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.20%)	Discount Rate (3.20%)	1% Increase (4.20%)
Net OPEB Liability (Asset)	\$ 3,484,077	\$ 3,047,569	\$ 2,633,006

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1% point lower (Medical 6.00% decreased to 4.00%, Dental 3.00%) or 1% point higher (Medical 8.00% decreasing to 6.00%, Dental 5.00%) than the current healthcare cost trend rates:

	Healthcare Cost	Net OPEB Liability (Asset)
1% Decrease (Medical 6.00% decreasing to 4.00% over 8 years, Dental 3.00%)	\$ 2,296,683	\$ 3,962,126
Current Trend Rates (Medical 7.00% decreasing to 5.00% over 8 years, Dental 4.00%)	\$ 3,047,569	\$ 3,962,126
1% Increase (Medical 8.00% decreasing to 6.00% over 8 years, Dental 5.00%)	\$ 3,047,569	\$ 3,962,126

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**INDEPENDENT SCHOOL DISTRICT NO. 110**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**E. Changes in the Net OPEB Liability (Asset) (Continued)**

For the year ended June 30, 2017, the District recognized OPEB expense of \$529,476. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Liability	\$ -	\$ -
Change of Assumptions	-	-
Net Difference Between Projected and Actual Investment Earnings	13,730	-
Total	\$ 13,730	\$ -

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,	Future Recognition
2018	\$ 3,433
2019	3,433
2020	3,433
2021	3,431

At June 30, 2017, there are no payables or receivables between the District and the Trust.

**NOTE 9 FLEXIBLE BENEFIT PLAN**

The District has a flexible benefit plan which is classified as a "cafeteria plan" under Section 125 of the Internal Revenue Code. 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 health care and dependent care benefits.

Before the beginning of the plan year, which is 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.

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

Amounts withheld for medical reimbursement and dependent care are deposited into a separate District checking account on a monthly basis. All assets of the plan are held in a separate bank account, administered by an employee of the District. Payments are made by the District to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the participant.

WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 9 FLEXIBLE BENEFIT PLAN (CONTINUED)**

All plan property and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to eligible health care 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 JOINTLY GOVERNED ORGANIZATION**

The Carver-Scott Educational Cooperative (Organization) was established in 1976. The educational cooperative provides, by a cooperative effort, programming and services from prenatal care through adult education. The education cooperative has eight member districts. Each member district shares in the cost of the programming and other charges for services. The cooperative is able to recover the cost of its programming through the previously mentioned revenue sources. The jointly governed Organization's financial statements are audited and available for inspection.

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

**Federal and State Programs**

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 fund. 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.

**Outstanding Contracts**

The District had construction commitments in the amount of \$7,336,343 as of the end of the year.

**NOTE 12 DENTAL SELF-INSURANCE PLAN**

The District maintains an Internal Service Fund to account for and finance a self-insurance program for dental benefits. Accordingly, the District has not purchased outside insurance for the risks of losses to which it is exposed. Instead, the District management believes it is more economical to manage its risks internally and set aside assets for claim settlement. The Internal Service Fund currently services all claims and risk of loss to which the District is exposed for dental expenses. Participants in the program make premium payments to the fund based on the insurance premium.

District 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 such complex factors 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. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 12 DENTAL SELF-INSURANCE PLAN (CONTINUED)**

There were no liabilities in excess of claims paid at June 30, 2017. There is a possibility for loss if claims are in excess of the premiums collected. The District does not believe this occurrence would have a material financial effect on the District. The District held \$417,137 in cash and investments at June 30, 2017 for payment of claims.

Changes in the balance of claim liabilities during fiscal year 2017 and 2016 were as follows:

	Year Ended	
	2017	2016
Beginning of Fiscal Year Liability - Beginning of Year	\$ 54,359	\$ 14,258
Current Year Claims, Changes in Estimates and Other Charges	280,582	264,059
Current Year Claims Paid, Including an Estimate of Claims Incurred but Not Reported (IBNR)	(318,929)	(223,958)
End of Fiscal Year Liability - End of Year	\$ -	\$ 54,359

**NOTE 13 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is self-insured for employee related dental. The District purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 14 RESTATEMENT**

**Change in Accounting Principle**

During fiscal year ended June 30, 2017, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. These pronouncements require the restatement of the June 30, 2016 net position of the governmental activities.

**Prior Period Restatement**

The District restated beginning fund balance to correct an error in the previously issued financial statement. Capital Projects Fund's expenditures were understated by \$1,111,887 due to contracts payable that was not recorded in fiscal year 2016.



WACONIA PUBLIC SCHOOLS  
 INDEPENDENT SCHOOL DISTRICT NO. 110  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2017

**NOTE 14 RESTATEMENT (CONTINUED)**

Below are the effects of the Change in Accounting Principle and the Prior Period Restatement:

	Governmental Activities	Capital Projects Fund
Net Position/Fund Balance, June 30, 2016, as Previously Reported	\$ (2,705,100)	\$ 40,093,010
Change in Accounting Principle	(2,653,496)	-
Prior Period Restatement	(1,111,887)	(1,111,887)
Net Position, June 30, 2016, as Restated	\$ (6,470,485)	\$ 38,981,123

**NOTE 15 SUBSEQUENT EVENTS**

On August 21, 2017, the District issued two bonds which were \$5,040,000 General Obligation Tax Abatement Bonds, Series 2017B for parking lot improvements and \$7,290,000 General Obligation Bonds, Series 2017C for Long-Term Facilities Maintenance projects.

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net Investment in										
Capital Assets	\$ 9,841,898	\$ 9,457,304	\$ 8,510,582	\$ 8,199,555	\$ 8,822,026	\$ 10,007,409	\$ 11,389,031	\$ 11,321,128	\$ 11,479,331	\$ 5,807,583
Restricted	1,596,806	2,383,073	2,617,630	3,467,301	3,953,961	4,093,260	4,328,408	4,204,312	4,285,034	9,227,653
Unrestricted	1,523,700	1,740,099	3,943,852	5,977,880	6,266,080	5,998,858	4,637,153	(18,140,747)	(18,469,465)	(35,151,274)
Total Net Position	<u>\$ 12,962,404</u>	<u>\$ 13,580,476</u>	<u>\$ 15,072,064</u>	<u>\$ 17,644,736</u>	<u>\$ 19,042,067</u>	<u>\$ 20,099,527</u>	<u>\$ 20,354,592</u>	<u>\$ (2,615,307)</u>	<u>\$ (2,705,100)</u>	<u>\$ (20,116,038)</u>

Source: District Financial Records

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental Activities:										
Administration	\$ 1,085,586	\$ 1,013,146	\$ 1,190,533	\$ 1,100,028	\$ 1,105,937	\$ 1,185,292	\$ 1,579,237	\$ 1,256,052	\$ 1,350,014	\$ 1,852,247
District Support Services	587,606	768,150	595,052	870,878	939,357	1,047,117	1,440,407	1,398,057	1,660,958	1,758,135
Regular Instruction	12,153,673	13,256,827	14,442,221	15,371,902	16,503,443	17,594,355	19,036,578	20,273,422	21,900,480	32,057,885
Vocational Education Instruction	518,835	338,286	265,653	270,848	346,349	413,364	408,882	362,110	417,813	735,232
Special Education Instruction	4,766,290	4,303,015	4,232,136	4,389,411	4,882,438	5,056,191	5,606,463	5,836,488	6,795,348	9,590,186
Instructional Support Services	1,948,193	2,049,819	2,032,352	1,846,279	2,225,156	2,859,057	2,567,694	2,495,627	3,712,399	4,233,473
Pupil Support Services	2,096,560	2,075,816	2,236,582	2,573,202	2,884,822	2,839,968	2,944,890	3,050,299	3,263,934	3,848,279
Sites and Buildings	3,665,252	5,517,414	3,736,195	3,031,451	3,106,461	3,353,103	3,516,280	3,671,230	2,520,701	3,941,604
Fiscal and Other Fixed Cost Programs	154,360	87,015	94,822	192,066	70,967	87,149	89,735	93,455	89,127	94,107
Food Service	1,325,058	1,377,462	1,443,286	1,442,769	1,596,415	1,668,132	1,817,156	1,807,800	1,973,210	2,436,628
Community Service	2,012,873	2,034,796	2,165,587	2,205,171	2,326,715	2,429,624	2,719,357	2,639,812	2,726,005	3,144,737
Interest and Fiscal Charges on Long-Term Liabilities	2,939,992	3,018,574	2,605,855	2,330,186	2,256,513	2,198,818	2,207,947	4,335,993	4,046,110	3,680,423
Total Governmental Activities Expenses	\$ 33,254,278	\$ 35,840,320	\$ 35,040,274	\$ 35,624,191	\$ 38,244,573	\$ 40,732,170	\$ 43,934,626	\$ 47,220,345	\$ 50,456,099	\$ 67,372,936
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
Food Service	\$ 1,048,403	\$ 1,149,717	\$ 1,136,786	\$ 1,183,612	\$ 1,189,315	\$ 1,281,673	\$ 1,352,011	\$ 1,393,706	\$ 1,415,847	\$ 1,496,562
Community Service	1,542,626	1,647,476	1,701,356	1,798,990	1,979,716	2,004,843	2,270,370	1,971,744	2,075,431	2,253,114
Other	475,087	525,890	727,976	615,187	674,943	739,164	762,736	800,970	862,260	914,096
Operating Grants and Contributions	5,121,975	5,253,750	6,245,203	5,498,633	4,939,508	6,075,020	6,216,007	7,102,480	7,922,878	8,208,183
Capital Grants and Contributions	375,897	398,071	221,898	250,639	297,358	376,121	413,101	585,575	577,212	589,518
Total Program Revenues - Governmental Activities	\$ 8,563,988	\$ 8,974,904	\$ 10,033,219	\$ 9,347,061	\$ 9,080,840	\$ 10,476,821	\$ 11,014,225	\$ 11,854,475	\$ 12,853,628	\$ 13,461,473
Net (Expense) Revenue - Governmental Activities	\$ (24,690,290)	\$ (26,865,416)	\$ (25,007,055)	\$ (26,277,130)	\$ (29,163,733)	\$ (30,255,349)	\$ (32,920,401)	\$ (35,365,870)	\$ (37,602,471)	\$ (53,911,463)
<b>General Revenues</b>										
Governmental Activities:										
Property Taxes:										
General Purposes	\$ 4,130,607	\$ 4,662,360	\$ 4,102,229	\$ 6,229,595	\$ 4,498,275	\$ 4,414,769	\$ 2,726,754	\$ 4,112,294	\$ 3,887,676	\$ 3,959,064
Community Service	195,692	172,676	251,672	389,064	277,905	287,475	151,055	261,112	269,568	247,167
Debt Service	4,321,538	4,749,102	4,721,700	4,864,402	5,129,084	5,540,861	5,744,570	6,038,486	6,839,549	6,971,121
Unrestricted Grants and Contributions	16,718,048	17,603,564	17,002,869	17,254,595	20,541,626	20,950,725	24,248,424	24,551,090	26,062,381	28,649,861
Unrestricted Investment Earnings	471,550	181,056	42,674	9,063	9,920	15,896	21,596	45,007	263,181	304,783
Gain on Sale of Capital Assets	-	-	-	-	3,300	-	-	-	2,800	2,150
Miscellaneous	57,745	114,730	377,499	103,083	100,954	103,083	283,067	123,958	187,523	131,764
Total General Revenues - Governmental Activities	\$ 25,895,180	\$ 27,483,488	\$ 26,498,643	\$ 28,849,802	\$ 30,561,064	\$ 31,312,809	\$ 33,175,466	\$ 35,131,947	\$ 37,512,678	\$ 40,265,910
Change in Net Position	\$ 1,204,890	\$ 618,072	\$ 1,491,588	\$ 2,572,672	\$ 1,397,331	\$ 1,057,460	\$ 255,065	\$ (233,923)	\$ (89,793)	\$ (13,645,553)
Net Position - Beginning of Year	11,757,514	12,962,404	13,580,476	15,072,064	17,644,736	19,042,067	20,099,527	20,354,592	(2,615,307)	(2,705,100)
Prior Period Restatement	-	-	-	-	-	-	-	-	-	(1,111,887)
Change in Accounting Principle	-	-	-	-	-	-	-	(22,735,976)	-	(2,653,498)
Net Position - End of Year	\$ 12,962,404	\$ 13,580,476	\$ 15,072,064	\$ 17,644,736	\$ 19,042,067	\$ 20,099,527	\$ 20,354,592	\$ (2,615,307)	\$ (2,705,100)	\$ (20,116,038)

Source: District Financial Records

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Fund</b>										
Nonspendable	\$ 14,235	\$ 26,101	\$ 13,524	\$ 10,892	\$ 11,462	\$ 7,411	\$ 30,797	\$ 29,399	\$ 21,030	\$ 92,523
Restricted	523,403	1,830,569	1,957,960	2,392,450	2,396,543	2,173,758	2,371,508	2,553,214	2,374,590	2,167,880
Assigned	-	-	-	1,076,930	1,076,930	1,025,180	678,866	626,930	453,109	250,000
Unassigned	2,787,172	2,102,073	3,677,589	4,594,704	4,807,434	4,504,155	3,785,963	3,683,372	3,369,412	2,033,058
<b>Total General Fund</b>	<b>3,324,810</b>	<b>3,958,743</b>	<b>5,649,073</b>	<b>8,074,976</b>	<b>8,292,369</b>	<b>7,710,504</b>	<b>6,867,134</b>	<b>6,892,915</b>	<b>6,218,141</b>	<b>4,543,461</b>
<b>All Other Governmental Funds</b>										
Nonspendable	19,839	27,323	19,907	12,928	72,251	65,833	72,828	37,272	41,854	29,500
Restricted For:										
Food Service Fund	316,266	380,394	484,701	669,659	724,002	831,220	920,715	1,033,440	1,065,404	861,207
Community Service Fund	236,820	122,672	126,122	217,678	418,366	533,101	602,181	615,885	570,345	568,447
Capital Projects Fund	2,666,707	1,815,033	906,382	-	-	353,591	22,306	68,507,316	41,094,378	10,154,422
Debt Service Fund	717,659	929,182	979,615	989,488	1,036,200	1,166,346	1,032,370	1,139,801	1,457,167	1,835,588
OPEB Debt Service Fund	-	30,630	24,653	48,714	64,072	77,432	78,279	83,570	84,677	76,438
Unassigned	-	-	-	-	-	-	-	-	(1,001,368)	-
<b>Total Other Funds</b>	<b>3,957,291</b>	<b>3,305,234</b>	<b>2,541,380</b>	<b>1,938,467</b>	<b>2,314,891</b>	<b>3,027,523</b>	<b>2,728,679</b>	<b>71,417,284</b>	<b>43,312,457</b>	<b>13,525,602</b>
<b>Total All Funds</b>	<b>\$ 7,282,101</b>	<b>\$ 7,263,977</b>	<b>\$ 8,190,453</b>	<b>\$ 10,013,443</b>	<b>\$ 10,607,260</b>	<b>\$ 10,738,027</b>	<b>\$ 9,595,813</b>	<b>\$ 78,310,199</b>	<b>\$ 49,530,598</b>	<b>\$ 18,069,063</b>

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Local Sources:										
Property Taxes	\$ 8,630,131	\$ 9,449,363	\$ 9,004,160	\$ 11,535,689	\$ 9,908,566	\$ 10,272,700	\$ 8,707,235	\$ 10,436,307	\$ 11,016,257	\$ 11,177,391
Earnings on Investments	465,508	177,797	41,593	8,869	9,700	15,582	21,182	44,555	261,954	302,534
Other	3,123,865	3,443,655	3,657,116	3,701,574	3,950,052	4,155,371	4,696,441	4,304,684	4,546,702	4,815,133
State Sources	21,679,497	22,123,180	20,601,863	21,030,054	24,549,861	26,204,247	29,689,450	30,991,185	32,885,187	34,654,150
Federal Sources	536,420	943,645	2,968,917	1,973,111	1,228,631	1,166,407	1,156,870	936,799	1,391,504	1,422,817
<b>Total Revenues</b>	<b>34,435,421</b>	<b>36,137,640</b>	<b>36,273,649</b>	<b>38,249,297</b>	<b>39,646,810</b>	<b>41,814,307</b>	<b>44,271,178</b>	<b>46,713,530</b>	<b>50,101,804</b>	<b>52,372,025</b>
<b>Expenditures</b>										
Current:										
Administration	978,086	977,759	1,072,698	979,092	993,502	1,035,149	1,092,204	1,130,873	1,197,254	1,239,950
District Support Services	492,615	869,058	699,621	859,786	906,629	1,005,467	1,371,248	1,426,491	1,556,443	1,770,509
Regular Instruction	10,606,103	13,014,070	11,846,171	12,563,078	13,799,078	14,904,458	16,141,927	17,431,103	18,652,690	19,844,921
Vocational Education Instruction	474,564	220,392	263,599	263,981	351,926	411,202	401,909	350,479	407,835	562,394
Special Education Instruction	4,795,670	4,804,400	4,228,025	4,381,756	4,898,550	5,048,730	5,577,461	5,726,449	6,639,325	7,633,556
Instructional Support Services	1,810,197	2,049,732	1,658,657	1,746,635	1,899,754	2,003,611	2,096,528	2,346,130	2,494,787	2,715,986
Pupil Support Services	2,090,873	2,119,741	2,254,087	2,559,808	2,874,658	2,836,515	2,940,686	3,050,469	3,223,789	3,488,037
Sites and Buildings	2,621,320	2,952,020	2,509,860	2,404,040	2,429,479	3,063,647	3,184,939	3,143,645	3,290,769	3,794,790
Fiscal and Other Fixed Cost Programs	154,360	167,194	94,822	70,677	70,987	87,149	89,735	93,455	89,127	94,107
Food Service	1,284,404	1,457,120	1,396,674	1,413,208	1,520,520	1,631,378	1,769,267	1,799,296	1,916,419	2,236,850
Community Service	2,021,688	2,200,044	2,153,525	2,184,509	2,297,532	2,394,753	2,697,221	2,524,264	2,686,815	2,860,741
Capital Outlay	6,268,423	3,063,361	2,405,364	1,584,512	1,419,387	3,447,552	2,055,557	7,252,922	27,943,691	38,753,620
Debt Service:										
Principal	1,484,541	1,256,425	2,450,488	2,811,727	3,186,567	3,654,532	4,316,620	4,464,683	4,805,808	2,930,067
Interest and Fiscal Charges	3,014,587	3,073,613	2,672,045	2,639,590	2,407,744	2,331,607	2,249,541	4,195,008	4,396,256	3,997,347
Bond Issuance Costs	-	-	-	-	-	-	-	294,269	48,955	137,322
<b>Total Expenditures</b>	<b>38,097,431</b>	<b>38,224,929</b>	<b>35,705,436</b>	<b>36,462,399</b>	<b>39,056,293</b>	<b>43,855,750</b>	<b>45,984,643</b>	<b>55,229,536</b>	<b>79,349,963</b>	<b>92,062,197</b>
Excess (Deficiency) of Revenues Over Expenditures	(3,662,010)	(2,087,289)	568,213	1,786,898	590,517	(2,041,443)	(1,713,665)	(8,516,006)	(29,248,359)	(39,690,172)
<b>Other Financing Sources (Uses)</b>										
Sale of Equipment Proceeds	-	-	2,597	1,856	3,300	-	6,381	2,839	2,800	2,150
Sale of Real Property Proceeds	-	-	200	-	-	-	-	-	-	8,565,000
Insurance Recovery Proceeds	-	-	185,691	-	-	4,604	2,955	-	-	-
Issuance of Bonds	-	22,269,165	-	4,105,000	-	1,435,000	-	75,000,000	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	-	17,555,000	6,830,000	-
Issuance of Capital Lease	-	(20,200,000)	169,775	-	-	698,428	221,015	42,462	-	399,154
Bond Premium	-	-	-	169,236	-	34,178	341,100	4,915,091	595,958	374,220
Payment to Refunded Bond Escrow Agent	-	-	-	(4,240,000)	-	-	-	(20,285,000)	(6,960,000)	-
Transfers In	-	30,630	-	-	-	-	32,889	22,316	-	-
Transfers Out	-	(30,630)	-	-	-	(32,889)	-	(22,316)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>2,069,165</b>	<b>358,263</b>	<b>38,092</b>	<b>3,300</b>	<b>2,172,210</b>	<b>571,451</b>	<b>77,230,392</b>	<b>468,758</b>	<b>9,340,524</b>
<b>Net Change in Fund Balances</b>	<b>(3,662,010)</b>	<b>(18,124)</b>	<b>926,476</b>	<b>1,822,990</b>	<b>593,817</b>	<b>130,767</b>	<b>(1,142,214)</b>	<b>68,714,386</b>	<b>(28,779,601)</b>	<b>(30,349,648)</b>
Fund Balance - Beginning of Year	10,944,111	7,282,101	7,263,977	8,190,453	10,013,443	10,607,260	10,738,027	9,595,813	78,310,199	49,530,598
Prior Period Restatement	-	-	-	-	-	-	-	-	-	(1,111,887)
Fund Balance - Beginning of Year, As Restated	10,944,111	7,282,101	7,263,977	8,190,453	10,013,443	10,607,260	10,738,027	9,595,813	78,310,199	48,418,711
<b>Fund Balance - End of Year</b>	<b>\$ 7,282,101</b>	<b>\$ 7,263,977</b>	<b>\$ 8,190,453</b>	<b>\$ 10,013,443</b>	<b>\$ 10,607,260</b>	<b>\$ 10,738,027</b>	<b>\$ 9,595,813</b>	<b>\$ 78,310,199</b>	<b>\$ 49,530,598</b>	<b>\$ 18,069,063</b>
Debt Service as a Percentage of Noncapital Expenditures	13.8%	15.4%	14.1%	15.4%	15.4%	15.6%	14.9%	16.4%	17.9%	13.0%

Source: District Financial Records

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS**

Payable Year	Tax Capacity Valuation					Referendum Taxable Market Value	Tax Capacity as a Percentage of Market Value	Total Direct Tax Rate
	Agricultural Property	Non Agricultural Property	Personal Property	Tax Increment Property	Total Taxable			
2008	\$ 1,946,379	\$ 21,517,677	\$ 219,282	\$ (117,877)	\$ 23,565,461	\$ 1,972,298,950	1.20 %	28.96 %
2009	1,995,920	22,316,319	244,160	(123,944)	24,432,455	2,018,349,325	1.19	26.52
2010	2,060,850	22,636,200	254,733	(170,058)	24,781,725	2,019,714,550	1.21	26.94
2011	1,809,232	21,051,341	289,194	(157,379)	22,992,388	1,894,037,350	1.23	31.14
2012	1,707,109	19,565,682	341,130	(123,976)	21,489,945	1,845,055,600	1.21	34.38
2013	1,842,076	17,964,750	367,764	(107,544)	20,067,046	1,707,374,400	1.16	38.50
2014	2,095,462	18,777,755	375,380	(228,320)	21,020,277	1,782,697,550	1.18	36.31
2015	2,196,803	20,653,626	419,878	(254,853)	23,015,454	2,005,291,250	1.15	35.25
2016	2,176,839	22,153,658	477,026	(281,244)	24,526,279	2,144,821,250	1.14	33.23
2017	2,189,162	23,061,834	559,156	(299,378)	25,510,774	2,223,889,450	1.15	31.24

Source: State of Minnesota School Tax Report, Carver County Auditor

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
TEN LARGEST TAXPAYERS – CARVER COUNTY  
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2017 Net		% of Total Net Tax Capacity \$ 25,810,152	2008 Net		% of Total Net Tax Capacity \$ 23,143,527
	Tax Capacity	Rank		Tax Capacity	Rank	
Ridgeview Real Estate LLC	\$ 313,248	1	1.21 %	\$ -	-	
Jerry's Enterprises Inc	289,644	2	1.12	-	-	
Northern States Power Co.	267,320	3	1.04	-	-	
Target Corporation	229,068	4	0.89	-	-	
Great River Energy	181,878	5	0.70	-	-	
Centerpoint Energy Minnegasco	153,160	6	0.59	-	-	
Northern Natural Gas	133,639	7	0.52	-	-	
Lakeview Clinic Building Corp.	124,664	8	0.48	-	-	
Elkay Wood Products Company	110,406	9	0.43	-	-	
Auburn Meadows LLC	102,308	10	0.40	-	-	
Medallion Cabinetry Inc.	-			232,842	1	1.01 %
Plowshares Development LLC	-			191,700	2	0.83
Great River Energy	-			178,048	3	0.77
Jerry's Enterprises Inc.	-			123,240	4	0.53
Mattamy Partnership	-			113,820	5	0.49
D R Horton Inc	-			113,744	6	0.49
Excel Energy	-			106,649	7	0.46
Legacy Holdings	-			80,602	8	0.35
Lakeview Clinic Bldg. Corp.	-			79,699	9	0.34
MMC Property	-			73,848	10	0.32
<b>Total</b>	<b>\$ 1,905,335</b>		<b>7.38 %</b>	<b>\$ 1,294,192</b>		<b>5.59 %</b>

Source: Carver County Auditor

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

For Taxes Collectible	Net Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount (1)	% of Levy		Amount	% of Levy
2008	\$ 9,774,157	\$ 9,539,151	97.6 %	\$ 183,524	\$ 9,722,675	99.5 %
2009	9,266,821	9,011,865	97.2	238,310	9,250,175	99.8
2010	9,495,827	9,281,762	97.7	217,366	9,493,163	100.0
2011	10,529,915	10,423,711	99.0	149,641	10,529,915	100.0
2012	10,112,742	10,014,047	99.0	92,595	10,100,378	99.9
2013	10,631,233	10,555,589	99.3	72,040	10,625,970	100.0
2014	10,428,870	10,366,167	99.4	42,141	10,403,298	99.8
2015	11,029,353	10,966,161	99.4	55,991	10,966,161	99.4
2016	11,261,392	11,163,182	99.1	-	11,163,182	99.1
2017	11,266,658	5,389,343	47.8	-	5,389,343	47.8

(1) Notes: Includes abatements and any property tax credits paid through state aids included in the collections.

Source: State of Minnesota School Taxes Receivable Report, Carver and Hennepin County Auditor



**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

**Legal Debt Margin Calculation for Fiscal Year 2017**

Assessed Value	\$ 2,731,409,969
Debt Limit (15% of assessed value)	409,711,495
Debt applicable to limit	124,265,000
Legal debt margin	<u>\$ 285,446,495</u>

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 320,975,497	\$ 331,322,010	\$ 336,179,250	\$ 302,040,377	\$ 293,841,863	\$ 274,035,443	\$ 291,879,427	\$ 328,612,012	\$ 350,190,195	\$ 409,711,495
Total Debt Applicable to the Limit	60,225,000	60,885,000	58,525,000	55,710,000	52,680,000	50,725,000	46,785,000	114,875,000	111,825,000	124,265,000
Legal Debt Margin	\$ 260,750,497	\$ 270,437,010	\$ 277,654,250	\$ 246,330,377	\$ 241,161,863	\$ 223,310,443	\$ 245,094,427	\$ 213,737,012	\$ 238,365,195	\$ 285,446,495
Total Debt Applicable to the Limit as a % of Debt Limit	18.76%	18.38%	17.41%	18.44%	17.93%	18.51%	16.03%	34.96%	31.93%	30.33%

Note: Under state finance law, the District's outstanding general obligation debt should not exceed 15 percent of total market value. The percentages listed above represent the percentage of the legal debt limit used. Anything over 100% would indicate that the district was exceeding the debt limit.

Source: District Financial Records and Minnesota Department of Education

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
OUTSTANDING DEBT BY TYPE  
GENERAL OBLIGATION BONDS**

Fiscal Year	Bonded Debt	Capital Lease	Aid & Tax Anticipation Certificates	Resources Restricted for Repayment	Total Primary Government	Referendum Taxable Market Value	% of Personal Income	Outstanding Debt per Capita
2008	\$ 60,225,000	\$ 1,914,846	\$ -	\$ (717,659)	\$ 61,422,187	\$ 1,972,298,950	3.1 %	\$ 3,192.00
2009	60,885,000	1,863,421	-	(929,182)	61,819,239	2,018,349,325	3.1	3,213.00
2010	58,525,000	1,942,708	-	(979,615)	59,488,093	2,019,714,550	2.9	3,092.00
2011	55,710,000	1,810,981	-	(989,488)	56,531,493	1,894,037,350	3.0	2,938.00
2012	52,680,000	1,654,414	-	(1,036,200)	53,298,214	1,845,055,600	2.9	2,770.00
2013	50,725,000	2,088,310	-	(1,166,346)	51,646,964	1,707,374,400	3.0	2,684.00
2014	46,785,000	2,273,805	-	(1,032,370)	48,026,435	1,782,697,550	2.7	2,496.00
2015	114,875,000	2,031,584	-	(1,139,801)	115,766,783	2,005,291,250	5.8	5,575.00
2016	111,825,000	145,776	-	(1,457,167)	110,513,609	2,144,821,250	5.2	5,322.00
2017	114,455,000	299,334	-	(1,835,588)	112,918,746	2,223,889,450	5.1	5,615.00

Note 1: Details regarding the District's current outstanding debt can be found in the notes to the basic financial statements.

Source: District Records

**WACONIA PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 110**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY (ASSET) AND RELATED RATIOS**  
**JUNE 30, 2017**

<b>Total OPEB Liability</b>	<b>\$ 413,072</b>
Service Cost	173,853
Interest	(234,747)
Benefit Payments	352,178
<b>Net Change in Total OPEB Liability</b>	<b>5,136,277</b>
<b>Total OPEB Liability - beginning</b>	<b>\$ 5,488,455</b>
<b>Total OPEB Liability - ending (a)</b>	<b>\$ 5,488,455</b>

<b>Plan Fiduciary Net Position</b>	<b>\$ 84,747</b>
Contributions - Employer	43,719
Net Investment Income	(234,747)
Benefit Payments	(106,281)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>2,547,167</b>
<b>Plan Fiduciary Net Position - beginning</b>	<b>\$ 2,440,886</b>
<b>Plan Fiduciary Net Position - ending (b)</b>	<b>\$ 2,440,886</b>

**District's Net OPEB Liability - ending (a) - (b)**      \$ 3,047,569

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability      44.47%

Covered Employee Payroll      \$ 22,691,454

District's Net OPEB Liability as a Percentage of Covered Employee Payroll      13.43%

The District implemented GASB Statement Nos 74 and 75 in fiscal year 2017, and the above table will be expanded to 10 years of information as the information becomes available.

**WACONIA PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 110**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF MONEY WEIGHTED RATE OF RETURN ON PLAN ASSETS**  
**JUNE 30, 2017**

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	1.70%

The District implemented GASB Statement Nos 74 and 75 in fiscal year 2017, and the above table will be expanded to 10 years of information as the information becomes available.

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
LAST TEN YEARS**

	2017	2016	2015	2014
<b>PERA</b>				
Contractually Required Contribution	\$ 527,390	\$ 471,607	\$ 429,356	\$ 395,064
Contributions in Relation to the Contractually Required Contribution	(527,390)	(471,607)	(429,356)	(395,064)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 7,031,866	\$ 6,288,093	\$ 5,810,167	\$ 5,449,166
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.39%	7.25%
<b>TRA</b>				
Contractually Required Contribution	\$ 1,585,298	\$ 1,337,560	\$ 1,239,458	\$ 1,100,834
Contributions in Relation to the Contractually Required Contribution	(1,585,298)	(1,337,560)	(1,239,458)	(1,100,834)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 21,137,307	\$ 17,834,400	\$ 16,526,173	\$ 15,726,289
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.00%

NOTE: Information is presented prospectively and an accumulation of 10 years will be provided.

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST TEN YEARS**

	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
<b>PERA</b>			
District's Proportion of the Net Pension Liability	0.1014%	0.0987%	0.1038%
District's Proportionate Share of the Net Pension Liability	\$ 8,233,177	\$ 5,115,146	\$ 4,876,004
State's Proportionate Share of the Net Pension Liability Associated with District	107,503	-	-
Total Districts and State's Proportionate Share of the Net Pension Liability	\$ 8,340,680	\$ 5,115,146	\$ 4,876,004
District's Covered Payroll	\$ 6,288,093	\$ 5,810,167	\$ 5,449,166
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	130.93%	88.04%	89.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.91%	78.20%	78.70%
<b>TRA</b>			
District's Proportion of the Net Pension Liability	0.3408%	0.3228%	0.3445%
District's Proportionate Share of the Net Pension Liability	\$ 81,288,931	\$ 19,966,372	\$ 15,874,310
State's Proportionate Share of the Net Pension Liability Associated with District	8,159,126	2,449,348	1,116,630
Total Districts and State's Proportionate Share of the Net Pension Liability	\$ 89,448,057	\$ 22,417,720	\$ 16,990,940
District's Covered Payroll	\$ 17,834,400	\$ 16,526,173	\$ 15,726,289
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	455.80%	120.83%	100.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44.88%	76.80%	81.50%

Note: Information is presented prospectively and an accumulation of 10 years will be provided.

**WACONIA PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 110**  
**GENERAL FUND**  
**BALANCE SHEET**  
**JUNE 30, 2017**  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)

	2017	2016
<b>ASSETS</b>		
Cash and Investments	\$ 5,859,181	\$ 6,833,932
Receivables:		
Current Taxes	2,009,984	2,101,776
Delinquent Taxes	35,682	34,921
Accounts Receivable	10,903	15,822
Due from Other Funds	11,786	43,701
Due from Other Minnesota School Districts	53,757	27,037
Due from Minnesota Department of Education	3,494,917	2,388,525
Due from Federal through the Minnesota Department of Education	227,851	122,820
Due from Other Governmental Units	246,924	208,443
Interest Receivable	14,121	24,812
Prepaid Items	92,553	21,030
Total Assets	<u>\$ 12,657,649</u>	<u>\$ 13,822,413</u>

	2017	2016
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>		
Liabilities:		
Salaries Payable	\$ 3,405,039	\$ 3,081,977
Accounts and Contracts Payable	322,387	373,466
Due to Other Minnesota School Districts	105,109	154,914
Due to Other Funds	-	195,578
Due to Other Governmental Units	32,523	64,772
Unearned Revenue	148,922	161,557
Total Liabilities	<u>4,013,980</u>	<u>4,012,264</u>
Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	3,481,889	3,573,852
Unavailable Revenue - Delinquent Property Taxes	18,319	16,162
Total Deferred Inflows of Resources	<u>3,500,208</u>	<u>3,590,014</u>
Fund Balance:		
Nonspendable	92,523	21,030
Restricted for:		
Staff Development	50,460	42,394
Deferred Maintenance	-	80,326
Learning and Development	6,862	154,466
Area Learning Center	7,810	90,242
Gifted and Talented	84,073	492
Basic Skills Programs	1,856,557	87,866
Operating Capital	91,715	1,759,482
Site Schools	51,994	139,322
Long-Term Facilities Maintenance	18,409	-
Medical Assistance	-	-
Assigned for:		
Assigned for Pool Operations	250,000	253,109
Assigned for Severance	2,033,058	200,000
Unassigned	4,543,461	3,369,412
Total Fund Balance	<u>\$ 12,057,649</u>	<u>\$ 13,822,419</u>

**WACONIA PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 110**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2017**  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	2017		2016	
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 4,072,204	\$ 3,958,907	\$ (113,297)	\$ 3,901,221
Earnings on Investments	40,000	36,832	(3,168)	25,927
Other	925,720	1,060,957	135,237	1,048,546
State Sources	33,388,950	34,032,404	633,454	32,373,993
Federal Sources	864,161	897,292	33,131	906,961
Total Revenues	<u>39,301,035</u>	<u>39,886,392</u>	<u>585,357</u>	<u>38,256,648</u>

	2017		2016	
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
<b>EXPENDITURES</b>				
Current:				
Administration:				
Salaries	850,829	851,020	191	818,660
Employee Benefits	286,550	286,043	(507)	282,927
Purchased Services	32,093	36,582	4,489	29,460
Supplies and Materials	37,154	32,387	(4,767)	30,283
Other Expenditures	36,985	31,918	(5,067)	26,324
Total Administration	<u>1,255,611</u>	<u>1,239,950</u>	<u>(15,661)</u>	<u>1,197,254</u>

	2017		2016	
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
District Support Services:				
Salaries	1,011,035	1,018,110	7,075	881,538
Employee Benefits	372,168	394,061	21,893	336,166
Purchased Services	240,597	238,565	(2,032)	244,932
Supplies and Materials	107,739	101,710	(6,029)	79,580
Capital Expenditures	17,333	10,815	(6,518)	44,176
Other Expenditures	21,825	18,063	(3,762)	14,227
Total District Support Services	<u>1,770,697</u>	<u>1,781,324</u>	<u>10,627</u>	<u>1,600,619</u>

	2017		2016	
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
Elementary and Secondary Regular Instruction:				
Salaries	13,743,045	13,857,913	114,868	12,895,630
Employee Benefits	4,262,147	4,427,163	165,016	4,400,035
Purchased Services	679,852	782,408	102,556	781,277
Supplies and Materials	756,134	663,707	(92,427)	563,094
Capital Expenditures	213,001	344,333	131,332	293,747
Other Expenditures	118,585	113,730	(4,855)	12,654
Total Elementary and Secondary Regular Instruction	<u>19,772,764</u>	<u>20,189,254</u>	<u>416,490</u>	<u>18,946,437</u>

**WACONIA PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 110**  
**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL (CONTINUED)**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	2017		2016	
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
<b>EXPENDITURES (Continued)</b>				
Current (Continued):				
Vocational Education Instruction:				
Salaries	\$ 314,197	\$ 318,514	\$ 4,317	\$ 242,062
Employee Benefits	106,316	107,012	696	82,498
Purchased Services	67,116	101,970	34,854	65,802
Supplies and Materials	15,294	32,821	17,527	17,025
Other Expenditures	5,141	2,077	(3,064)	448
Total Vocational Education Instruction	508,064	562,394	54,330	407,835
Special Education Instruction:				
Salaries	5,076,357	5,287,882	211,525	4,559,584
Employee Benefits	1,675,284	2,068,134	392,850	1,713,685
Purchased Services	147,878	162,161	14,283	160,096
Supplies and Materials	95,487	77,374	(18,113)	140,589
Capital Expenditures	22,500	17,863	(4,637)	17,262
Other Expenditures	49,610	20,142	(29,468)	57,050
Total Special Education Instruction	7,087,116	7,633,556	566,440	6,648,266
Instructional Support Services:				
Salaries	1,667,149	1,678,789	11,640	1,527,869
Employee Benefits	584,016	589,361	5,345	558,786
Purchased Services	229,394	185,022	(44,372)	211,444
Supplies and Materials	247,787	233,273	(14,514)	78,059
Capital Expenditures	162,362	154,664	(7,698)	124,788
Other Expenditures	10,430	8,620	(1,810)	118,629
Total Instructional Support Services	2,901,138	2,849,729	(51,409)	2,619,575
Pupil Support Services:				
Salaries	687,269	693,041	5,772	654,144
Employee Benefits	278,486	276,809	(1,677)	244,091
Purchased Services	2,391,045	2,466,861	75,816	2,281,644
Supplies and Materials	36,809	47,235	10,426	43,177
Other Expenditures	5,400	4,091	(1,309)	733
Total Pupil Support Services	3,399,009	3,488,037	89,028	3,223,789

**WACONIA PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 110**  
**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL (CONTINUED)**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	2017		2016	
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
<b>EXPENDITURES (Continued)</b>				
Current (Continued):				
Sites and Buildings:				
Salaries	\$ 1,189,974	\$ 1,205,422	\$ 15,448	\$ 1,130,832
Employee Benefits	411,386	461,583	50,197	405,961
Purchased Services	1,198,865	1,222,980	24,115	1,318,637
Supplies and Materials	515,900	516,431	931	384,206
Capital Expenditures	367,924	610,768	242,844	747,058
Other Expenditures	55,400	59,699	4,299	51,133
Total Sites and Buildings	3,739,049	4,076,893	337,844	4,037,827
Fiscal and Other Fixed Cost Programs:				
Employee Benefits	205,855	-	(205,855)	-
Purchased Services	95,000	94,107	(893)	89,127
Total Fiscal and Other Fixed Costs Programs	300,855	94,107	(206,748)	89,127
Debt Service:				
Principal	150,475	141,478	(8,997)	156,385
Interest and Fiscal Charges	150,475	5,654	5,654	7,108
Total Debt Service	300,950	147,132	(3,343)	163,493
Total Expenditures	40,864,778	42,062,376	1,197,598	38,934,222
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,563,743)	(2,075,984)	(512,241)	(677,574)
<b>OTHER FINANCING SOURCES</b>				
Sale of Capital Assets	1,500	2,150	650	2,800
Capital Lease Proceeds	-	399,154	399,154	-
Total Other Financing Sources	1,500	401,304	399,804	2,800
Net Change in Fund Balance	\$ (1,562,243)	(1,674,680)	\$ (112,437)	(674,774)
<b>FUND BALANCE</b>				
Beginning of Year		6,218,141		6,892,915
End of Year		\$ 4,543,461		\$ 6,218,141

WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
FOOD SERVICE SPECIAL REVENUE FUND  
BALANCE SHEET  
JUNE 30, 2017

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)

	2017	2016
<b>ASSETS</b>		
Cash and Investments	\$ 960,213	\$ 1,109,527
Receivables:		
Accounts Receivable	1,046	778
Due from Minnesota Department of Education	-	14,813
Due from Federal through the Minnesota Department of Education	21,192	47,242
Inventory	19,677	-
Prepaid Items	1,635	6,650
Total Assets	<u>\$ 984,086</u>	<u>\$ 1,198,687</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Salaries Payable	\$ 61,165	\$ 50,806
Accounts and Contracts Payable	2,123	5,267
Due to Other Funds	781	-
Unearned Revenue	35,983	50,883
Total Liabilities	<u>100,052</u>	<u>106,956</u>
Fund Balance:		
Nonspendable	22,827	6,650
Restricted for Food Service	861,207	1,085,081
Total Fund Balance	<u>884,034</u>	<u>1,091,731</u>
Total Liabilities and Fund Balance	<u>\$ 984,086</u>	<u>\$ 1,198,687</u>

WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
FOOD SERVICE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2017  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	2017		2016	
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Earnings on Investments	\$ 2,500	\$ 5,980	\$ 3,480	\$ 3,723
Other - Primarily Meal Sales	1,471,552	1,496,562	25,010	1,415,847
State Sources	115,500	120,708	5,208	116,349
Federal Sources	510,000	525,525	15,525	484,543
Total Revenues	<u>2,099,552</u>	<u>2,148,775</u>	<u>49,223</u>	<u>2,020,462</u>
<b>EXPENDITURES</b>				
Current:				
Salaries	677,856	722,813	44,957	616,202
Employee Benefits	327,563	347,814	20,251	286,950
Purchased Services	141,100	162,873	21,773	80,327
Supplies and Materials	982,300	1,004,143	21,843	952,320
Other Expenditures	1,500	1,207	(293)	10,620
Capital Outlay	121,000	117,622	(3,378)	79,135
Total Expenditures	<u>2,251,319</u>	<u>2,356,472</u>	<u>105,153</u>	<u>1,995,554</u>
Net Change in Fund Balance	<u>\$ (151,767)</u>	<u>(207,697)</u>	<u>\$ (55,930)</u>	<u>24,908</u>
<b>FUND BALANCE</b>				
Beginning of Year		1,091,731		1,066,823
End of Year		<u>\$ 884,034</u>		<u>\$ 1,091,731</u>

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
COMMUNITY SERVICE SPECIAL REVENUE FUND  
BALANCE SHEET  
JUNE 30, 2017**

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)

	2017	2016
<b>ASSETS</b>		
Cash and Investments	\$ 971,210	\$ 959,671
Receivables:		
Current Taxes	134,600	133,933
Delinquent Taxes	2,262	2,352
Accounts Receivable	36,496	75,245
Due from Minnesota Department of Education	35,741	21,771
Prepaid Items	6,673	15,527
Total Assets	<u>\$ 1,186,982</u>	<u>\$ 1,208,489</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>		
Liabilities:		
Salaries Payable	\$ 109,681	\$ 95,732
Accounts and Contracts Payable	63,661	73,555
Due to Other School Districts	-	1,878
Due to Other Governmental Units	1,020	526
Unearned Revenue	182,846	199,173
Total Liabilities	<u>357,208</u>	<u>370,864</u>
Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	253,576	250,476
Unavailable Revenue - Delinquent Taxes	1,078	1,287
Total Deferred Inflows of Resources	<u>254,654</u>	<u>251,763</u>
Fund Balance:		
Nonspendable	6,673	15,527
Restricted for Community Education Programs	431,393	460,178
Restricted for Early Childhood and Family Education Programs	41,424	39,796
Restricted for School Readiness	40,120	20,473
Restricted for Community Service	55,510	49,898
Total Fund Balance	<u>575,120</u>	<u>585,872</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,186,982</u>	<u>\$ 1,208,499</u>

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
COMMUNITY SERVICE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2017**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	2017		2016	
	Final Budget	Actual Amounts	Over (Under) Final Budget	Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 252,736	\$ 247,376	\$ (5,360)	\$ 270,064
Earnings on Investments	1,200	5,489	4,289	3,011
Other - Primarily Tuition and Fees	2,182,350	2,253,114	70,764	2,076,069
State Sources	361,707	374,386	12,679	318,633
Total Revenues	<u>2,797,993</u>	<u>2,880,365</u>	<u>82,372</u>	<u>2,667,767</u>
<b>EXPENDITURES</b>				
Current:				
Salaries	1,505,008	1,604,707	99,699	1,486,469
Employee Benefits	480,077	497,171	17,094	448,915
Purchased Services	441,061	502,542	61,481	483,924
Supplies and Materials	311,618	295,883	(15,735)	263,061
Other Expenditures	1,600	438	(1,162)	4,446
Capital Outlay	17,950	15,523	(2,427)	-
Debt Service:				
Principal	13,500	13,569	89	10,028
Interest and Fiscal Charges	-	1,264	1,264	4,826
Total Expenditures	<u>2,770,814</u>	<u>2,891,117</u>	<u>120,303</u>	<u>2,701,669</u>
Net Change in Fund Balance	<u>\$ 27,179</u>	<u>(10,752)</u>	<u>\$ (37,931)</u>	<u>(33,902)</u>
<b>FUND BALANCE</b>				
Beginning of Year		<u>585,872</u>		<u>619,774</u>
End of Year		<u>\$ 575,120</u>		<u>\$ 585,872</u>



**WACONIA PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 110**  
**CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND**  
**BALANCE SHEET**  
**JUNE 30, 2017**

<b>ASSETS</b>	
Cash and Investments	\$ 15,701,882
Other Receivables	58,992
Accounts and Interest Receivable	781
Due from Other Funds	15,761,655
Total Assets	<u>\$ 15,761,655</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Accounts and Contracts Payable	\$ 5,595,437
Due to Other Governmental Units	-
Due to Other Funds	11,796
Total Liabilities	<u>5,607,233</u>
Fund Balance	
Restricted for Projects Funded by COP	2,915,589
Restricted for Construction	7,182,855
Restricted for Long-Term Facilities Maintenance	55,978
Unassigned Fund Balance	-
Total Fund Balance	<u>10,154,422</u>
Total Fund Liabilities and Fund Balance	<u>\$ 15,761,655</u>

**WACONIA PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 110**  
**CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2017**

	Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget
<b>REVENUES</b>			
Local Sources:			
Earnings on Investments	\$ 150,000	\$ 234,597	\$ 84,597
Other	-	4,500	4,500
Total Revenues	<u>150,000</u>	<u>239,097</u>	<u>89,097</u>
<b>EXPENDITURES</b>			
Current:			
Salaries	-	77,000	77,000
Employee Benefits	-	11,550	11,550
Purchased Services	3,257,650	3,531,650	274,000
Supplies and Materials	-	581	581
Sights and Buildings	5,115,160	4,816,902	(298,258)
Debt Service:			
Principal	-	-	-
Bond Issuance Costs	-	88,367	88,367
Capital Outlay	27,527,190	29,411,798	1,884,608
Total Expenditures	<u>35,900,000</u>	<u>37,837,848</u>	<u>2,037,848</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(35,750,000)	(37,698,751)	(1,948,751)
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of Bonds	8,731,000	8,497,830	(233,170)
Bond Premium	-	374,220	374,220
Total other financing sources (uses)	<u>8,731,000</u>	<u>8,872,050</u>	<u>141,050</u>
Net Change in Fund Balance	<u>\$ (27,019,000)</u>	<u>(28,826,701)</u>	<u>\$ (2,089,801)</u>
Fund Balance - Beginning of Year		40,093,010	
Prior Period Restatement, See Note 13		(1,111,887)	
Fund Balance - Beginning of Year, As Restated		<u>38,981,123</u>	
Fund Balance - End of Year		<u>\$ 10,154,422</u>	

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
DEBT SERVICE FUND  
BALANCE SHEET  
JUNE 30, 2017**

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)

	2017	2016
<b>ASSETS</b>		
Cash and Investments	\$ 5,007,540	\$ 4,548,899
Receivables:		
Current Taxes	3,640,898	3,589,868
Delinquent Taxes	59,132	52,615
Due from Minnesota Department of Education	15,331	7,231
Total Assets	<u>\$ 8,722,901</u>	<u>\$ 8,198,613</u>
<b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
Deferred Inflows of Resources:		
Property Taxes Levied for Subsequent Year	\$ 6,859,226	\$ 6,713,608
Unavailable Revenue - Delinquent Taxes	28,087	27,838
Total Deferred Inflows of Resources	<u>6,887,313</u>	<u>6,741,446</u>
Fund Balance:		
Restricted for Debt Service	1,835,588	1,457,167
Total Deferred Inflows of Resources and Fund Balance	<u>\$ 8,722,901</u>	<u>\$ 8,198,613</u>

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2017**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	2017		2016	
	Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget	Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Property Tax	\$ 6,644,209	\$ 6,636,179	\$ (8,030)	\$ 6,493,407
Earnings on Investments	2,500	18,515	16,015	12,238
Other	-	-	-	6,240
State Sources	124,201	121,315	(2,886)	72,301
Total Revenues	<u>6,770,910</u>	<u>6,776,009</u>	<u>5,099</u>	<u>6,584,186</u>
<b>EXPENDITURES</b>				
Debt Service:				
Bond Principal	2,480,000	2,480,000	-	2,635,000
Bond Interest	3,980,959	3,935,803	(45,156)	4,048,823
Bond Issuance Costs	-	48,955	48,955	48,955
Total Expenditures	<u>6,460,959</u>	<u>6,464,758</u>	<u>3,799</u>	<u>6,732,778</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	309,951	311,251	1,300	(148,592)
<b>OTHER FINANCING SOURCES</b>				
Issuance of Bonds	-	67,170	67,170	-
Issuance of Refunding Bonds	-	-	-	6,830,000
Bond Premium	-	-	-	595,958
Payment to Refunded Bond Escrow Agent	-	-	-	(6,960,000)
Total Other Financing Sources	<u>-</u>	<u>67,170</u>	<u>67,170</u>	<u>465,958</u>
Net Change in Fund Balance	<u>\$ 309,951</u>	<u>\$ 378,421</u>	<u>\$ 68,470</u>	<u>\$ 317,366</u>
Fund Balance - Beginning of Year	<u>1,457,167</u>	<u>1,457,167</u>	<u>1,457,167</u>	<u>1,139,801</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,835,588</u>	<u>\$ 1,835,588</u>	<u>\$ 1,457,167</u>	<u>\$ 1,457,167</u>

**WACONIA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 110  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
JUNE 30, 2017**

	Audit	UFARS	Difference	Audit	UFARS	Difference
<b>01 GENERAL FUND</b>						
Total Revenues	\$ 31,652,659	\$ 31,652,659	\$ -	\$ 31,652,659	\$ 31,652,659	\$ -
Total Expenditures	\$ 31,653,232	\$ 31,653,232	\$ -	\$ 31,653,232	\$ 31,653,232	\$ -
Nonassignable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:						
400 Disengagement	\$ 50,460	\$ 50,460	\$ -	\$ 50,460	\$ 50,460	\$ -
402 Reference Materials	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
406 Health & Safety	\$ (287,892)	\$ (287,892)	\$ -	\$ (287,892)	\$ (287,892)	\$ -
407 Capital Project Levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
408 Cooperative Rev.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
416 Open Enrollment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
418 Reduction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
423 Certain Teacher Programs	\$ 1,895,557	\$ 1,895,557	\$ -	\$ 1,895,557	\$ 1,895,557	\$ -
424 Operating Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
426 525 Tuition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
428 525 Tuition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
429 525 Tuition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
428 Learning & Development	\$ 6,892	\$ 6,892	\$ -	\$ 6,892	\$ 6,892	\$ -
434 Area Learning Center	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
435 Contracted All. Programs	\$ 7,115	\$ 7,115	\$ -	\$ 7,115	\$ 7,115	\$ -
436 St. Approved All. Prog	\$ 84,072	\$ 84,072	\$ -	\$ 84,072	\$ 84,072	\$ -
441 Basic Skills	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
445 Career and Tech. Programs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
446 First Grade Preparathesis	\$ 91,715	\$ 91,715	\$ -	\$ 91,715	\$ 91,715	\$ -
449 State Sports Levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
451 Q2AB Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
451 Q2AB Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
452 OPEB Lab Not In Trust	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
453 Unfunded Sw. & Retirement Levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
464 Other Purposes	\$ 51,890	\$ 51,890	\$ -	\$ 51,890	\$ 51,890	\$ -
472 Medical Assistance	\$ 18,459	\$ 18,459	\$ -	\$ 18,459	\$ 18,459	\$ -
Committed:						
418 Committed for Severance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
461 Committed	\$ 250,000	\$ 250,000	\$ -	\$ 250,000	\$ 250,000	\$ -
Assigned:						
462 Assigned	\$ 2,300,740	\$ 2,300,741	\$ (1)	\$ 2,300,740	\$ 2,300,741	\$ (1)
422 Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>02 FOOD SERVICE</b>						
Total Revenues	\$ 2,148,775	\$ 2,148,776	\$ (1)	\$ 2,148,775	\$ 2,148,776	\$ (1)
Total Expenditures	\$ 2,356,472	\$ 2,356,473	\$ (1)	\$ 2,356,472	\$ 2,356,473	\$ (1)
Nonassignable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:						
460 Nonassignable	\$ 22,827	\$ 22,827	\$ -	\$ 22,827	\$ 22,827	\$ -
Assigned:						
452 OPEB Liability Not In Trust	\$ 851,207	\$ 851,205	\$ 2	\$ 851,207	\$ 851,205	\$ 2
464 Other Purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned:						
463 Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>04 COMMUNITY SERVICE</b>						
Total Revenues	\$ 2,890,365	\$ 2,890,363	\$ 2	\$ 2,890,365	\$ 2,890,363	\$ 2
Total Expenditures	\$ 2,891,117	\$ 2,891,116	\$ 1	\$ 2,891,117	\$ 2,891,116	\$ 1
Nonassignable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:						
460 Nonassignable	\$ 6,673	\$ 6,673	\$ -	\$ 6,673	\$ 6,673	\$ -
Assigned:						
426 525 Tuition	\$ 431,393	\$ 431,393	\$ -	\$ 431,393	\$ 431,393	\$ -
431 Community Education	\$ 40,120	\$ 40,120	\$ -	\$ 40,120	\$ 40,120	\$ -
444 School Readiness	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
447 Adult Basic Education	\$ 55,510	\$ 55,509	\$ 1	\$ 55,510	\$ 55,509	\$ 1
452 OPEB Liability Not In Trust	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
464 Other Purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned:						
463 Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>06 BUILDING CONSTRUCTION</b>						
Total Revenues	\$ 6,776,059	\$ 6,776,059	\$ -	\$ 6,776,059	\$ 6,776,059	\$ -
Total Expenditures	\$ 6,824,126	\$ 6,824,126	\$ -	\$ 6,824,126	\$ 6,824,126	\$ -
Nonassignable:						
460 Nonassignable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:						
409 Capital Project Levy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
409 Alternative Fac. Program	\$ 2,915,589	\$ 2,915,589	\$ -	\$ 2,915,589	\$ 2,915,589	\$ -
413 Project Funded by CQP	\$ 55,978	\$ 55,978	\$ -	\$ 55,978	\$ 55,978	\$ -
487 LTFM	\$ 7,192,956	\$ 7,192,956	\$ -	\$ 7,192,956	\$ 7,192,956	\$ -
464 Other Purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned:						
463 Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>07 DEBT SERVICE</b>						
Total Revenues	\$ 1,855,588	\$ 1,855,588	\$ -	\$ 1,855,588	\$ 1,855,588	\$ -
Total Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonassignable:						
423 Reflected/Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
423 Reflected/Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
423 Bond Refundings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
451 Q2AB Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
464 Other Purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned:						
463 Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>08 TRUST</b>						
Total Revenues	\$ 38,429	\$ 38,429	\$ -	\$ 38,429	\$ 38,429	\$ -
Total Expenditures	\$ 40,524	\$ 40,524	\$ (2)	\$ 40,524	\$ 40,524	\$ (2)
Nonassignable:						
422 Unassigned	\$ 103,419	\$ 103,419	\$ -	\$ 103,419	\$ 103,419	\$ -
Assigned:						
422 Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>09 AGENCY</b>						
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonassignable:						
422 Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned:						
422 Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>20 INTERNAL SERVICE</b>						
Total Revenues	\$ 303,654	\$ 303,654	\$ -	\$ 303,654	\$ 303,654	\$ -
Total Expenditures	\$ 280,982	\$ 280,982	\$ -	\$ 280,982	\$ 280,982	\$ -
Nonassignable:						
422 Unassigned	\$ 401,028	\$ 401,028	\$ -	\$ 401,028	\$ 401,028	\$ -
Assigned:						
422 Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>45 OPEB REVOCABLE TRUST</b>						
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonassignable:						
422 Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned:						
45 OPEB IRREVOCABLE TRUST						
Total Revenues	\$ 128,716	\$ 128,715	\$ 1	\$ 128,716	\$ 128,715	\$ 1
Total Expenditures	\$ 234,397	\$ 234,397	\$ -	\$ 234,397	\$ 234,397	\$ -
Nonassignable:						
422 Unassigned	\$ 2,440,886	\$ 2,440,886	\$ -	\$ 2,440,886	\$ 2,440,886	\$ -
Assigned:						
422 Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>47 OPEB DEBT SERVICE</b>						
Total Revenues	\$ 341,387	\$ 341,387	\$ -	\$ 341,387	\$ 341,387	\$ -
Total Expenditures	\$ 349,626	\$ 349,625	\$ 1	\$ 349,626	\$ 349,625	\$ 1
Nonassignable:						
464 Other Purposes	\$ 76,438	\$ 76,438	\$ -	\$ 76,438	\$ 76,438	\$ -
Unassigned:						
463 Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**FORM OF LEGAL OPINION**

(See following page)

## FORM OF LEGAL OPINION

Independent School District No. 110  
Waconia, Minnesota

[Original Purchaser]

Re: \$7,210,000 General Obligation School Building Refunding Bonds, Series 2018A  
Independent School District No. 110 (Waconia Public Schools)  
Hennepin and Carver Counties, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Independent School District No. 110 (Waconia Public Schools), Hennepin and Carver Counties, Minnesota (the District), of the obligations described above, dated, as originally issued, as of November 15, 2018 (the Bonds), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the District in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds are valid and binding general obligations of the District, enforceable in accordance with their terms.
2. The principal of and interest on the Bonds are payable from ad valorem taxes heretofore duly levied on all taxable property in the District, but if necessary for payment thereof, additional ad valorem taxes are required by law to be levied on all such property, which taxes are not subject to any limitation as to rate or amount.
3. The resolution authorizing the issuance of the Bonds obligates the District to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of such law against the State of Minnesota in the absence of legally appropriated and available funds to pay the obligations of the State thereunder.
4. Interest payable on the Bonds (a) is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes; (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax; (c) is not an item of tax preference for federal or Minnesota alternative minimum tax purposes; and (d) is includable in adjusted current earnings of

Independent School District No. 110  
[Purchaser]  
Page 2

corporations for purposes of the federal alternative minimum tax applicable to taxable years beginning before January 1, 2018.

5. The District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the Code), and financial institutions described in Section 265(b)(5) of the Code may treat the Bonds for purposes of Sections 265(b)(2) and 291(e)(1)(B) of the Code as if they were acquired on August 7, 1986.

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

The opinions expressed in paragraphs 4 and 5 above are subject to the condition of the District’s compliance with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest payable thereon may be, and continue to be, excluded from gross income for federal income tax purposes, and that the Bonds may be, and continue to be, qualified tax-exempt obligations. The District has covenanted to comply with these continuing requirements. Its failure to do so could result in the inclusion of interest on the Bonds in federal gross income and in Minnesota taxable net income, retroactive to the date of issuance of the Bonds. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences to holders of the Bonds.

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

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

Very truly yours,

### BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.



**FORM OF CONTINUING DISCLOSURE COVENANTS  
(EXCERPTS FROM SALE RESOLUTION)**

(See following page)

## FORM OF CONTINUING DISCLOSURE

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

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

- (1) on or before twelve (12) months after the end of each fiscal year of the District, commencing with the fiscal year ending June 30, 2018, the following financial information and operating data in respect of the District (the Disclosure Information):
  - (A) the audited financial statements of the District for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the District, noting the discrepancies therefrom and the effect thereof, and

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

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

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

- (2) In a timely manner, not in excess of 10 business days, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a “Material Fact,” as hereinafter defined):
  - (A) principal and interest payment delinquencies;
  - (B) non-payment related defaults, if material;
  - (C) unscheduled draws on debt service reserves reflecting financial difficulties;
  - (D) unscheduled draws on credit enhancements reflecting financial difficulties;
  - (E) substitution of credit or liquidity providers, or their failure to perform;
  - (F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
  - (G) modifications to rights of Bond holders, if material;
  - (H) Bond calls, if material and tender offers;

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

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

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

- (3) In a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:
  - (A) the failure of the District to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
  - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the District under subsection (d)(2);
  - (C) the termination of the obligations of the District under this section pursuant to subsection (d);

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

(c) Manner of Disclosure.

- (1) The District agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the District in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the District under this section shall terminate and be without further effect as of any date on which the District delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the District to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.
- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the District from time to time, without notice to (except as provided in paragraph (c)(2) hereof) or the consent of the Owners of any Bonds, by a resolution of this Board filed in the office of the recording officer of the District accompanied by an opinion of Bond Counsel, who may rely on certificates of the District and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the District or the type of operations conducted by the District, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

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

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

## APPENDIX E

### TERMS OF PROPOSAL

#### **\$7,210,000\* GENERAL OBLIGATION SCHOOL BUILDING REFUNDING BONDS, SERIES 2018A INDEPENDENT SCHOOL DISTRICT NO. 110 (WACONIA PUBLIC SCHOOLS), MINNESOTA**

Proposals for the purchase of \$7,210,000\* General Obligation School Building Refunding Bonds, Series 2018A (the "Bonds") of Independent School District No. 110 (Waconia Public Schools), Minnesota (the "District") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the District, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on October 22, 2018, at which time they will be opened, read and tabulated. The proposals will be presented to the Board of Education for consideration for award by resolution at a meeting to be held at 7:00 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:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$1,985,000	2021	\$2,065,000
2020	1,940,000	2022	1,220,000

#### **ADJUSTMENT OPTION**

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

#### **TERM BOND OPTION**

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

## **INTEREST PAYMENT DATES AND RATES**

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

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

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

## **PAYING AGENT**

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

## **OPTIONAL REDEMPTION**

The Bonds are being offered without option of prior redemption.

## **DELIVERY**

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

## **LEGAL OPINION**

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

## **SUBMISSION OF PROPOSALS**

Proposals must not be for less than \$7,080,220 plus accrued interest on the principal sum of \$7,210,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com); or
- 2) Facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or



- 3) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Telephone (212) 849-5021.

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

A good faith deposit ("Deposit") in the amount of \$144,200 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

## **AWARD**

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

## **BOND INSURANCE**

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

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

## **CUSIP NUMBERS**

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

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The District will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

## **CONTINUING DISCLOSURE**

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

## **NEW ISSUE PRICING**

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

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

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

- (1) The District shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the District may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the District anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

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

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

(d) 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<sup>th</sup>) 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<sup>th</sup>) 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<sup>th</sup>) business day after the sale date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **PRELIMINARY OFFICIAL STATEMENT**

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

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

By Order of the Board of Education

Independent School District No. 110  
(Waconia Public Schools), Minnesota



# PROPOSAL FORM

The Board of Education  
Independent School District No. 110 (Waconia Public Schools), Minnesota

October 22, 2018

RE: \$7,210,000\* General Obligation School Building Refunding Bonds, Series 2018A  
DATED: November 15, 2018

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$\_\_\_\_\_ (not less than \$7,080,220) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2019	_____ % due	2021
_____ % due	2020	_____ % due	2022

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

All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our Deposit in the amount of \$144,200, 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. 110 (Waconia Public Schools), Minnesota, on October 22, 2018.

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