ADDENDUM DATED AUGUST 21, 2019
TO PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 15, 2019

INDEPENDENT SCHOOL DISTRICT NO. 2142
(ST. LOUIS COUNTY), MINNESOTA
(St. Louis and Koochiching Counties)

$8,375,000* CERTIFICATES OF PARTICIPATION, SERIES 2019A

PROPOSAL OPENING: August 27, 2019, 10:00 A.M., C.T.
CONSIDERATION: August 27, 2019, 5:00 P.M., C.T.

This addendum, together with the Preliminary Official Statement dated August 15, 2019, shall constitute the attached Preliminary Official Statement dated August 21, 2019. The par amount of the above referenced Bonds has been reduced from $10,310,000 to $8,375,000. The Cover, Introductory Statement, Estimated Sources and Uses, Tax Considerations, Risk Factors, Debt, State Aid for Debt Service, Schedules of Bonded Indebtedness, Debt Ratios, Appendix E and Proposal Form sections have been revised. Attached is the revised Preliminary Official Statement.

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 21, 2019

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, the amount of each Rental Payment designated as and comprising interest as set forth on Exhibit B to the Lease and received by the registered owners of the Certificates (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 Certificates is included, however, in taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The District will designate the Certificates as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income for federal income tax purposes 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: S&P Global Ratings**

INDEPENDENT SCHOOL DISTRICT NO. 2142 (ST. LOUIS COUNTY), MINNESOTA
(St. Louis and Koochiching Counties)

$8,375,000* CERTIFICATES OF PARTICIPATION, SERIES 2019A

PROPOSAL OPENING: August 27, 2019, 10:00 A.M., C.T. **CONSIDERATION**: August 27, 2019, 5:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $8,375,000* Certificates of Participation, Series 2019A (the "Certificates") are being issued pursuant to Minnesota Statutes, Section 465.71, by Independent School District No. 2142 (St. Louis County), Minnesota (the "District") for the purpose of financing the construction of building additions at the Cherry and South Ridge Schools. The Certificates will be special obligations of the District payable from and secured by a pledge of lease payments required to be made by the District to the Trustee pursuant to a Lease-Purchase Agreement (the "Lease") to be entered into between the District and Trustee. **THE CERTIFICATES DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE DISTRICT AND ARE NOT A CHARGE AGAINST THE GENERAL CREDIT OF THE DISTRICT**. Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

DATE OF CERTIFICATES: September 26, 2019

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2020	$500,000	2027	$345,000	2034	$440,000
2021	260,000	2028	365,000	2035	455,000
2022	270,000	2029	375,000	2036	470,000
2023	285,000	2030	395,000	2037	485,000
2024	300,000	2031	405,000	2038	495,000
2025	315,000	2032	415,000	2039	510,000
2026	330,000	2033	430,000	2040	530,000

MATURITY ADJUSTMENTS: * The District reserves the right to increase or decrease the principal amount of the Certificates 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, 2020 and semiannually thereafter.

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

MINIMUM PROPOSAL: $8,207,500.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $167,500 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT & TRUSTEE: U.S. Bank National Association

BOND COUNSEL: Dorsey & Whitney LLP

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

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

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 Certificates to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

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

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

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

CLOSING CERTIFICATES

Upon delivery of the Certificates, 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 Certificates and all times subsequent thereto up to and including the time of the delivery of the Certificates, 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 Certificates; (3) a certificate evidencing the due execution of the Certificates, 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 Certificates, (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 Certificates 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 Certificates 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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ST. LOUIS COUNTY
SCHOOL BOARD

		Term Expires
Dan Manick	Chairperson	January 2023
Lynette Zupetz	Vice Chairperson	January 2023
Patrick Christensen	Clerk	January 2021
Christine Taylor	Treasurer	January 2021
Chris Koivisto	Member	January 2021
Chester Larson	Member	January 2021
Troy Swanson	Member	January 2023

ADMINISTRATION

Reggie Engebritson, Superintendent
Kim Johnson, Business Manager

PROFESSIONAL SERVICES

Dorsey & Whitney LLP, Bond Counsel, Minneapolis, Minnesota

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 2142 (St. Louis County), Minnesota (the "District") and the issuance of its $8,375,000* Certificates of Participation, Series 2019A (the "Certificates"). Any descriptions or summaries of the Certificates, 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 Certificates to be included in the resolution authorizing the issuance and sale of the Certificates ("Award Resolution") to be adopted by the Board of Education on August 27, 2019.

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

THE CERTIFICATES

GENERAL

The Certificates 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 September 26, 2019. The Certificates 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, 2020, to the registered owners of the Certificates appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB")**. The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2020 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Certificates 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 Certificates 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 Certificates are held under the book-entry system, beneficial ownership interests in the Certificates may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Certificates 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 Certificates shall be payable as provided in the Award Resolution.

The District has selected U.S. Bank National Association, St. Paul, Minnesota, to act as paying agent (the "Paying Agent") and Trustee (the "Trustee"). The District will pay the charges for Paying Agent and Trustee services. The District reserves the right to remove the Paying Agent and/or Trustee to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

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

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

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

AUTHORITY; PURPOSE

The Certificates are being issued by the District pursuant to Minnesota Statutes, Section 465.71, and a Trust Agreement (the "Trust Agreement") dated as of September 26, 2019 between the District and the Trustee.

The Certificates are being issued to finance the construction of building additions at the Cherry and South Ridge Schools and improvements to be constructed on the Site with the proceeds of the Certificates, and the fixtures to be installed thereon or therein (the "Project"). The Certificates will be special obligations of the District payable from and secured by a pledge of lease payments required to be made by the District to the Trustee pursuant to a Lease Purchase Agreement (the "Lease") to be entered into between the District and the Trustee.

The Trustee and the District will enter into a Ground Lease Agreement (the "Ground Lease" dated as of September 26, 2019, under which the Trustee has agreed to lease certain real property (the "Site") from the District.

Pursuant to the Agreement, the District will assign to the Trustee its interest in the Lease and the Lease Payments to be made thereunder (except for certain rights of the District to indemnification and payment of expenses) and will grant to the Trustee a security interest in the financed Project. Lease Payments are unconditional and subject to annual appropriations by the governing body of the District in each year sufficient to pay such Lease Payments as described herein.

Brief descriptions of the Trustee, the District, the Project, the Lease, the Ground Lease, and the Trust Agreement are included below. Such descriptions do not purport to be comprehensive or definitive. Copies of the documents in their entirety are available from Ehlers & Associates, Inc., 3060 Centre Point Drive, Roseville, MN 55113-1105. All references to the Certificates are qualified in their entirety by the definitive forms thereof and the information with respect thereto included in the above-mentioned documents.

> ***The Trustee*** has the authority to lease property, to acquire and lease the Project to the District pursuant to the Lease and to receive and pledge the revenues from the Project, in accordance with the terms of the Lease and as provided in the Trust Agreement. The Trustee is authorized to enter into the Trust Agreement and the Lease.
>
> ***The District*** is a body politic and corporate, organized under and pursuant to the Constitution and laws of the State of Minnesota. The District has the right and lawful authority to lease the Project from the Trustee and to make rental payments therefor as set forth in the Lease.

The Project consists of the betterment of the Site and all additions and improvements to be constructed on the Site with the proceeds of the Certificates, and the fixtures, to be installed thereon or therein.

The Lease: Pursuant to the Lease, the Trustee will lease the Project to the District, subject to the District's right to terminate the Lease at the end of any Fiscal Year. Lease Payments are to be made by the District in amounts sufficient to pay the principal of and interest on the Certificates when due.

Ground Lease: Pursuant to the Ground Lease, the District will lease the site on which the Project is to be constructed to the Trustee.

The Trust Agreement: The District will issue the Certificates pursuant to the Trust Agreement, and the Trust Agreement sets forth the rights and obligations of the District, the Trustee and the Certificateholders with respect thereto.

ESTIMATED SOURCES AND USES*

Sources			
	Par Amount	$8,375,000	
	Original Issue Premium	561,759	
	Total Sources		**$8,936,759**
Uses			
	Total Underwriter's Discount (1.200%)	$100,500	
	Costs of Issuance	78,307	
	Deposit to Project Construction Fund	8,757,952	
	Total Uses		**$8,936,759**

*Preliminary, subject to change.

SECURITY

The Certificates are valid and binding special, limited obligations of the District payable solely from and secured by a pledge of lease payments to be made to the Trustee by the District pursuant to the Lease. The Certificates do not constitute a general obligation of the District and are not a charge against the general credit of the District.

The lease payments under the terms of the Lease will be payable solely from District funds which are normally budgeted and appropriated by the Board of Education and which may be terminated by action of the Board of Education. The District's obligation to make lease payments under the Lease is subject to its annual right to terminate the Lease at the end of any fiscal year by failure to appropriate the funds. (See Risk Factors herein).

In the event the annual appropriation is not made, the Trustee is entitled to repossession and the right to re-lease the building and its interest in the land. The Trustee, on behalf of the owners of the Certificates, will attempt to sublease and operate the Project. There is no assurance that the Trustee will be able to re-lease the interest in the building and land, or to do so for amounts that would pay all interest and principal on the Certificates.

RATING

General obligation debt of the District currently has an underlying rating of "A+" from S&P Global Ratings ("S&P").

The District has requested a rating on the Certificates from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P. 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 judgment 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 Certificates.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Certificates, 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 Certificates any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Certificates, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the District shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the District shall execute and deliver a Continuing Disclosure Certificate, under which the District will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the District are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

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

Prior continuing disclosure undertakings entered into by the District included language stating that an Annual Report including the District's audited financial statements and operating data would be filed "as soon as available." Although the District did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. Except to the extent that the preceding is deemed to be material, the District believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The District has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as 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 ("Bond Counsel"), 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 Certificates. 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 Certificates. 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 Certificates 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 Certificates 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 Certificates. 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 Certificates for cash at original issue and hold the Certificates 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 Certificates in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies, brokers, dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations subject to the branch profits tax; holders receiving payments in respect to the Certificates through foreign entitites; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the "issue price" of a maturity of Certificates is the first price at which a substantial amount of Certificates 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 Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Certificates (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 Certificates is included, however, in taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The Code establishes certain requirements that must be met after the issuance of the Certificates in order that interest on the Certificates 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 Certificate proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of Certificate 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 Certificates will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Certificates 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 Certificates in the event that interest on the Certificates is included in federal gross income or in Minnesota taxable net income.

Original Issue Discount

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

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

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued OID, the amount of OID that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Discount Bond. If the excess is greater than the amount of remaining OID, the basis reduction rules for amortizable bond premium may result in taxable gain upon sale or other disposition of the Certificates, even if the Certificates 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 Certificate is purchased for a cost that is less than the Certificate's issue price (plus accrued original issue discount, if any), the purchaser will be treated as having purchased the Certificate 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 Certificate (to the extent that the gain realized does not exceed the accrued market discount on the Certificate.

Certificate Premium

A holder that acquires a Certificate 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 Certificate. 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 Certificates at a premium might recognize taxable gain upon sale of the Certificates, even if such Certificates 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 Certificates into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Certificates, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally, no deduction is allowed under Section 265(b) of the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Certificates, unless the obligations are "qualified tax-exempt obligations". Indebtedness may be allocated to the Certificates for this purpose even though not directly traceable to the purchaser of the Certificates. The Certificates are "qualified tax exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Certificates 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 Certificates 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 Certificates, 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 Certificate 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 Certificate. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Certificate. A holder's adjusted tax basis in a Certificate generally will be equal to the amount that the holder paid for the Certificate, increased by any accrued original issue discount with respect to the Certificate and reduced by the amount of any amortized bond premium on the Certificate. 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 Certificate 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 Certificates (including any allocable bond premium or accrued original issue discount) and proceeds from the sale or other disposition of the Certificates are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2018, have been audited by Walker, Giroux & Hahne, LLC, Virginia, 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 Certificates 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.

Non-Appropriation Risk: The District's obligation to make annual lease payments on the Certificates is subject to annual appropriation by the School Board for each fiscal year during the term of the Lease. In the event the annual appropriation is not made, the Trustee is entitled to repossession and the right to re-lease the building(s) and the Trustee's interest in the land. There is no assurance that the Trustee will be able to re-lease the interest in the building(s) and land, or to do so for amounts that would pay all interest and principal on the Certificates.

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 Certificates 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 Certificates may fall for purposes of resale. Noncompliance following the issuance of the Certificates with certain requirements of the Code and covenants of the bond resolution may result in the inclusion of interest on the Certificates 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 Certificates, or for an increase in the interest rate on the Certificates, in the event that interest on the Certificates 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 Certificates. 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 Certificates in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Certificates 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 Certificates to the accounts of the Beneficial Owners of the Certificates 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 Certificates.

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 Certificates in the secondary market.

Secondary Market for the Certificates: No assurance can be given that a secondary market will develop for the purchase and sale of the Certificates or, if a secondary market exists, that such Certificates can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Certificates at the request of the owners thereof. Prices of the Certificates 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 Certificates. 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 Certificates 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	2016/17	2017/18	2018/19
Residential homestead[1]	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%
Agricultural homestead[1]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $2,050,000 - 0.50% [2] Over $2,050,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,940,000 - 0.50% [2] Over $1,940,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,900,000 - 0.50% [2] Over $1,900,000 - 1.00% [2]
Agricultural non-homestead	Land - 1.00% [2]	Land - 1.00% [2]	Land - 1.00% [2]
Seasonal recreational residential	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]
Residential non-homestead:	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $115,000 - .75% Over $115,000 - .25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $121,000 - .75% Over $121,000 - .25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First $139,000 - .75% Over $139,000 - .25%
Industrial/Commercial/Utility[5]	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%

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

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

[3] Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2018/19 Economic Market Value $3,586,931,328[1]

2018/19 Assessor's Estimated Market Value

	St. Louis County	Koochiching County	Total
Real Estate	$3,123,159,000	$41,404,700	$3,164,563,700
Personal Property	115,792,300	54,500	115,846,800
Total Valuation	$3,238,951,300	$41,459,200	$3,280,410,500

2018/19 Net Tax Capacity

	St. Louis County	Koochiching County	Total
Real Estate	$ 31,268,532	$401,162	$31,669,694
Personal Property	2,203,843	545	2,204,388
Net Tax Capacity	$ 33,472,375	$401,707	$33,874,082
Less: Captured Tax Increment Tax Capacity[2]	(17,624)	0	(17,624)
Fiscal Disparities Contribution[3]	(1,457,067)	(30)	(1,457,097)
Power Line Adjustments[4]	(16,456)	0	(16,456)
Taxable Net Tax Capacity	$ 31,981,228	$401,677	$32,382,905
Plus: Fiscal Disparities Distribution[3]	897,325	123	897,448
Adjusted Taxable Net Tax Capacity	$ 32,878,553	$401,800	$33,280,353

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1 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for Independent School District No. 2142 (St. Louis County) is about 90.25% 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 $3,586,931,328.

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

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

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

2018/19 NET TAX CAPACITY BY CLASSIFICATION

	2018/19 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$ 8,960,590	26.45%
Agricultural	5,375,906	15.87%
Commercial/industrial	797,656	2.35%
Public utility	709,618	2.09%
Railroad operating property	2,350,636	6.94%
Non-homestead residential	1,550,901	4.58%
Commercial & residential seasonal/rec.	11,924,387	35.20%
Personal property	2,204,388	6.51%
Total	$33,874,082	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Adjusted Taxable Net Tax Capacity[2]	Percent +/- in Estimated Market Value
2014/15	$3,023,144,710	$2,868,057,110	$30,650,539	$30,241,681	-0.53%
2015/16	3,071,510,234	2,915,907,134	31,372,278	30,999,131	+1.60%
2016/17	3,108,754,800	2,953,371,643	31,870,591	31,404,165	+1.21%
2017/18	3,177,843,100	3,020,603,863	32,743,616	32,235,016	+2.22%
2018/19	3,280,410,500	3,123,398,635	33,874,082	33,280,353	+3.23%

[1] Net Tax Capacity is before fiscal disparities adjustments and includes tax increment and power line values.

[2] Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments and does not include tax increment or power line values.

LARGER TAXPAYERS

Taxpayer	Type of Property	2018/19 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Duluth, Missabe, & Iron Range Railway	Railroad	$ 2,116,595	6.25%
Allete Inc./Minnesota Power	Utility	802,448	2.37%
Enbridge Energry, LTD	Utility	592,082	1.75%
Mertiweather Minnesota Land	Rural vacant	516,181	1.52%
Xcel Energy	Utility	548,544	1.62%
Great River Energy	Utility	340,294	1.00%
Great Lake Gas	Utility	298,907	0.88%
Potlatch Corporation	Timber	293,047	0.87%
Burlington Northern Sante Fe Railway	Railroad	237,065	0.70%
Northshore Mining	Rural vacant	200,114	0.59%
Total		$ 5,945,277	17.55%

District's Total 2018/19 Net Tax Capacity $33,874,082

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

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids[2]	$49,450,000

Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations[3] (includes the Certificates)*	$9,570,528

*Preliminary, subject to change.

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[1] Outstanding debt is as of the dated date of the Certificates.

[2] Based upon the agricultural land valuation and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

[3] Non-general obligation debt has not been included in the debt ratios.

STATE AID FOR DEBT SERVICE

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

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

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

Some Districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to Districts to offset a portion of certain bond levies (Minn. Stat. Section 273.1387). The reimbursement percentages are 40% for taxes payable in 2018 and 2019, 50% for 2020, 55% for 2021, 60% for 2022, and 70% for 2023 and thereafter. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, rural vacant land and managed forestland. The amount of agricultural credit received in the debt service fund for taxes payable 2020 is approximately 7.6 % of total annual debt service levies, based on the District’s 2018/19 qualifying agricultural land valuation.

Independent School District No. 2142 (St. Louis County), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 09/26/2019)

	School Building Refunding Bonds Series 2014A		School Building Refunding Bonds Series 2015A		School Building Refunding Bonds Series 2016A		Facilities Maintenance Bonds Series 2017A		School Building Refunding Bonds Series 2018A							
Dated Amount	02/12/2014 $22,455,000		12/29/2015 $8,240,000		04/06/2016 $9,520,000		03/16/2017 $6,295,000		12/06/2018 $6,670,000							
Maturity	02/01		02/01		02/01		02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2020	3,525,000	352,313	0	87,600	0	95,938	245,000	94,610	0	101,890	3,770,000	732,350	4,502,350	45,680,000	7.62%	**2020**
2021	3,640,000	598,875	0	175,200	0	191,875	250,000	181,870	0	203,780	3,890,000	1,351,600	5,241,600	41,790,000	15.49%	**2021**
2022	3,785,000	453,275	0	175,200	0	191,875	260,000	171,870	0	203,780	4,045,000	1,196,000	5,241,000	37,745,000	23.67%	**2022**
2023	3,945,000	301,875	0	175,200	0	191,875	270,000	161,470	0	203,780	4,215,000	1,034,200	5,249,200	33,530,000	32.19%	**2023**
2024	4,095,000	163,800	0	175,200	0	191,875	265,000	150,670	0	203,780	4,360,000	885,325	5,245,325	29,170,000	41.01%	**2024**
2025			4,080,000	175,200	0	191,875	455,000	140,070	0	203,780	4,535,000	710,925	5,245,925	24,635,000	50.18%	**2025**
2026			4,160,000	93,600	0	191,875	475,000	121,870	0	203,780	4,635,000	611,125	5,246,125	20,000,000	59.56%	**2026**
2027					4,425,000	191,875	315,000	102,870	0	203,780	4,740,000	498,525	5,238,525	15,260,000	69.14%	**2027**
2028					4,505,000	103,375	315,000	94,365	0	203,780	4,820,000	401,520	5,221,520	10,440,000	78.89%	**2028**
2029					590,000	13,275	315,000	85,860	2,990,000	203,780	3,895,000	302,915	4,197,915	6,545,000	86.76%	**2029**
2030							325,000	77,355	3,680,000	114,080	4,005,000	191,435	4,196,435	2,540,000	94.86%	**2030**
2031							335,000	68,580			335,000	68,580	403,580	2,205,000	95.54%	**2031**
2032							345,000	59,535			345,000	59,535	404,535	1,860,000	96.24%	**2032**
2033							355,000	50,220			355,000	50,220	405,220	1,505,000	96.96%	**2033**
2034							365,000	40,635			365,000	40,635	405,635	1,140,000	97.69%	**2034**
2035							370,000	30,780			370,000	30,780	400,780	770,000	98.44%	**2035**
2036							380,000	20,790			380,000	20,790	400,790	390,000	99.21%	**2036**
2037							390,000	10,530			390,000	10,530	400,530	0	100.00%	**2037**
	18,990,000	1,870,138	8,240,000	1,057,200	9,520,000	1,555,713	6,030,000	1,663,950	6,670,000	2,049,990	49,450,000	8,196,990	57,646,990			

Independent School District No. 2142 (St. Louis County), Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 09/26/2019)

	Series 2014		Certificates of Participation Series 2019A							
Dated	03/27/2014		09/26/2019							
Amount	$2,985,000		$8,375,000*							
Maturity	08/01 Final Maturity 02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2020	108,178	23,133	500,000	107,899	608,178	131,033	739,211	8,962,350	6.35%	**2020**
2021	222,677	39,947	260,000	285,750	482,677	325,697	808,373	8,479,673	11.40%	**2021**
2022	231,378	31,246	270,000	272,750	501,378	303,996	805,373	7,978,296	16.64%	**2022**
2023	240,419	22,205	285,000	259,250	525,419	281,455	806,873	7,452,877	22.13%	**2023**
2024	249,813	12,811	300,000	245,000	549,813	257,811	807,623	6,903,064	27.87%	**2024**
2025	143,064	3,049	315,000	230,000	458,064	233,049	691,113	6,445,000	32.66%	**2025**
2026			330,000	214,250	330,000	214,250	544,250	6,115,000	36.11%	**2026**
2027			345,000	197,750	345,000	197,750	542,750	5,770,000	39.71%	**2027**
2028			365,000	180,500	365,000	180,500	545,500	5,405,000	43.52%	**2028**
2029			375,000	165,900	375,000	165,900	540,900	5,030,000	47.44%	**2029**
2030			395,000	150,900	395,000	150,900	545,900	4,635,000	51.57%	**2030**
2031			405,000	139,050	405,000	139,050	544,050	4,230,000	55.80%	**2031**
2032			415,000	126,900	415,000	126,900	541,900	3,815,000	60.14%	**2032**
2033			430,000	114,450	430,000	114,450	544,450	3,385,000	64.63%	**2033**
2034			440,000	101,550	440,000	101,550	541,550	2,945,000	69.23%	**2034**
2035			455,000	88,350	455,000	88,350	543,350	2,490,000	73.98%	**2035**
2036			470,000	74,700	470,000	74,700	544,700	2,020,000	78.89%	**2036**
2037			485,000	60,600	485,000	60,600	545,600	1,535,000	83.96%	**2037**
2038			495,000	46,050	495,000	46,050	541,050	1,040,000	89.13%	**2038**
2039			510,000	31,200	510,000	31,200	541,200	530,000	94.46%	**2039**
2040			530,000	15,900	530,000	15,900	545,900	0	100.00%	**2040**
	1,195,528	132,391	8,375,000	3,108,699	9,570,528	3,241,090	12,811,618			

* Preliminary, subject to change.

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:

2018/19 Economic Market Value	$3,586,931,328
Multiply by 15%	0.15
Statutory Debt Limit	$ 538,039,699
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	(49,450,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations (includes the Certificates)*	(9,570,528)
Unused Debt Limit*	$ 479,019,171

*Preliminary, subject to change.

OVERLAPPING DEBT[1]

Taxing District	2018/19 Adjusted Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
St. Louis County	$ 199,369,276	16.6928%	$130,575,000	$21,796,624
City of Babbitt	881,432	100.0000%	1,505,000	1,505,000
City of Tower	322,437	100.0000%	270,000	270,000
Town of Crane Lake	594,697	100.0000%	225,000	225,000
District's Share of Total Overlapping Debt				$23,796,624

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

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

DEBT PAYMENT HISTORY

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value ($3,586,931,328)	Debt/ Current Population Estimate (17,795)
Total General Obligation Debt			
Taxes and State Aids[1]	$49,450,000		
Less: State Agricultural Credit	(3,758,200)		
Tax Supported General Obligation Debt	$45,691,800	1.27%	$2,567.68
District's Share of Total Overlapping Debt	$23,796,624	0.66%	$1,337.26
Total	$15,180,224	1.94%	$3,904.94

FUTURE FINANCING

The District is planning to issue General Obligation Tax Abatement Bonds, General Obligation Capital Facilities Bonds and General Obligation Facilities Maintenance Bonds in the issuance of approximately $8,600,000 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.

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[1] Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 7.6% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is $3,758,200.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[1]	Total Collected Following Year	Collected to Date[2]	% Collected
2014/15	$ 8,058,833	$ 7,864,724	$ 8,039,675	99.76%
2015/16	7,581,807	7,419,944	7,555,029	99.65%
2016/17	6,590,649	6,477,816	6,563,787	99.59%
2017/18	6,335,272	6,212,124	6,259,900	98.81%
2018/19	6,252,317	In process of collection		

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

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

2 Collections are through May 31, 2019 for St. Louis and through July 9, 2019 for Koochiching Counties.

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

TAX CAPACITY RATES[1]

	2014/15	2015/16	2016/17	2017/18	2018/19
I.S.D. No. 2142 (St. Louis County)	22.817%	20.793%	16.944%	16.065%	15.188%
St. Louis County	67.935%	64.761%	68.203%	68.906%	68.625%
Koochiching County	36.527%	38.091%	37.382%	38.068%	38.216%
City of Babbitt	113.509%	110.624%	110.590%	120.410%	119.822%
City of Brookston	35.781%	44.815%	46.901%	45.125%	49.668%
City of Cook	113.495%	115.837%	129.208%	118.111%	130.908%
City of Meadowlands	98.655%	91.012%	102.815%	82.167%	95.493%
City of Orr	67.447%	58.565%	62.850%	60.625%	64.119%
City of Tower	106.710%	113.046%	116.902%	116.621%	114.652%
Town of Greenwood[2]	3.187%	2.077%	0.000%	3.142%	2.994%
ARDC	0.171%	0.168%	0.170%	0.168%	0.170%
Cook Community Hospital	14.604%	14.508%	14.486%	13.887%	13.517%
Cloquet Area Ambulance	1.852%	1.772%	1.722%	1.734%	1.818%
St. Louis County HRA	0.238%	0.228%	0.224%	0.221%	0.213%
St. Louis County Railroad Authority	0.783%	0.075%	0.742%	0.809%	0.776%
Referendum Market Value Rates:					
I.S.D. No. 2142 (St. Louis County)	0.11217%	0.10540%	0.10705%	0.11178%	0.11046%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by St. Louis and Koochiching Counties.

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

2 Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 396, including 215 non-licensed employees and 181 licensed employees (173 of whom are teachers). The District provides education for 1,913 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

Public Employees' Retirement Association (PERA)

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

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
District 2142 Principals Association	June 30, 2019
IOUE Local 70 Bus Drivers	June 30, 2021
IOUE Local 70 Secretaries	June 30, 2021
Education Minnesota Local 1406 Teachers	June 30, 2021
Teamsters Local 346-Aids, Food Service, Indian Education	June 30, 2019
IOUE Local 70 Custodians	June 30, 2021

Status of Contracts

The contracts which expired on June 30, 2019 are currently in negotiations. The District and Teamsters Local 346 have a tentative agreement on a new contract which would expire on June 2021.

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent actuarial study shows a total OPEB liability of $2,609,858 as of June 30, 2018. The District has been funding these obligations on a pay-as-you-go basis.

Source: The District's most recent actuarial study.

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2014/15	137	895	841	1,873
2015/16	133	883	837	1,853
2016/17	142	861	883	1,886
2017/18	123	858	886	1,867
2018/19	133	865	915	1,913

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2019/20	140	838	928	1,906
2020/21	142	813	946	1,901
2021/22	125	817	962	1,904

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Cherry Elementary/Secondary	1954	1972,1980, 1981, 1990, 2012, 2014, 2020
Tower-Soudan Elementary	1935	1956, 1987, 1991, 1997, 2011
North Woods Elementary/Secondary	2012	--
Northeast Range Elementary/Secondary	1959	1963, 1967, 2011
South Ridge Elementary/Secondary	2011	2019

FUNDS ON HAND (as of May 31, 2019)

Fund	Total Cash and Investments
General	$ 7,270,317
Debt Service	1,653,397
Building/Construction	(46,110)
Trust & Agency	49,027
Total Funds on Hand	$ 8,926,631

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 Certificates or otherwise questioning the validity of the Certificates.

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 Certificates 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 Certificates. Such modifications could be adverse to holders of the Certificates and there could ultimately be no assurance that holders of the Certificates would be paid in full or in part on the Certificates.

SUMMARY GENERAL FUND INFORMATION

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

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30 2016 Audited	2017 Audited	2018 Audited	2018-19 Revised Budget[1]	2019-20 Adopted Budget[2]
Revenues					
Local property taxes	$ 5,329,919	$ 4,798,491	$ 6,201,648		
Other local and county revenues	1,234,828	1,132,458	1,375,056		
Revenues from state sources	20,537,953	21,806,973	22,661,792		
Revenues from federal sources	1,169,247	1,109,748	1,126,937		
Sales and other conversion of assets	560	35,133	52,513		
Total Revenues	$ 28,272,507	$ 28,882,803	$ 31,417,946	$ 30,785,304	$ 30,845,229
Expenditures					
Current					
Administration	$ 1,585,513	$ 1,608,699	$ 1,677,914		
District support services	844,136	1,188,646	1,181,713		
Elementary & secondary regular instruction	12,361,921	12,661,438	13,686,001		
Vocational education instruction	226,217	161,303	261,444		
Special education instruction	4,335,780	4,851,299	4,775,864		
Instructional support services	990,984	1,004,358	1,002,726		
Pupil support services	3,435,308	3,435,146	3,457,725		
Sites and buildings	2,984,399	3,051,103	4,262,978		
Fiscal and other fixed cost programs	562,034	407,496	412,891		
Total Expenditures	$ 27,326,292	$ 28,369,488	$ 30,719,256	$ 30,295,284	$ 32,109,090
Excess of revenues over (under) expenditures	$ 946,215	$ 513,315	$ 698,690	$ 490,020	$ (1,263,861)
Other Financing Sources (Uses)					
Capital lease issuance	$ 0	$ 6,193	$ 0	$ 0	$ 0
Sale of capital assets	37,350	0	42,610	0	0
Operating transfers out	(337,158)	(353,090)	(202,111)	(221,261)	(234,659)
Total Other Financing Sources (Uses)	$ (299,808)	$ (346,897)	$ (159,501)	$ (221,261)	$ (234,659)
Net Change in Fund Balances	$ 646,407	$ 166,418	$ 539,189	$ 268,759	($1,498,520)
General Fund Balance July 1	4,291,553	4,937,960	5,104,378	5,643,567	5,912,326
Prior Period Adjustment	0	0	0	0	0
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance June 30	$ 4,937,960	$ 5,104,378	$ 5,643,567	$ 5,912,326	$ 4,413,806
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$ 3,200	$ 352,954	$ 464,515		
Restricted	51,318	(92,499)	(59,506)		
Committed	415,787	322,669	331,053		
Assigned	250,734	189,982	121,697		
Unassigned	4,216,921	4,331,272	4,785,508		
Total	$ 4,937,960	$ 5,104,378	$ 5,643,267		

1 The 2018-19 revised budget was adopted on May 29, 2019. The District's latest estimate is that actual revenues will exceed expenditures by approximately $1,000,000. The breakdown of revenues and expenditures by category is not yet available.

2 The 2019-20 budget was adopted on May 28, 2019. Due to increased enrollment and reductions in some expenditures, the District believes that revenues will be at least $235,000 higher than budgeted, and expenditures will be at least $100,000 lower than budgeted. The budget includes approximately $600,000 of one-time expenses for capital projects. The breakdown of revenues and expenditures by category is not yet available.

GENERAL INFORMATION

LOCATION

The District, with a 2010 U.S. Census population of 17,838, and a current population estimate of 17,795, and comprising an area of 4,200 square miles, is located approximately 220 miles north of Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Cleveland-Cliffs, Inc.	Taconite mining and processing	678
Fortune Bay Resort	Casino and resort	450
I.S.D. No. 2142 (St. Louis County)	Elementary and secondary education	396
Cook Hospital & Nursing Home	Healthcare	105
Hill Wood Products, Inc.	Wood products manufacturer	90
Zup's Food Market	Grocery store	82
Minnesota Correctional Facility-Togo	Juvenile correctional facility	63
Carefree Living	Residential care homes	61
Bois Forte Health Division	Nursing care facility	40
Rick Overson Pelican Lake Resort	Hotels and motels	30
Lodow's Island Resort	Resorts, cottages and cabins	25

Source: *ReferenceUSA, written and telephone survey (July 2019), and the Minnesota Department of Employment and Economic Development.*

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

U.S. CENSUS DATA

Population Trend: The District

2000 U.S. Census population	18,472
2010 U.S. Census population	17,838
2017 Population Estimate	17,795
Percent of Change 2000 - 2010	-3.43%

Income and Age Statistics

	The District	St. Louis County	State of Minnesota	United States
2017 per capita income	$29,138	$29,197	$34,712	$31,177
2017 median household income	$51,435	$50,936	$65,699	$57,652
2017 median family income	$64,331	$70,347	$82,785	$70,850
2017 median gross rent	$685	$730	$906	$982
2017 median value owner occupied units	$139,600	$146,700	$199,700	$193,500
2017 median age	51.8 yrs.	41.0 yrs.	37.9 yrs.	37.8 yrs.

	State of Minnesota	United States
District % of 2017 per capita income	83.94%	93.46%
District % of 2017 median family income	77.71%	90.80%

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

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	Average Unemployment	
Year	St. Louis County	St. Louis County	State of Minnesota
2015	96,866	4.9%	3.7%
2016	97,020	5.7%	3.9%
2017	97,844	4.6%	3.4%
2018	98,202	3.7%	2.9%
2019, July	99,587	4.1%	3.3%

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

APPENDIX A

FINANCIAL STATEMENTS

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

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

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2018

Walker, Giroux & Hahne LTD

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the School Board
Independent School District No. 2142,
St. Louis County, 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 the Independent School District No. 2142, St. Louis County, Minnesota, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 Independent School District No. 2142, St. Louis County, Minnesota, as of June 30, 2018, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Notes 1 and 6 to the financial statements, for the year ended June 30, 2018, the District adopted new accounting guidance, Governmental Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Report on Partial Comparative Information

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Independent School District No. 2142, St. Louis County, Minnesota's basic financial statements for the year ended June 30, 2017, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison in our report dated December 22, 2017. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 2142, St. Louis County, Minnesota's basic financial statements as a whole. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

The combining and individual fund financial statements and schedules for the year ended June 30, 2017, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2017 combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the District's net OPEB liability and related ratios and schedules of District's proportionate share of net pension liability and District's contributions for defined benefit pension plans, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 2142, St. Louis County, Minnesota's basic financial statements. The combining and individual fund financial statements and schedules and the fiscal compliance report, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, fiscal compliance report, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, fiscal compliance report, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 19, 2018, on our consideration of the Independent School District No. 2142, St. Louis County, Minnesota'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 Independent School District No. 2142, St. Louis County, Minnesota'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 Independent School District No. 2142, St. Louis County, Minnesota's internal control over financial reporting and compliance.

Walker, Giroux & Hahne, LLC

Virginia, Minnesota
December 19, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

The Independent School District No. 2142, St. Louis County, Minnesota's management's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Independent School District No. 2142, St. Louis County, Minnesota's financial statements.

FINANCIAL HIGHLIGHTS

- Net position in the Statement of Net Position decreased $3,669,772 from the prior year to $4,922,422. This decrease was partially due to the District implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which required the District to report a prior period adjustment of $1,828,989. Also contributing to the decrease in net position were expenses recorded in the current fiscal year that were from the amortization of deferred inflows and deferred outflows related to pensions from prior fiscal years. This was partially offset by reduced long-term liabilities.
- The District's total net position is $4,922,422, of which $25,119,422 is net investment in capital assets, $4,154,670 is restricted to specific purposes, and $(24,351,670) is unrestricted.
- The net cost of governmental activities was $32,414,145 for the current fiscal year. The net cost was funded by general revenues totaling $30,573,362 and available net position.
- Governmental funds' fund balances decreased by $556,264 for the year ended June 30, 2018, due primarily to expenditures related to capital projects.
- The General Fund's fund balance increased by $539,189, the Debt Service Fund's fund balance increased by $1,573,989, and the Capital Projects Fund's fund balance decreased by $2,717,715 as a result of capital project expenditures spent from bond proceeds received in a previous fiscal year.
- In the other governmental funds, the Food Service Special Revenue Fund had a fund balance increase of $48,273. The Community Service Special Revenue Fund had a deficiency of revenues over expenditures of $202,111. The deficiency was funded by a transfer in from the General Fund of $202,111.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. Independent School District No. 2142, St. Louis County, Minnesota's basic financial statements consists of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary and other information in addition to the basic financial statements themselves.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

There are two government-wide financial statements. The statement of net position and the statement of activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The governmental fund financial statements explain how the District's programs were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The fiduciary funds statements provide information about the financial relationship in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

Government-wide Financial Statements

The statement of net position and the statement of activities report information about the District as a whole and about its activities in a way that helps the reader determine whether the District's financial condition has improved or declined as a result of the year's activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These government-wide statements report the District's net position and how they have changed. You can think of the District's net position — the amount assets and deferred outflows of resources exceeds liabilities and deferred inflows of resources — as one way to measure the District's financial health or financial position. Increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors, such as changes in the District's property tax base, student enrollment, and the condition of District buildings also need to be considered in assessing the overall health of the District.

In the statement of net position and the statement of activities, all activities are shown in the governmental activities:

- Governmental activities—All of the District's basic programs are reported here. Property taxes, state grants and aids, and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide detailed information about the District's funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The District has two types of funds—governmental and fiduciary.

- Governmental funds—All of the District's basic programs are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are accounted for using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic programs it provides. Governmental fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation following each governmental fund financial statement.

- Fiduciary funds—The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund. The District is responsible for ensuring that the assets in these funds are used only for their intended purposes and by those to whom the assets belong. Also the District uses an agency fund when the District's role is purely custodial. Accordingly, all assets reported in an agency fund are offset by a liability to the party on whose behalf they are held. We exclude these funds from the government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents the schedule of funding progress for postemployment benefit plan and the schedule of District's proportionate share of net pension liability and District's contributions for defined benefit pension plans, as required supplementary information. Combining and individual fund financial statements and schedules and the fiscal compliance report are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The following tables show that in the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $4,922,422, a decrease from the prior year.

Table 1
Net Position

	Governmental Activities	
	June 30	
	2018	2017
Current and other assets	$ 21,281,200	$ 22,997,322
Capital assets	83,118,136	82,345,256
Total assets	104,399,336	105,342,578
Deferred outflows of resources	24,066,276	32,151,945
Long-term liabilities	104,961,249	115,679,591
Other liabilities	4,715,971	5,626,888
Total liabilities	109,677,220	121,306,479
Deferred inflows of resources	13,865,970	7,595,850
Net position		
Net investment in capital assets	25,119,422	20,463,729
Restricted	4,154,670	5,444,493
Unrestricted	(24,351,670)	(17,316,028)
Total net position	$ 4,922,422	$ 8,592,194

The net position of the District's governmental activities decreased by 42.7 percent ($4,922,422 compared to $8,592,194). Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—decreased from $(17,316,028) at June 30, 2017 to $(24,351,670) at the end of this fiscal year.

Table 2
Changes in Net Position

	Governmental Activities	
	Year Ended	
	6/30/2018	06/30/17
Revenues		
Program revenues		
Charges for services	$ 1,622,463	$ 1,446,705
Operating grants and contributions	7,679,392	7,117,747
Capital grants and contributions	-	37,754
General revenues		
Property taxes	13,054,306	10,092,794
Unrestricted interest earnings	136,800	76,649
Local grants and contributions	134,967	42,117
Federal grants and contributions	-	109,158
State grants and contributions	17,247,289	16,834,107
Total revenues	$ 39,875,217	$ 35,757,031

Program expenses		
Administration	$ 1,933,443	$ 1,941,250
District support services	1,500,492	1,574,375
Regular instruction	16,294,209	15,554,311
Vocational instruction	296,626	198,537
Special education instruction	5,696,602	5,991,007
Community education and services	927,543	1,153,385
Instructional support services	2,229,191	2,276,437
Pupil support services	5,313,209	5,430,816
Sites, buildings and equipment	5,584,462	5,282,897
Fiscal and other fixed cost programs	123,680	117,598
Interest on long-term debt	1,816,543	1,667,118
Total program expenses	41,716,000	41,187,731
Change in net position	(1,840,783)	(5,430,700)
Net position, July 1	8,592,194	14,022,894
Prior period adjustment	(1,828,989)	-
Net position, June 30	$ 4,922,422	$ 8,592,194

The District's revenues for all governmental activities were $39,875,217 for the year ended June 30, 2018 (an increase of 11.5% from the prior year). Property taxes and local and state grants and contributions accounted for 76% of the revenue. Another 4% was from charges for services, and 19% was from operating grants and contributions. Interest earnings accounted for the remaining revenues (less than 1%).

The increase in total expenses for all governmental activities is mainly due to the increase of expenses associated with the net pension liabilities, amortization of deferred outflows of resources related to pensions, and amortization of deferred inflows of resources related to pensions for TRA and PERA. Expenses by Program indicate regular instruction costs are the most significant (39%); followed by special education instruction (14%); sites, buildings and equipment (13%); pupil support services (13%); instructional support services (5%); administration (5%); interest on long-term debt (4%); District support services (4%); and all other activities (3%).

Governmental Activities

The amount that our taxpayers financed these activities through property taxes was $7,533,701 (not including $5,520,605 from taconite homestead credit, taconite replacement aid, federal forest aid, and other aids) because some of the cost was paid by those who directly benefited from the programs in the amount of $1,622,463, or by other governments and organizations that subsidized certain programs with grants and contributions in the amount of $7,679,392. The District paid for the remaining "public benefit" portion of governmental activities with $17,519,056 in general revenues, primarily state grants and aids, and other revenues, such as interest.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

The District's governmental funds reported a total combined fund balance of $10,393,162 which is a decrease from last year's fund balance of $556,264. Of the total governmental fund balances, $492,199 (5%) is nonspendable, which are amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. Restricted funds, which are considered unavailable for appropriation for general operations, comprised $4,662,705 (45%), of the fund balance; $331,053 (3%) of the fund balance was committed; $121,697 (1%) was assigned; and $4,785,508 (46%) was unassigned.

The general fund had an increase in fund balance of $539,189 which is $372,771 more than the prior year increase. Revenues increased by 9% over the prior year and expenditures increased by 8%. Local property tax levies and revenue from state sources were the primary causes for the increase in revenue and expenditures for regular instruction and site, buildings, and equipment were the primary increases in expenditures compared to the prior year. The general fund made transfers out to other funds amounting to $202,111.

The debt service fund balance increased by $1,573,989. Revenue from property taxes increased $1,652,612 from the prior year due to a $4,000,000 IRRRB production aid payment which was used to pay off debt. Expenditures in the debt service fund remained relatively consistent with the prior year increasing $190,556 (4%).

The capital projects fund issued bonds for $6,295,000 for the Northeast Range School renovations steam to hot water conversion project in the fiscal year ended June 30, 2017. In the current fiscal year end, June 30, 2018, the District expended $2,754,276 for the project costs. The fund balance at June 30, 2018 is $1,539,086 which is restricted for capital projects.

The other governmental fund's fund balances remained relatively the same during the year, in large part due to transfers from the general fund as noted previously.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the School Board revised the District's general fund budget. These budget amendments are a result of new information or updated information increasing or decreasing revenues or costs.

With these adjustments, the actual charges to appropriations (expenditures) were $322,821 (1%) above the final budget amounts. Salary and fringe costs exceeded the budget by $391,212. Most of this increase is due to voluntary prekindergarten which is budgeted in the Community Services Special Revenue Fund's learning readiness program that had actual costs of $288,968 included in the General Fund. Workers compensation, tuition paid to other districts, and special education costs also slightly increased. These increases were offset by decreases in Title I and Title II costs, repair and maintenance costs (both facilities and bus), phone and communication, and fees for services (primarily staff development).

Resources available for appropriation were $641,371 (2%) above final budgeted amounts. State aid revenue increased 0.8% over budgeted amounts due to a slight increase in adjusted pupil units, a significant increase in state special education funding (the District now bumps up against the special education aid cap), an increase in third party billing revenue, and revenue received from other Districts. These increases were offset by decreases in Title I and Title II funding.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $83,118,136 invested in capital assets, including land construction in progress, land improvements, buildings, and equipment. (See Table 3 below) This amount represents a net increase (including additions and deductions) of $772,880 from last year.

Table 3
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities June 30	
	2018	2017
Land	$ 6,964,698	$ 6,964,698
Construction in progress	143,707	2,682,738
Land improvements	1,977,985	2,066,468
Buildings	68,162,188	63,376,484
Equipment	5,869,558	7,254,868
Totals	$ 83,118,136	$ 82,345,256

This year's major additions included:

Northeast Range boiler project	$ 4,307,308
Northeast Range dust collection system	$ 59,660
Vehicles and buses	$ 512,914
Tower-Soudan boiler upgrade	$ 63,915

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Long-Term Debt

The District has $55,280,000 in bonds and $1,564,816 in capital leases outstanding at June 30, 2018, as shown in Table 4.

Table 4
Outstanding Debt, at Year-end

	Governmental Activities June 30	
	2018	2017
Capital leases	$ 1,564,816	$ 1,795,036
GO School Building bonds	40,215,000	49,995,000
Taxable GO Build America bonds	8,770,000	8,770,000
GO Facilities Maintenance bonds	6,295,000	-
Totals	$ 56,844,816	$ 60,560,036

The State limits the amount of net debt that the District can issue to 15 percent of the market value of all taxable property in the District. The District's outstanding net debt is significantly below this $430,792,734 state-imposed limit.

Other obligations include accrued vacation pay, vested sick leave and severance payable. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The District's elected officials considered many factors when adopting the fiscal year 2019 budget and property tax levy.

- The payable 2018 property tax levy (District revenue in fiscal year 2019) decreased by $100,816 or 1.4%. Increases in referendum and local optional adjustments are offset by decreases in OPEB and operating capital as well as the phase out of the student achievement levy. A decrease in long-term facilities maintenance funding for the Northeast Range Steam to Hot Water Conservation Project is offset in part by the increase in LTFM bond payments.

- The overall adopted expenditure budget in the General Fund for fiscal year 2019 decreased by 2.6% compared to the final fiscal year 2018 expenditures. This was a result of staff salary and health care cost increases offset by decreases in long-term facilities maintenance spending. The Northeast Range boiler project was primarily completed in 2018.

- The overall adopted revenue budget in the General Fund for fiscal year 2019 is decreasing 4.7% versus final fiscal year 2018 revenue as a result of decreases projected in state aid and miscellaneous local revenue and a decrease in long-term facilities maintenance levy funding. Actual student enrollment to date in 2019 is exceeding budgeted numbers.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Business Manager, Kim Johnson, Independent School District No. 2142, 1701 North 9th Ave., Virginia, MN 55792.

ST. LOUIS COUNTY, MINNESOTA

STATEMENT OF NET POSITION
June 30, 2018
(with partial comparative information as of June 30, 2017)

	Governmental Activities	
	2018	2017
ASSETS		
Cash and investments	$ 12,689,182	$ 13,838,650
Receivables		
Current property taxes	3,116,810	3,116,328
Delinquent property taxes	299,053	435,427
Accounts receivable	33,413	29,113
Interest	22	21
Due from other Minnesota school districts	633,663	598,287
Due from State of Minnesota	2,126,657	2,576,579
Due from federal government through State of Minnesota	516,540	726,060
Due from other governmental units	1,373,661	1,286,689
Inventory	27,684	37,214
Prepaid items	464,515	352,954
Capital assets not being depreciated		
Land	6,964,698	6,964,698
Construction in progress	143,707	2,682,738
Capital assets net of accumulated depreciation		
Land improvements	1,977,985	2,066,468
Buildings	68,162,188	63,376,484
Equipment	5,869,558	7,254,868
TOTAL ASSETS	104,399,336	105,342,578
DEFERRED OUTFLOWS OF RESOURCES		
Related to other postemployment benefits	195,364	-
Related to pensions	23,870,912	32,151,945
TOTAL DEFERRED OUTFLOWS OF RESOURCES	24,066,276	32,151,945
LIABILITIES		
Salaries payable	1,943,818	1,789,279
Accounts payable	760,493	1,596,444
Accrued interest payable	775,808	740,417
Due to other Minnesota school districts	323,104	533,762
Payroll deductions and employer contributions	613,749	641,684
Unearned revenue	298,999	325,302
Noncurrent liabilities		
Other postemployment benefits	2,609,858	817,035
Net pension liability	43,315,775	51,906,497
Bonds, capital leases, compensated absences and severance payable		
Due within one year	3,968,461	3,715,220
Due in more than one year	55,067,155	59,240,839
TOTAL LIABILITIES	109,677,220	121,306,479
DEFERRED INFLOWS OF RESOURCES		
Property taxes levied for subsequent years	6,648,822	6,725,998
Related to other postemployment benefits	86,935	-
Related to pensions	7,130,213	869,852
TOTAL DEFERRED INFLOWS OF RESOURCES	13,865,970	7,595,850
NET POSITION		
Net investment in capital assets	25,119,422	20,463,729
Restricted for:		
Capital outlay	1,358,258	4,096,608
Debt service	2,514,648	1,070,667
Food service	115,726	67,453
Other purposes	166,038	209,765
Unrestricted	(24,351,670)	(17,316,028)
TOTAL NET POSITION	$ 4,922,422	$ 8,592,194

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2018
(with partial comparative information for year ended June 30, 2017)

	2018					2017
		Program Revenue			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Governmental Activities
Governmental Activities						
Administration	$ 1,933,443	$ 61,604	$ 1,660	$ -	$ (1,870,179)	$ (1,939,410)
District support services	1,500,492	35,700	-	-	(1,464,792)	(1,539,902)
Regular instruction	16,294,209	434,112	3,368,867	-	(12,491,230)	(12,413,872)
Vocational instruction	296,626	93,000	25,590	-	(178,036)	(165,394)
Special education instruction	5,696,602	349,206	2,925,070	-	(2,422,326)	(2,648,090)
Community education and services	927,543	176,629	107,755	-	(643,159)	(873,094)
Instructional support services	2,229,191	366	273,851	-	(1,954,974)	(1,840,171)
Pupil support services	5,313,209	383,289	699,960	-	(4,229,960)	(4,316,473)
Sites, buildings, and equipment	5,584,462	88,557	118,835	-	(5,377,070)	(5,222,393)
Fiscal and other fixed cost programs	123,680	-	-	-	(123,680)	(117,598)
Interest on long-term debt	1,816,543	-	157,804	-	(1,658,739)	(1,509,128)
Total Governmental Activities	$ 41,716,000	$ 1,622,463	$ 7,679,392	$ -	(32,414,145)	(32,585,525)
General Revenues:						
Property taxes					13,054,306	10,092,794
Unrestricted interest earnings					136,800	76,649
Local grants and contributions not restricted to specific programs					134,967	42,117
Federal grants and contributions not restricted to specific programs					-	109,158
State grants and contributions not restricted to specific programs					17,247,289	16,834,107
Total General Revenues					30,573,362	27,154,825
CHANGE IN NET POSITION					(1,840,783)	(5,430,700)
NET POSITION, JULY 1					8,592,194	14,022,894
Prior period adjustment					(1,828,989)	-
NET POSITION, JUNE 30					$ 4,922,422	$ 8,592,194

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018
(with partial comparative information as of June 30, 2017)

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds 2018	Total Governmental Funds 2017
ASSETS						
Cash and investments	$ 6,116,888	$ 4,615,991	$ 1,804,015	$ 152,288	$ 12,689,182	$ 13,838,650
Current property taxes receivable	1,562,108	1,554,702	-	-	3,116,810	3,116,328
Delinquent property taxes receivable	103,380	195,673	-	-	299,053	435,427
Accounts receivable	27,314	-	-	6,099	33,413	29,113
Interest receivable	22	-	-	-	22	21
Interfund receivables	165,525	-	-	-	165,525	6,368
Due from other Minnesota school districts	633,663	-	-	-	633,663	598,287
Due from State of Minnesota	2,109,853	5,418	-	11,386	2,126,657	2,576,579
Due from federal government through State of Minnesota	516,540	-	-	-	516,540	726,060
Due from other governmental units	787,867	331,655	-	239,674	1,359,196	1,280,321
Inventory	-	-	-	27,684	27,684	37,214
Prepaid expenditures	464,515	-	-	-	464,515	352,954
TOTAL ASSETS	$ 12,487,675	$ 6,703,439	$ 1,804,015	$ 437,131	$ 21,432,260	$ 22,997,322
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Salaries payable	$ 1,799,761	$ -	$ -	$ 144,057	$ 1,943,818	$ 1,789,279
Accounts payable	493,590	-	264,929	1,974	760,493	1,596,444
Interfund payables	-	-	-	151,060	151,060	-
Due to other Minnesota school districts	323,104	-	-	-	323,104	533,762
Payroll deductions and employer contributions	613,749	-	-	-	613,749	641,684
Unearned revenue	130,530	144,155	-	24,314	298,999	325,302
TOTAL LIABILITIES	3,360,734	144,155	264,929	321,405	4,091,223	4,886,471
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - delinquent taxes	103,380	195,673	-	-	299,053	435,427
Property taxes levied for subsequent years	3,379,994	3,268,828	-	-	6,648,822	6,725,998
TOTAL DEFERRED INFLOWS OF RESOURCES	3,483,374	3,464,501	-	-	6,947,875	7,161,425
FUND BALANCES						
Nonspendable	464,515	-	-	27,684	492,199	390,168
Restricted	(59,206)	3,094,783	1,539,086	88,042	4,662,705	5,715,335
Committed	331,053	-	-	-	331,053	322,669
Assigned	121,697	-	-	-	121,697	189,982
Unassigned	4,785,508	-	-	-	4,785,508	4,331,272
TOTAL FUND BALANCES	5,643,567	3,094,783	1,539,086	115,726	10,393,162	10,949,426
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 12,487,675	$ 6,703,439	$ 1,804,015	$ 437,131	$ 21,432,260	$ 22,997,322

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2018
(with partial comparative information as of June 30, 2017)

Amounts reported for governmental activities in the statement of net position are different because:	2018	2017
TOTAL FUND BALANCES, GOVERNMENTAL FUNDS	$ 10,393,162	$ 10,949,426
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	83,118,136	82,345,256
Unearned revenue in governmental funds is susceptible to full accrual on the government-wide statements.	299,053	435,427
Interest payable on long-term debt is susceptible to full accrual on the government-wide statements.	(775,808)	(740,417)
Long-term liabilities, including compensated absences, severance, pensions and other postemployment benefits payable are not due and payable in the current period and therefore not reported in the governmental funds.	(104,961,249)	(115,679,591)
Deferred outflows and inflows of resources related to other postemployment benefits and pensions are applicable to future periods and therefore not reported in the governmental funds.		
Deferred outflows of resources	24,066,276	32,151,945
Deferred inflows of resources	(7,217,148)	(869,852)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 4,922,422	$ 8,592,194

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018
(with partial comparative information for year ended June 30, 2017)

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds 2018	Total Governmental Funds 2017
REVENUES						
Local property tax levies	$ 6,201,648	$ 6,699,333	$ -	$ 289,700	$ 13,190,681	$ 10,124,106
Other local and county revenues	1,375,056	37,432	36,561	184,055	1,633,104	1,361,027
Revenue from state sources	22,661,792	54,174	-	173,233	22,889,199	22,056,560
Revenue from federal sources	1,126,937	157,804	-	626,717	1,911,458	1,902,318
Sales and other conversion of assets	52,513	-	-	334,636	387,149	344,333
TOTAL REVENUES	31,417,946	6,948,743	36,561	1,608,341	40,011,591	35,788,344
EXPENDITURES						
Administration	1,677,914	-	-	-	1,677,914	1,608,699
District support services	1,181,713	-	-	-	1,181,713	1,188,646
Regular instruction	13,686,001	-	-	-	13,686,001	12,661,438
Vocational instruction	261,444	-	-	-	261,444	161,303
Special education instruction	4,775,864	-	-	-	4,775,864	4,851,299
Community education and services	-	-	-	776,195	776,195	934,141
Instructional support services	1,002,726	-	-	-	1,002,726	1,004,358
Pupil support services	3,457,725	-	-	985,984	4,443,709	4,408,037
Site, buildings, and equipment	4,262,978	-	2,754,276	-	7,017,254	5,373,099
Fiscal and other fixed cost programs	412,891	5,374,754	-	-	5,787,645	5,591,694
TOTAL EXPENDITURES	30,719,256	5,374,754	2,754,276	1,762,179	40,610,465	37,782,714
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	698,690	1,573,989	(2,717,715)	(153,838)	(598,874)	(1,994,370)
OTHER FINANCING SOURCES (USES)						
Bond issuance	-	-	-	-	-	6,295,000
Sale of capital assets	42,610	-	-	-	42,610	6,193
Premium on bonded debt	-	-	-	-	-	265,377
Transfers in	-	-	-	202,111	202,111	353,090
Transfers out	(202,111)	-	-	-	(202,111)	(353,090)
TOTAL OTHER FINANCING SOURCES (USES)	(159,501)	-	-	202,111	42,610	6,566,570
NET CHANGE IN FUND BALANCES	539,189	1,573,989	(2,717,715)	48,273	(556,264)	4,572,200
FUND BALANCES, JULY 1	5,104,378	1,520,794	4,256,801	67,453	10,949,426	6,377,226
FUND BALANCES, JUNE 30	$ 5,643,567	$ 3,094,783	$ 1,539,086	$ 115,726	$ 10,393,162	$ 10,949,426

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018
(with partial comparative information for year ended June 30, 2017)

Amounts reported for governmental activities in the statement of activities are different because:	2018	2017
NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ (556,264)	$ 4,572,200
Governmental funds report outlays for capital assets as expenditures; however, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. The net effect of various miscellaneous transactions involving capital assets (i.e., proceeds from sales, trade-ins) is to decrease net position.		
Expenditures for capital assets	5,204,393	3,767,591
Less current year depreciation	(4,334,807)	(4,195,467)
Net book value of assets disposed	(96,706)	(15,898)
The issuance of long-term debt (bonds, leases) along with any premium proceeds provides current financial resources to governmental funds, but the issuance of debt is recorded as a liability in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Bond premiums are amortized over the life of the debt issue and are netted against interest expense in the statement of activities.		
Bond issuance	-	(6,295,000)
Premium on bond issuance	-	(265,377)
Amortization of bond premium	167,593	158,195
Principal payments	3,715,220	3,632,277
Some revenues reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues in governmental funds.		
Change in unavailable revenue - delinquent taxes	(136,374)	(31,313)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest payable on long-term debt	(35,391)	16,505
Change in long-term compensated absences, severance, OPEB payable and related deferred outflows and inflows	182,225	(423,671)
Change in net pension liability, and related deferred outflows and inflows	(5,950,672)	(6,350,742)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ (1,840,783)	$ (5,430,700)

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2018
(with comparative actual amounts for year ended June 30, 2017)

	2018				2017
	Budgeted Amounts			Variance with Final Budget -	
	Original	Final	Actual Amounts	Positive (Negative)	Actual Amounts
REVENUES					
Local property tax levies	$ 5,974,172	$ 6,162,763	$ 6,201,648	$ 38,885	$ 4,798,491
Other local and county revenues	1,197,277	1,114,739	1,375,056	260,317	1,132,458
Revenue from state sources	21,515,097	22,260,259	22,661,792	401,533	21,806,973
Revenue from federal sources	889,579	1,186,301	1,126,937	(59,364)	1,109,748
Sales and other conversion of assets	-	52,513	52,513	-	35,133
TOTAL REVENUES	29,576,125	30,776,575	31,417,946	641,371	28,882,803
EXPENDITURES					
Administration	1,558,987	1,595,532	1,677,914	(82,382)	1,608,699
District support services	1,165,113	1,150,141	1,181,713	(31,572)	1,188,646
Regular instruction	13,202,390	13,658,057	13,686,001	(27,944)	12,661,438
Vocational instruction	162,206	261,389	261,444	(55)	161,303
Special education instruction	5,094,216	4,718,292	4,775,864	(57,572)	4,851,299
Instructional support services	1,189,102	810,771	1,002,726	(191,955)	1,004,358
Pupil support services	3,486,664	3,501,471	3,457,725	43,746	3,435,146
Site, buildings, and equipment	3,968,725	4,288,365	4,262,978	25,387	3,051,103
Fiscal and other fixed cost programs	413,027	412,417	412,891	(474)	407,496
TOTAL EXPENDITURES	30,240,430	30,396,435	30,719,256	(322,821)	28,369,488
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(664,305)	380,140	698,690	318,550	513,315
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	902	42,610	41,708	6,193
Transfers out	(446,577)	(544,931)	(202,111)	342,820	(353,090)
TOTAL OTHER FINANCING SOURCES (USES)	(446,577)	(544,029)	(159,501)	384,528	(346,897)
NET CHANGE IN FUND BALANCE	(1,110,882)	(163,889)	539,189	703,078	166,418
FUND BALANCE, JULY 1	5,104,378	5,104,378	5,104,378	-	4,937,960
FUND BALANCE, JUNE 30	$ 3,993,496	$ 4,940,489	$ 5,643,567	$ 703,078	$ 5,104,378

The accompanying notes are an integral part of these financial statements.

ST. LOUIS COUNTY, MINNESOTA

STATEMENTS OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	Private Purpose Scholarship Trust Fund	Agency Fund
ASSETS		
Cash and investments	$ 57,796	$ -
Due from other governments	-	16,272
TOTAL ASSETS	57,796	$ 16,272
LIABILITIES		
Accounts payable	-	$ 1,024
Interfund payables	-	14,465
Due to other governments	-	783
TOTAL LIABILITIES	-	$ 16,272
NET POSITION		
Held in trust	$ 57,796	

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
Year Ended June 30, 2018

	Private Purpose Scholarship Trust Fund
ADDITIONS	
Investment earnings	
Interest	$ 19
Other Additions	
Gifts and donations	4,000
TOTAL ADDITIONS	4,019
DEDUCTIONS	
Scholarships	9,000
CHANGE IN NET POSITION	(4,981)
NET POSITION, HELD IN TRUST, JULY 1	62,777
NET POSITION, HELD IN TRUST, JUNE 30	$ 57,796

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District complies with Generally Accepted Accounting Principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the District's financial activities for the year ended June 30, 2018.

A. Financial Reporting Entity

Independent School District No. 2142, St. Louis County, Minnesota (the District), was established pursuant to applicable Minnesota laws and statutes. The power and duties of the School Board are provided in Minnesota Statute Ch. 123. The governing body consists of a seven member board, elected by eligible voters of the District. Officers of the school district are selected each January at the District's reorganizational meeting.

The Student Activity Accounts of Independent School District No. 2142, St. Louis County, Minnesota, are not under the School Board's control; therefore, a separate audited financial statement has been issued and is included under this cover.

B. Basic Financial Statement Presentation

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

The Statement of Activities demonstrates the degree to which the direct expenses of a program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: 1) charges to participants or applicants who purchase, use, or directly benefit from services, materials or privileges provided by a given program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements
The District segregates transactions related to certain programs or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Separate fund financial statements are provided for governmental and fiduciary funds even though the latter are excluded from the government-wide financial statements. The description of the funds included in this report are as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Governmental Funds

The General Fund is the primary operating fund of the District and is used to account for all financial resources relating to the administration, instruction, maintenance, pupil transportation services and capital expenditures of the District, except those required to be accounted for in another fund.

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

The Capital Projects Fund is used to account for the construction of major capital projects and the acquisition of major capital assets.

Nonmajor Governmental Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted for particular purposes.

Fiduciary Funds

The Private-Purpose Scholarship Trust Fund is used to account for money held by the District in the capacity of trustee for others. The fund is used for the activity of a scholarship program.

The Agency Fund is used to account for assets the District holds, in a purely custodial manner, for other governments. The agency fund is excluded from the government-wide financial statements because the District cannot use these assets to finance District operations.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statement. The economic resources measurement focus means all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts recognized in accordance with a statutory "tax shift" described later in this note. Grants and similar items are recognized when all requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Depreciation expense can be specifically identified by program and is included in the direct expenses of each program. 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.

Governmental fund financial statements are reported using a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are both "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. The District considers property taxes as available if they are collected within 60 days after year end. State revenues are recognized in the year to which they apply according to Minnesota Statutes which establish state aid funding formulas for specific fiscal years. Grant revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year. Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements incurred in advance of the year in which the item or service is to be used and debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. Change in Accounting Principle

As discussed in Note 6, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to other postemployment benefits. Additionally, it requires the liability of the District's defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The liability is reported on the District's government-wide financial statements. Beginning governmental activities net position has been decreased $1,828,989 due to the implementation of this accounting principle.

E. Budgeting

The District's administration prepares a proposed budget for the District's funds on the same basis as the fund financial statements. The School Board adopts an annual budget for the fiscal year for all of the District's governmental funds.

Legal budgetary control is at the fund account level; management control is exercised at line-item levels. Budget appropriations lapse at year end, if unexpended.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Final budgeted amounts presented include amendments approved by the School Board throughout the fiscal year. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents a comparison of budgetary data to actual results.

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balances

1) Except for cash and investments in certain restricted and special funds, cash balances for all funds of the District are maintained on a combined basis and invested, to the extent possible, in allowable short-term investments. All investments are reported at fair value.

2) Current property taxes receivable represent current real and personal property tax levies which were certified the previous December and are payable in the current calendar year, less payments remitted by the county to the District for property taxes payable in 2018.

   Delinquent property taxes receivable represents taxes collectible in the years 2013 through 2017 that remain uncollected. No allowance for uncollectible taxes has been recorded as such amounts are not expected to be material.

3) The District's inventories are recorded using the consumption method of accounting. Food service inventory consists of food supplies, recorded at cost (first-in, first-out), and surplus commodities received from the federal government. Surplus commodities are stated at standardized commodities cost determined by the U. S. Department of Agriculture. Expenditures are recognized when inventories are consumed. Inventories of materials and supplies are not maintained by the District. The cost of other materials and supplies is recorded as an expenditure when the items are purchased.

4) Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5) Capital assets are reported in the government-wide financial statements. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition.

   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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6) Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has two items in this category, related to other postemployment benefits and related to pensions. See Notes 6 and 16 for detail.

7) Government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned. Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period and resources that have been received, but not yet earned.

8) In the government-wide financial statements, long-term debt obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are reported as deferred charges and amortized over the life of the related debt using the effective interest method. Bond issuance costs are recognized as an outflow of resources in the period incurred. Bonds payable are reported net of the applicable bond premium or discount. On the government-wide statement of activities, unamortized debt premiums and discounts are deferred and amortized over the life of the debt. The governmental fund financial statements report debt premiums and discounts as other financing sources and uses, separately from the face amount of the debt issued. Debt issuance costs are reported as debt service expenditures. The long-term liabilities consist primarily of bonds and leases payable.

9) Defined Benefit Pension Plans

Teachers Retirement Association
For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Public Employees Retirement Association
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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. 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.

10) Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The first is property taxes levied for subsequent year. As an imposed non-exchange revenue transaction, property taxes received or reported as a receivable before the period for which the property taxes are levied are reported as a deferred inflow of resources in the government-wide financial statements and in the governmental fund financial statements. The second type of deferred inflow is related to other postemployment benefits. See Note 6 for detail. The third type of deferred inflow of resources is related to pensions. See Note 16 for detail. The fourth type of deferred inflow of resources is delinquent property taxes. Governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. Delinquent taxes not collected within 60 days after the District's year-end are considered unavailable and reported as a deferred inflow of resources in the governmental fund financial statements.

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

In the fiduciary fund statements, net position held in trust represents the net position to be used to provide scholarships to students.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the fund financial statements, fund balances of the governmental funds are classified as follows:

Nonspendable—amounts that cannot be spent either because they are in nonspendable form, such as inventory and prepaid items, or because they are legally or contractually required to be maintained intact.

Restricted—amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed—amounts that can be used only for specific purposes determined by a formal action of the School Board. The School Board is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the School Board.

Assigned—amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The School Board or an individual or committee authorized by the School Board may assign amounts for specific purposes.

Unassigned—all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School Board has provided otherwise in its commitment or assignment actions.

G. Revenues and Expenditures

1) The majority of District revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property 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."

Generally, property 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 a deferred inflow of resources (property taxes levied for subsequent year). Property taxes levied for subsequent year is equal to the amount levied by the School Board in December 2017 less various levies mandated by the State. These mandated portions of the levy are recognized as revenue in fiscal year 2018. The remaining portion of the levy will be recognized when measurable and available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The property tax calendar in Minnesota follows the calendar year. Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Property taxes become a lien on the property the following January 1. The county generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

The District also receives revenue from taconite production taxes, which is recognized in the school year received, in accordance with Minnesota Statute 123B.75.

Federal and other state revenues are reported under the legal and contractual requirements of the individual programs and are classified into essentially two types of revenues. In one, monies must be expended for the specific purpose before any amounts will be paid to the District; therefore, revenues are recognized based on expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure, and the resources are recorded as revenue at the time of receipt or earlier if they are available.

2) Employees earn vacation and sick leave based on various bargaining units and length of service. Vacation time must be used annually. Any liability for unused vacation is recognized in the financial statements. Sick leave is available to employees in the event of illness related absences and is recorded as an expenditure when taken. Unpaid sick leave that vests is accrued in the government-wide financial statements. Unused sick leave enters into the calculation of payments for some employees upon termination.

3) As provided in union and employment contracts, qualified employees meeting minimum age and length of service requirements may be eligible for certain other postemployment benefits from the District.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Prior Period Comparative Financial Information

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures Over Budget
For the year ended June 30, 2018, expenditures exceeded appropriations in the following funds:

	Excess
General Fund	$ 322,821

The overages were considered by District management to be the result of necessary expenditures and were funded by excess revenues.

NOTE 3 - CASH AND INVESTMENTS

Except for cash in certain restricted and special funds, the District's funds are combined (pooled) and invested to the extent available in various investments authorized by Minnesota statutes. This pool functions essentially as a demand account for all participating funds. Each fund's portion of this pool is displayed on the balance sheet as "cash and investments". Several funds hold cash and investments separate from the cash and investment pool.

A reconciliation of cash and investments as shown on the statement of net position and statements of fiduciary net position follow:

Cash	$ (214,355)
Investments	12,950,833
Petty cash	10,500
TOTAL	$ 12,746,978

Reconciliation to financial statements:

Statement of Net Position	
Cash and investments	$ 12,689,182
Statements of Fiduciary Net Position	
Private Purpose Scholarship Trust Fund	
Cash and investments	57,796
Agency Fund	
Cash and investments	-
TOTAL	$ 12,746,978

Deposits

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits. The District does not have a formal deposit policy for custodial credit risk.

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The District maintains deposits at financial institutions authorized by the School Board. Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. State statutes authorize the types of securities which may be pledged as collateral and require that those securities be held in safekeeping by the District or in a financial institution other than that furnishing the collateral. At year-end, the carrying amount of the District's deposits, which includes certificates of deposit, was $(214,355); the bank balance was $586,324. Of the bank balance, $255,000 was insured, and $331,324 was collateralized with securities held by the pledging financial institution's agent in the District's name.

Investments

Custodial Credit Risk – Investments
For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or securities that are in the possession of an outside party. The District does not have a formal investment policy for custodial credit risk.

Credit Risk and Concentration of Credit Risk
The District does not have a formal investment policy for credit risk or concentration of credit risk. State statutes authorize the District to invest in qualified repurchase agreements, obligations of the U.S. government, obligations of the State of Minnesota or its municipalities, shares of certain investment companies, banker's acceptance notes, commercial paper and guaranteed investment contracts.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District places no limit on the amount the District may invest in any one issuer and, as of June 30, 2018, had no investment (other than in the Minnesota School District Liquid Asset Fund and U.S. Treasury Securities) in any issuer that exceeds five percent of net position. U.S. government securities or obligations guaranteed by the U.S. government are not considered to have credit risk exposure.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. The District does not have a formal investment policy that addresses interest rate risk, but manages its exposure to fair value losses arising from changing interest rates by purchasing investments with varying maturity dates.

During the year, the District utilized the Minnesota School District Liquid Asset Fund, which is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares.

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

Investment Type	Fair Value	Rating
Minnesota School District		
Liquid Asset Fund		Standard and Poor's
Cash Management Funds	$ 12,950,833	AAAm

Fair Value of Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability – either directly or indirectly.
- Level 3: Unobservable inputs – market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The District's investments of $12,950,833 at June 30, 2018 are not subject to measurement.

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Reclassification	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	$ 6,964,698	$ -	$ -	$ -	$ 6,964,698
Construction in progress	2,682,738	4,451,015	-	(6,990,046)	143,707
Total capital assets, not being depreciated	9,647,436	4,451,015	-	(6,990,046)	7,108,405
Capital assets, being depreciated:					
Land improvements	2,804,679	72,868	(31,015)	-	2,846,532
Buildings	95,235,061	132,255	-	6,990,046	102,357,362
Equipment	16,414,993	548,255	(265,541)	-	16,697,707
Total capital assets, being depreciated	114,454,733	753,378	(296,556)	6,990,046	121,901,601
Less accumulated depreciation for:					
Land improvements	(738,211)	(136,539)	6,203	-	(868,547)
Buildings	(31,858,577)	(2,336,597)	-	-	(34,195,174)
Equipment	(9,160,125)	(1,861,671)	193,647	-	(10,828,149)
Total accumulated depreciation	(41,756,913)	(4,334,807)	199,850	-	(45,891,870)
Total capital assets, being depreciated, net	72,697,820	(3,581,429)	(96,706)	6,990,046	76,009,731
Governmental activities capital assets, net	$ 82,345,256	$ 869,586	$ (96,706)	$ -	$ 83,118,136

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the District's programs as follows:

District and school administration	$ 54,813
District support services	73,668
Regular instruction	455,361
Vocational instruction	5,399
Special education instruction	98,962
Community education and services	16,028
Instructional support services	1,055,808
Pupil support services	598,367
Sites, buildings, and equipment	1,976,401
Total depreciation expense	$ 4,334,807

NOTE 5 - LONG-TERM LIABILITIES

The District issues general obligation bonds to finance the construction of major capital facilities and the equipping of those facilities. The general obligation bonds are being repaid from the applicable resources. For the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

The District is also liable for a certificate of participation lease that was used to finance the expansion of school facilities. The certificate of participation lease is being repaid from the applicable resources.

The District is also liable for capital lease purchase agreements that were entered into for purchases of copiers. These lease purchase agreements are considered an obligation of the general government and are being repaid with general fund revenue sources.

Components of long-term liabilities:

Issue	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
General Obligation Bonds					
Taxable GO School Building Bonds 2010C	02/25/2010	4.55% – 5.55%	$ 52,885,000	02/01/2030	$ 8,770,000
GO School Building Refunding Bonds 2014A	02/12/2014	3.37% – 4.00%	$ 22,455,000	02/01/2024	22,455,000
GO School Building Refunding Bonds 2015A	12/29/2015	2.00% – 2.25%	$ 8,240,000	02/01/2026	8,240,000
GO School Building Refunding Bonds 2016A	06/06/2016	2.00% – 2.25%	$ 9,520,000	02/01/2029	9,520,000
GO Facilities Maintenance Bonds 2017A	03/16/2017	2.70% – 4.00%	$ 6,295,000	02/01/2037	6,295,000
Total General Obligation Bonds					55,280,000
Certificates of Participation					
Lease Purchase 2014	03/27/2014	3.87%	$ 2,985,000	02/01/2025	1,508,099
Capital Lease Agreements					
Equipment Lease Purchase (Copiers)	01/13/2015	1.50%	$ 165,813	03/30/2020	56,717
Total Capital Lease Agreements					1,564,816
Other Long-term Liabilities					
Compensated absences payable					90,274
Severance payable					946,628
Total Other Long-term Liabilities					1,036,902
Total Long-term Liabilities					$ 57,881,718

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

The Series 2010B School Building Bonds and the Series 2010C Taxable School Building Bonds were used to provide funds for the acquisition and betterment of school facilities, including the construction and equipping of two new schools, and the remodeling and renovation of three other schools in the District. During the fiscal year ended June 30, 2016, the District refunded portions of the 2010C Taxable School Building Bonds by issuing the 2015A GO School Building Refunding Bonds and 2016A GO School Building Refunding Bonds. The Series 2017A GO Facilities Maintenance Bonds were used to fund the Northeast Range boiler project. ISD No. 2142 St. Louis County has levied a direct annual ad valorem tax which shall be spread upon the tax rolls and collected with and as part of the general property taxes in the District. The tax levies are such that if collected in full they will produce at least five percent in excess of the amounts needed to meet the debt service requirements on the Bonds and Certificate of Participation. If the money in the Debt Redemption Fund should at any time be insufficient to pay principal and interest due on the Bonds and Certificate of Participation, such amounts shall be paid from any other available fund of the District, and such other fund shall be reimbursed for such advances out of the proceeds of the taxes levied for the payment of the Bonds, and Certificate of Participation or other obligations payable therefrom.

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
General Obligation Bonds Payable					
2010B School Building Bonds	$ 3,485,000	$ -	$ 3,485,000	$ -	$ -
2010C Taxable School Building Bonds	8,770,000	-	-	8,770,000	-
2014A School Building Refunding Bonds	22,455,000	-	-	22,455,000	3,465,000
Unamortized Bond Premium	967,977	-	145,197	822,780	-
2015A GO School Building Refunding Bonds	8,240,000	-	-	8,240,000	-
Unamortized Bond Premium	39,272	-	4,576	34,696	-
2016A GO School Building Refunding Bonds	9,520,000	-	-	9,520,000	-
Unamortized Bond Premium	52,736	-	4,552	48,184	-
2017A GO Facilities Maintenance Bonds	6,295,000	-	-	6,295,000	265,000
Unamortized Bond Premium	261,506	-	13,268	248,238	-
Total General Obligation Bonds	60,086,491	-	3,652,593	56,433,898	3,730,000
Capital Lease Payable					
2014 Lease Purchase	1,706,580	-	198,481	1,508,099	206,236
2015 Copiers Capital Lease	88,456	-	31,739	56,717	32,225
Total Capital Leases Payable	1,795,036	-	230,220	1,564,816	238,461
Other Liabilities					
Compensated absences payable	90,352	12,335	12,413	90,274	-
Severance payable	984,180	239,406	276,958	946,628	-
Total Other Liabilities	1,074,532	251,741	289,371	1,036,902	-
Total Long-term Liabilities	$ 62,956,059	$ 251,741	$ 4,172,184	$ 59,035,616	$ 3,968,461

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Minimum annual principal and interest payments required to retire long-term liabilities, excluding compensated absences and severance are as follows:

Year Ending	General Obligation Bonds		Capital Leases Payable		Total	
June 30, 2018	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 3,730,000	$ 1,628,376	$ 238,461	$ 57,025	$ 3,968,461	$ 1,685,401
2020	3,770,000	1,568,451	238,787	48,484	4,008,787	1,616,935
2021	3,890,000	1,455,349	222,668	39,955	4,112,668	1,495,304
2022	4,045,000	1,299,750	231,369	31,255	4,276,369	1,331,005
2023	4,215,000	1,137,950	240,409	22,214	4,455,409	1,160,164
2024-2028	23,090,000	12,298,170	393,122	15,879	23,483,122	12,314,049
2029-2033	11,035,000	1,102,013	-	-	11,035,000	1,102,013
2034-2038	1,505,000	102,735	-	-	1,505,000	102,735
Total	$ 55,280,000	$ 20,592,794	$ 1,564,816	$ 214,812	$ 56,844,816	$ 20,807,606

No interest was capitalized for the year ended June 30, 2018; interest charged to expenditures totaled $1,658,739.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The District operates a single-employer retiree benefit plan that provides postemployment health insurance benefits to eligible employees and their spouses. Beginning with the fiscal year ending June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which requires the liability of the District's defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The liability is reported on the District's government-wide financial statements.

Benefits Provided

Benefits and eligibility are established and amended through contracts with bargaining units or other employment contracts. The District subsidizes the premium rates of the retirees by allowing them to participate in the plan at reduced or blended (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Additionally, certain retirees receive insurance at a lower (explicitly subsidized) premium rate than active employees.

Plan Membership

At June 30, 2017, plan membership consisted of the following:

Active employees electing coverage	210
Active employees waiving coverage	18
Retirees electing coverage	127
	355

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions

The District and retirees make contributions toward health insurance premiums based on their employment contracts. During the year ended June 30, 2018, the District pays postemployment benefits out of its general fund on a pay-as-you-go method. Contributions into individual health accounts for current employees are also paid out of the general fund on a pay-as-you go method. The District has not advance-funded or established a funding methodology. The District will continue to contribute towards the medical premium for grandfathered retirees and employees hired before dates specified in employee contracts. The contribution amount is either part of or the full amount of the medical premium and continues for the life of the retiree. The District will not pay any premiums for future retirees that were hired after dates specified in employee contracts.

Total OPEB Liability

The District's total OPEB liability of $2,609,858 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions

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

Discount rate	3.56%
Expected return on plan assets	N/A
Inflation rate	2.75%
Healthcare cost trend rate	Actual premium increase rates for FY2017 and 6.80% for FY2018, gradually decreasing over several decades to an ultimate rate of 4.40% in FY2075 and later years. In addition, the medical trend rates were increased to reflect the projected effect of the Affordable Care Act's Excise Tax on high-cost health insurance plans. The additional trend rate adjustments vary by year, but average 0.38% beginning calendar year 2022 for plans other than Medicare plans.

The discount rate was based on the Fidelity 20-Year Municipal GO AA Index because it meets the GASB requirements and is based on a large amount of municipal security data.

The District has elected to use the GASB 75 "lookback" method where assets and liabilities are measured as of the prior fiscal year-end, but applied to the current fiscal year. The measurement date (when assets and liabilities are measured) is June 30, 2017.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 6/30/2017	$ 817,035
Restatement	1,828,989
Balance at 6/30/2017 (as restated)	2,646,024
Changes for the year:	
Service cost	187,591
Interest	79,791
Changes in assumptions	(101,473)
Benefit payments paid directly	(128,387)
Implicit rate subsidy	(73,688)
Net changes	(36,166)
Balance at 6/30/2018	$ 2,609,858

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%, an increase from the 2.92% discount rate used in the last actuarial report measured as of June 30, 2016.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	$ 2,770,188	$ 2,609,858	$ 2,459,275

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	$ 2,371,726	$ 2,609,858	$ 2,885,219

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2018, the District recognized OPEB expense of $57,480. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in actuarial assumptions	$ -	$ 86,935
Contributions between measurement date and reporting date	195,364	-
Total	$ 195,364	$ 86,935

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

Year Ended June 30,	Pension Expense Amount
2019	$ 14,538
2020	$ 14,538
2021	$ 14,538
2022	$ 14,538
2023	$ 14,538
Thereafter	$ 14,245

NOTE 7 - INTERFUND BALANCES AND ACTIVITY

A. Interfund Balances

The composition of interfund balances as of June 30, 2018 are as follows:

Interfund receivable/payable

$ 14,465	General Fund to Agency Fund to eliminate deficit cash balance.
151,060	General Fund to the Non-major Community Service Special Revenue Fund to eliminate deficit cash balance.
$ 165,525	

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 - INTERFUND BALANCES AND ACTIVITY (CONTINUED)

B. Interfund Activity

Transfers to/from other funds at June 30, 2018, consist of the following:

$ 202,111	From General Fund to Community Service Special Revenue Fund to fund deficits.

NOTE 8 - FUND EQUITY

Restricted Net Position
The amount reported as net position restricted for other purposes on the Statement of Net Position is comprised of the following:

Restricted for -	Basic skills - extended time	$ 27,049
	Safe schools crime levy	94,573
	Alternative compensation	44,416
	Total	$ 166,038

Fund Balances
As of June 30, 2018, fund balances are composed of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Inventory	$ -	$ -	$ -	$ 27,684	$ 27,684
Prepaids	464,515	-	-	-	464,515
Total Nonspendable	464,515	-	-	27,684	492,199
Restricted:					
Basic skills - extended time	27,049	-	-	-	27,049
Long term facilities maintenance	(533,981)	-	1,539,086	-	1,005,105
Operation capital	353,153	-	-	-	353,153
Safe school crime levy	94,573	-	-	-	94,573
Debt service	-	3,094,783	-	-	3,094,783
Other Restricted	-	-	-	88,042	88,042
Total Restricted	(59,206)	3,094,783	1,539,086	88,042	4,662,705
Committed:					
Severance	331,053	-	-	-	331,053
Assigned:					
Q-Comp	44,416	-	-	-	44,416
Capital tours	77,281	-	-	-	77,281
Total Assigned	121,697	-	-	-	121,697
Unassigned	4,785,508	-	-	-	4,785,508
Total Fund Balances	$ 5,643,567	$ 3,094,783	$ 1,539,086	$ 115,726	$ 10,393,162

NOTE 9 - RESTATEMENT OF NET POSITION

Due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, that resulted in a change to the valuation of the net OPEB liability, net position has been restated as follows:

	Governmental Activities
Net Position July 1, 2017, prior to restatement	$ 8,592,194
Restatement to beginning net OPEB liability for GASB 75	(1,828,989)
Net Position July 1, 2017 as restated	$ 6,763,205

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased commercial insurance to cover its various risks of loss. There were no significant increases or decreases in insurance from the previous year. Settled claims resulting from these risks did not exceed insurance coverage in any of the past three fiscal years.

NOTE 11 - CONTINGENCIES AND COMMITMENTS

Grants
The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018, may be impaired. In the opinion of the District, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 12 - JOINT VENTURES

Northland Learning Center, District No. 6076
The Northland Learning Center, District No. 6076, was established as a joint powers educational center pursuant to applicable Minnesota laws and statutes and was created to organize, manage, undertake, implement and accomplish all the purposes, functions, services, and programs designed and intended to 1) ensure that all children with disabilities residing within the service area of the parties hereto have available to them a free appropriate public education that emphasizes special education and related services to meet their unique needs and to prepare them for employment and independent living; and 2) meet the needs of those students within its member districts whose experience in traditional learning environments has not been particularly

NOTE 12 - JOINT VENTURES (CONTINUED)

beneficial or successful so as to better assure them a quality and efficacious educational and learning experience. The following school districts are members:

Independent School District No. 695, Chisholm
Independent School District No. 696, Ely
Independent School District No. 2154, Eveleth-Gilbert
Independent School District No. 2711, Mesabi East
Independent School District No. 712, Mountain Iron-Buhl
Independent School District No. 707, Nett Lake
Independent School District No. 706, Virginia
Independent School District No. 2142, St. Louis County
Independent School District No. 166, Cook County
Independent School District No. 361, International Falls

Each member school district is represented on the Northland Learning Center Board of Directors by its superintendent. In the event the members agree to terminate the joint powers agreement, any surplus monies and property shall be returned to the member school districts in proportion to each party's total contribution over the three years prior to termination.

It is the responsibility of the members to adequately fund the Center although funding may also come from other sources, including, but not limited to, grants and gifts. The contribution of each member shall be determined based on the total number of school district students served. During fiscal year 2018, the District disbursed $864,275 to the Northland Learning Center for educational programs. Complete financial information may be obtained from the Northland Learning Center, District No. 6076, 1201 13th Avenue South, P. O. Box 1286, Virginia, MN 55792.

Northern St. Louis County Family Services Collaborative
The Northern St. Louis County Family Services Collaborative was established pursuant to Minn. Stat. §124D.23. The collaborative includes St. Louis County; several St. Louis County agencies; Arrowhead Economic Opportunity Agency; Arrowhead Regional Corrections; Range Mental Health; Bois Forte Reservation; Northland Special Education Cooperative; and Independent School District Nos. 695, 696, 698, 701, 706, 707, 712, 2142, 2154, 2711, and 6076. The purpose of the Collaborative is to support partnerships, both regionally and locally, that promote and support healthy families. The collaborative serves children and families by encouraging collaboration of integrated family services, which provide education, advocacy, and support.

Control of the Northern St. Louis County Family Services Collaborative is vested in a Board of Directors appointed by its members. Independent School District No. 2142 appoints two members on the Board; all other members appoint only one. Financing is provided by state and federal grants, appropriations from the Collaborative members, and miscellaneous revenues. Independent School District No. 2142 provided no funding to the Collaborative for the year ended June 30, 2018. Independent School District No. 2142 and St. Louis County are the fiscal agents for the Collaborative which is accounted for in their agency funds. The Collaborative Agency Fund at Independent School District No. 2142 had assets and liabilities and deferred revenue of $16,272 as of June 30, 2018.

NOTE 12 - JOINT VENTURES (CONTINUED)

Separate financial information can be obtained from Northern St. Louis County Family Services Collaborative, 1701 North 9th Avenue, Virginia, Minnesota 55792.

NOTE 13 - RELATED ORGANIZATION

The District is a member of Arrowhead Regional Computing Consortium (ARCC), a consortium of Minnesota school districts that provides data processing services and support to its member districts. ARCC is a separate legal entity that is financially independent of the District. Furthermore, the District does not appoint a voting majority of ARCC's Board of Directors. Therefore, ARCC is not included as part of the District's reporting entity. During the fiscal year ended June 30, 2018, the District paid ARCC $93,102 for services provided.

NOTE 14 - SEVERANCE AND OTHER POSTEMPLOYMENT BENEFITS

Upon retirement, most District employees are entitled to a severance amount based on accumulated unused sick leave, age, years of service and wage rate at the date of retirement, as established by contracts with bargaining units or other employment contracts. These contracts establish the terms and amounts each retiree is eligible to receive and establish when this severance benefit vests, all of which may differ between each bargaining unit or employee group. Retiring teachers receive up to 175 days of vested sick leave for severance, limited to $50,000, at the highest rate of pay for the last three school years payable in two equal installments. The amount of severance pay, to which a teacher is entitled at the time of retirement, shall be reduced by the total amount of the District's contribution toward a 403(b) annuity matching contribution plan for that teacher, to a lifetime maximum District contribution of $40,000. Most retirees receive this severance benefit in dollars contributed directly to an employee's health care savings plan. During the year, the District expended $276,958 for these severance benefits.

NOTE 15 - OTHER EMPLOYEE BENEFITS

The District offers a Health Care Savings Plan (HCSP) to most active employees. The HCSP is an employer-sponsored program that allows employees to save money, tax-free, to use upon termination of employment to pay for eligible health care expenses. Amounts to be contributed to the accounts must be negotiated or agreed to by both the bargaining unit and employer and written into the collective bargaining agreement or Memorandum of Understanding or included in a written personnel policy for those employees not covered by a bargaining unit. Employer contributions into eligible employee's accounts were $38,448 for the year ended June 30, 2018. This amount is part of the $276,958 total severance benefits from Note 14.

NOTE 16 - RETIREMENT PLANS

Substantially all employees of the District are required by State law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), both of which are administered on a statewide basis. In addition, some District employees participate in tax-deferred annuity or other plans.

Disclosures relating to these plans follow:

A. Teachers Retirement Association

1. Plan Description

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapter 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 schools, and certain educational institutions maintained by the state (except those teachers employed by the cities of Duluth and St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by Minnesota State may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

2. Benefits Provided

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed **before July 1, 1989**, receive the greater of the Tier I or Tier II benefits as described:

Tier I Benefits

Tier I	Step Rate Formula	Percentage
Basic	First ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2 percent per year
	First ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are up to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent per year

NOTE 16 - RETIREMENT PLANS (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 percent per year early retirement reduction factors 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 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent for Coordinated members and 2.7 percent for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

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

3. Contribution Rate

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

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 16 - RETIREMENT PLANS (CONTINUED)

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

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

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

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

4. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2017
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	5.12%, from the Single Equivalent Interest Rate calculation

NOTE 16 - RETIREMENT PLANS (CONTINUED)

Price inflation	2.50%
Wage growth rate	2.85% for 10 years and 3.25%, thereafter
Projected salary increase	2.85 to 8.85% for 10 years and 3.25 to 9.25% thereafter
Cost of living adjustment	2.0%

Mortality Assumption

Pre-retirement	RP–2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP–2015 scale.
Post-retirement	RP–2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP–2015 scale.
Post-disability	RP–2014 disabled retiree mortality table, without adjustment.

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

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

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

NOTE 16 - RETIREMENT PLANS (CONTINUED)

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is six years. The *Difference Between Expected and Actual Experience, Changes of Assumptions, and Changes is Proportion* use the amortization period of six years in the schedule presented. The amortization period for *Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments* is five years as required by GASB 68.

Changes in actuarial assumptions since the 2016 valuation:

- The cost of living adjustment (COLA) was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5 percent, but remain at 2.0 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4 percent to 0.0 percent, the vested inactive load increased from 4.0 percent to 7.0 percent and the non-vested inactive load increased from 4.0 percent to 9.0 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

5. Discount Rate

The discount rate used to measure the total pension liability was 5.12 percent. This is an increase from the discount rate at the prior measurement date of 4.66 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2053 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 (7.50 percent) was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56 percent was applied to periods on and after 2053, resulting in a SEIR of 5.12 percent. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01 percent).

NOTE 16 - RETIREMENT PLANS (CONTINUED)

6. Net Pension Liability

On June 30, 2018, Independent School District No. 2142 reported a liability of $38,406,530 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Independent School District No. 2142's proportion of the net pension liability was based on Independent School District No. 2142's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.1924% at the end of the measurement period and 0.1912% for the beginning of the year.

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

District's proportionate share of net pension liability	$38,406,530
State's proportionate share of the net pension liability associated with the District	$ 3,712,659

For the year ended June 30, 2018, the District recognized pension expense of $1,050,879. It also recognized $71,206 as an increase to pension expense for the support provided by direct aid.

At June 30, 2018, the District has deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 274,633	$ 269,690
Changes in assumptions	20,732,760	5,380,149
Net difference between projected and actual investment earnings on plan investments	-	183,322
Changes in proportion	589,064	238,989
District's contributions to TRA subsequent to the measurement date	844,840	-
TOTAL	$ 22,441,297	$ 6,072,150

NOTE 16 - RETIREMENT PLANS (CONTINUED)

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

Year Ended June 30,	Pension Expense Amount
2019	$ 3,877,038
2020	$ 4,508,270
2020	$ 4,178,402
2021	$ 4,042,656
2022	$ (1,082,059)
Thereafter	$ -

7. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 5.12 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower (4.12 percent) or one percentage point higher (6.12 percent) than the current rate.

Sensitivity of Net Pension Liability (NPL) to Changes in the Discount Rate

1 percent decrease (4.12%)	Current (5.12%)	1 percent increase (6.12%)
$50,689,219	$38,406,530	$28,050,729

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

8. Pension Plan Fiduciary Net Position

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

B. Public Employees Retirement Association

1. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes* Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

NOTE 16 - RETIREMENT PLANS (CONTINUED)

General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))
All full-time and certain part-time employees of the District, other than teachers, are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits
General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

3. Contributions

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

NOTE 16 - RETIREMENT PLANS (CONTINUED)

General Employees Fund Contributions
Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2018; the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2018, were $398,147. The District's contributions were equal to the required contributions as set by state statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2018, the District reported a liability of $4,909,245 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $61,709. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the District's proportion was 0.0769 percent which was an increase of 0.003 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $201,367 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $1,782 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At June 30, 2018, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 161,794	$ 317,567
Changes in actuarial assumptions	822,460	492,152
Difference between projected and actual investment earnings	-	205,717
Changes in proportion	47,214	42,627
Contributions paid to PERA subsequent to the measurement date	398,147	-
Total	$ 1,429,615	$ 1,058,063

NOTE 16 - RETIREMENT PLANS (CONTINUED)

$398,147 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expense Amount	
2019	$	(4,063)
2020	$	290,977
2021	$	(105,121)
2022	$	(208,388)
2023	$	-
Thereafter	$	-

5. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50 % per year
Active Member Payroll Growth	3.25 % per year
Investment Rate of Return	7.50 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for the General Employees 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, 2017, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

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

NOTE 16 - RETIREMENT PLANS (CONTINUED)

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

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

6. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50 percent. 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 Statute*. 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.

7. 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

Sensitivity of Net Pension Liability at Current Single Discount Rate			
	General Employees Fund		
1% Lower	6.50%	$	7,614,604
Current Discount Rate	7.50%	$	4,909,245
1% Higher	8.50%	$	2,694,418

8. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 16 - RETIREMENT PLANS (CONTINUED)

C. Tax-Deferred Annuity Plans

As established in contracts with bargaining units and other employee contracts, eligible District employees may participate in tax-deferred annuity plans under Section 403(b) of the Internal Revenue Code. Employee contracts determine which employees are eligible to participate and the District's matching contributions, if any. During the year, the District expended $214,893 as matching contributions to these plans.

NOTE 17 – SUBSEQUENT EVENT

Refunding of Bond
On December 6, 2018, the District issued $6,670,000 General Obligation School Building Refunding Bonds, Series 2018A. The proceeds, along with transfers from prior issue debt service funds, will finance a current refunding of the remaining balance on the District's Taxable General Obligation School Building Bonds, Series 2010C, of $8,770,000. This refunding will reduce total debt service payments by $3,391,475 and result in a reduction in property tax levies payable in 2020 through 2030.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
Year Ended June 30, 2018

	June 30, 2018
Total OPEB Liability	
Service Cost	$ 187,591
Interest	79,791
Changes in assumptions	(101,473)
Benefit Payments	(128,387)
Implicit Rate Subsidy	(73,688)
Net change in OPEB liability	(36,166)
Total OPEB Liability - beginning (as restated)	2,646,024
Total OPEB Liability - ending	$ 2,609,858
Payroll for measurement period	$ 17,039,594
Net OPEB Liability as a % of employee payroll	15.3%

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

See notes to required supplementary information.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY AND DISTRICT'S CONTRIBUTIONS FOR DEFINED BENEFIT PENSION PLANS
Year Ended June 30, 2018

TEACHERS RETIREMENT ASSOCIATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability (Asset) Associated with Employer (b)	Total (a+b)	Employer's Covered-Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2017	0.1924%	$38,406,530	$ 3,712,659	$ 42,119,189	$ 10,436,733	367.99%	51.57%
June 30, 2016	0.1912%	$45,605,762	$ 4,577,814	$ 50,183,576	$ 9,976,107	457.15%	44.88%
June 30, 2015	0.1827%	$11,301,802	$ 1,386,207	$ 12,688,009	$ 9,340,880	120.99%	76.77%
June 30, 2014	0.2020%	$ 9,308,015	$ 654,775	$ 9,962,790	$ 9,220,419	100.95%	81.50%

Note: This schedule is provided prospectively beginning with the fiscal year ended June 30, 2015.

Note: For purposes of this schedule, covered payroll is defined as "pensionable wages."

TEACHER'S RETIREMENT ASSOCIATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
June 30, 2018	$ 844,840	$ 844,840	$ -	$ 11,264,533	7.50%
June 30, 2017	$ 782,755	$ 782,755	$ -	$ 10,436,733	7.50%
June 30, 2016	$ 748,208	$ 748,208	$ -	$ 9,976,107	7.50%
June 30, 2015	$ 700,566	$ 700,566	$ -	$ 9,340,880	7.50%

Note: This schedule is provided prospectively beginning with the fiscal year ended June 30, 2015.

Note: For purposes of this schedule, covered payroll is defined as "pensionable wages."

See notes to required supplementary information.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY AND DISTRICT'S CONTRIBUTIONS FOR DEFINED BENEFIT PENSION PLANS
Year Ended June 30, 2018

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT PLAN

Fiscal Year Ending	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with District (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	Employer's Covered-Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2017	0.0769%	$ 4,909,245	$ 61,709	$ 4,970,954	$ 4,997,893	99.46%	75.90%
June 30, 2016	0.0766%	$ 6,300,735	$ 82,276	$ 6,383,011	$ 4,767,253	133.89%	68.91%
June 30, 2015	0.0763%	$ 3,954,262	$ -	$ 3,954,262	$ 4,554,490	86.82%	78.19%
June 30, 2014	0.0753%	$ 3,537,217	$ -	$ 3,537,217	$ 4,006,096	88.30%	78.75%

Note: This schedule is provided prospectively beginning with the fiscal year ended June 30, 2015.

Note: For purposes of this schedule, covered payroll is defined as "pensionable wages."

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT PLAN

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
June 30, 2018	$ 398,147	$ 398,147	$ -	$ 5,308,627	7.50%
June 30, 2017	$ 374,842	$ 374,842	$ -	$ 4,997,893	7.50%
June 30, 2016	$ 357,544	$ 357,544	$ -	$ 4,767,253	7.50%
June 30, 2015	$ 333,122	$ 333,122	$ -	$ 4,554,490	7.31%

Note: This schedule is provided prospectively beginning with the fiscal year ended June 30, 2015.

Note: For purposes of this schedule, covered payroll is defined as "pensionable wages."

See notes to required supplementary information.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2018

NOTE 1 – POSTEMPLOYMENT BENEFIT PLAN ACTUARIAL ASSUMPTIONS AND METHODS

This is the District's first OPEB valuation under the new GASB 75 accounting rules. These new financial reporting requirements substantially adjust the measurement and reporting of OPEB liabilities. The new results are not directly comparable to the District's prior GASB 45 Net OPEB Obligation.

NOTE 2 – TEACHER'S RETIREMENT ASSOCIATION CHANGES OF BENEFIT TERMS AND ASSUMPTIONS

June 30, 2017 Measurement Date Changes
Changes of assumptions:

- The cost of living adjustment (COLA) was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5 percent, but remain at 2.0 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4 percent to 0.0 percent, the vested inactive load increased from 4.0 percent to 7.0 percent and the non-vested inactive load increased from 4.0 percent to 9.0 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

June 30, 2016 Measurement Date Changes
Changes of assumptions:

- The discount rate used to measure the total pension liability was 4.66%. This is a decrease from the discount rate at the prior measurement date of 8.00%.

June 30, 2015 Measurement Date Changes
Changes of benefit terms:

- The Duluth Teachers Retirement Fund Association was merged into TRA on June 30, 2015.

Changes of assumptions:

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%. Details, if necessary, can be obtained from the TRA CAFR.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2018

NOTE 3 - PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND CHANGES IN PLAN PROVISIONS ACTUARIAL ASSUMPTIONS

June 30, 2017 Measurement Date Changes
Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

June 30, 2016 Measurement Date Changes
Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all years.

- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

June 30, 2015 Measurement Date Changes
Changes in Plan Provisions:

- On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018
(with partial comparative information as of June 30, 2017)

	Food Service Special Revenue Fund	Community Service Special Revenue Fund	Total Nonmajor Governmental Funds 2018	Total Nonmajor Governmental Funds 2017
ASSETS				
Cash and investments	$ 152,288	$ -	$ 152,288	$ 177,823
Accounts receivable	2,956	3,143	6,099	2,726
Due from State of Minnesota	758	10,628	11,386	9,254
Due from other governmental units	-	239,674	239,674	-
Inventory	27,684	-	27,684	37,214
TOTAL ASSETS	$ 183,686	$ 253,445	$ 437,131	$ 227,017
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Salaries payable	$ 44,107	$ 99,950	$ 144,057	$ 133,138
Accounts payable	1,054	920	1,974	4,808
Interfund payables	-	151,060	151,060	-
Unearned revenue	22,799	1,515	24,314	21,618
TOTAL LIABILITIES	67,960	253,445	321,405	159,564
FUND BALANCES				
Nonspendable	27,684	-	27,684	37,214
Restricted for:				
Food service	88,042	-	88,042	30,239
TOTAL FUND BALANCES	115,726	-	115,726	67,453
TOTAL LIABILITIES AND FUND BALANCES	$ 183,686	$ 253,445	$ 437,131	$ 227,017

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2018
(with partial comparative information for year ended June 30, 2017)

	Food Service Special Revenue Fund	Community Service Special Revenue Fund	Total Nonmajor Governmental Funds 2018	Total Nonmajor Governmental Funds 2017
REVENUES				
Local property tax levies	$ -	$ 289,700	$ 289,700	$ 300,760
Other local and county revenues	4,315	179,740	184,055	188,586
Revenue from state sources	68,589	104,644	173,233	158,062
Revenue from federal sources	626,717	-	626,717	634,580
Sales and other conversion of assets	334,636	-	334,636	309,200
TOTAL REVENUES	1,034,257	574,084	1,608,341	1,591,188
EXPENDITURES				
Community education and services	-	776,195	776,195	934,141
Pupil support services	985,984	-	985,984	972,891
TOTAL EXPENDITURES	985,984	776,195	1,762,179	1,907,032
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	48,273	(202,111)	(153,838)	(315,844)
OTHER FINANCING SOURCES				
Transfers in	-	202,111	202,111	353,090
NET CHANGE IN FUND BALANCES	48,273	-	48,273	37,246
FUND BALANCES, JULY 1	67,453	-	67,453	30,207
FUND BALANCES, JUNE 30	115,726	$ -	$ 115,726	$ 67,453

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and investments	$ 6,116,888	$ 5,609,849
Current property taxes receivable	1,562,108	1,889,602
Delinquent property taxes receivable	103,380	145,137
Accounts receivable	27,314	26,387
Interest receivable	22	21
Interfund receivables	165,525	6,368
Due from other Minnesota school districts	633,663	598,287
Due from State of Minnesota	2,109,853	2,558,173
Due from federal government through State of Minnesota	516,540	726,060
Due from other governmental units	787,867	868,633
Prepaid expenditures	464,515	352,954
TOTAL ASSETS	$ 12,487,675	$ 12,781,471
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Salaries payable	$ 1,799,761	$ 1,656,141
Accounts payable	493,590	502,068
Due to other Minnesota school districts	323,104	533,762
Payroll deductions and employer contributions	613,749	641,684
Unearned revenue	130,530	179,569
TOTAL LIABILITIES	3,360,734	3,513,224
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - delinquent taxes	103,380	145,137
Property taxes levied for subsequent years	3,379,994	4,018,732
TOTAL DEFERRED INFLOWS OF RESOURCES	3,483,374	4,163,869
FUND BALANCES		
Nonspendable	464,515	352,954
Restricted for:		
Health and safety	-	(32,301)
Long term facilities maintenance	(533,981)	(348,143)
Basic skills extended time	27,049	-
Operating capital	353,153	187,950
Safe school crime levy	94,573	99,995
Committed for severance	331,053	322,669
Assigned for quality compensation	44,416	109,770
Assigned for capital tours	77,281	80,212
Unassigned	4,785,508	4,331,272
TOTAL FUND BALANCES	5,643,567	5,104,378
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 12,487,675	$ 12,781,471

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended June 30, 2018 and 2017

	2018	2017
REVENUES		
Local property tax levies	$ 6,201,648	$ 4,798,491
Other local and county revenues	1,375,056	1,132,458
Revenue from state sources	22,661,792	21,806,973
Revenue from federal sources	1,126,937	1,109,748
Sales and other conversion of assets	52,513	35,133
TOTAL REVENUES	31,417,946	28,882,803
EXPENDITURES		
Administration	1,677,914	1,608,699
District support services	1,181,713	1,188,646
Regular instruction	13,686,001	12,661,438
Vocational instruction	261,444	161,303
Special education instruction	4,775,864	4,851,299
Instructional support services	1,002,726	1,004,358
Pupil support services	3,457,725	3,435,146
Site, buildings, and equipment	4,262,978	3,051,103
Fiscal and other fixed cost programs	412,891	407,496
TOTAL EXPENDITURES	30,719,256	28,369,488
EXCESS OF REVENUES OVER EXPENDITURES	698,690	513,315
OTHER FINANCING SOURCES (USES)		
Sale of capital assets	42,610	6,193
Transfers out	(202,111)	(353,090)
TOTAL OTHER FINANCING SOURCES (USES)	(159,501)	(346,897)
NET CHANGE IN FUND BALANCE	539,189	166,418
FUND BALANCE, JULY 1	5,104,378	4,937,960
FUND BALANCE, JUNE 30	$ 5,643,567	$ 5,104,378

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

GENERAL FUND
COMBINING BALANCE SHEET
June 30, 2018
(with partial comparative information as of June 30, 2017)

	General (01)	Pupil Transportation (03)	Capital Expenditure (05)	Total 2018	Total 2017
ASSETS					
Cash and investments	$ 6,207,487	$ 155,548	$ (246,147)	$ 6,116,888	$ 5,609,849
Current property taxes receivable	1,562,108	-	-	1,562,108	1,889,602
Delinquent property taxes receivable	103,380	-	-	103,380	145,137
Accounts receivable	22,993	4,321	-	27,314	26,387
Interest receivable	22	-	-	22	21
Interfund receivables	165,525	-	-	165,525	6,368
Due from other Minnesota school districts	633,663	-	-	633,663	598,287
Due from State of Minnesota	2,109,619	234	-	2,109,853	2,558,173
Due from federal government through State of Minnesota	516,540	-	-	516,540	726,060
Due from other governmental units	610,609	2,008	175,250	787,867	868,633
Prepaid expenditures	458,095	-	6,420	464,515	352,954
TOTAL ASSETS	$ 12,390,041	$ 162,111	$ (64,477)	$ 12,487,675	$ 12,781,471
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Salaries payable	$ 1,675,840	$ 123,921	$ -	$ 1,799,761	$ 1,656,141
Accounts payable	354,926	37,845	100,819	493,590	502,068
Due to other Minnesota school districts	307,227	345	15,532	323,104	533,762
Payroll deductions and employer contributions	613,749	-	-	613,749	641,684
Unearned revenue	130,530	-	-	130,530	179,569
TOTAL LIABILITIES	3,082,272	162,111	116,351	3,360,734	3,513,224
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - delinquent taxes	103,380	-	-	103,380	145,137
Property taxes levied for subsequent years	3,379,994	-	-	3,379,994	4,018,732
TOTAL DEFERRED INFLOWS OF RESOURCES	3,483,374	-	-	3,483,374	4,163,869
FUND BALANCES					
Nonspendable	464,515	-	-	464,515	352,954
Restricted for:					
Health and safety	-	-	-	-	(32,301)
Long term facilities maintenance	-	-	(533,981)	(533,981)	(348,143)
Operating capital	-	-	353,153	353,153	187,950
Basic skills extended time	27,049	-	-	27,049	-
Safe school crime levy	94,573	-	-	94,573	99,995
Committed for:					
Severance	331,053	-	-	331,053	322,669
Assigned for quality compensation	44,416	-	-	44,416	109,770
Assigned for capital trips	77,281	-	-	77,281	80,212
Unassigned	4,785,508	-	-	4,785,508	4,331,272
TOTAL FUND BALANCES	5,824,395	-	(180,828)	5,643,567	5,104,378
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 12,390,041	$ 162,111	$ (64,477)	$ 12,487,675	$ 12,781,471

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2018
(with partial comparative information for year ended June 30, 2017)

	General (01)	Pupil Transportation (03)	Capital Expenditure (05)	Total 2018	Total 2017
REVENUES					
Local property tax levies	$ 3,614,811	$ -	$ 2,586,837	$ 6,201,648	$ 4,798,491
Other local and county revenues	1,338,423	36,633	-	1,375,056	1,132,458
Revenue from state sources	20,284,320	2,264,986	112,486	22,661,792	21,806,973
Revenue from federal sources	1,126,937	-	-	1,126,937	1,109,748
Sales and other conversion of assets	-	-	52,513	52,513	35,133
TOTAL REVENUES	26,364,491	2,301,619	2,751,836	31,417,946	28,882,803
EXPENDITURES					
Administration	1,617,428	-	60,486	1,677,914	1,608,699
District support services	1,080,396	-	101,317	1,181,713	1,188,646
Regular instruction	13,569,189	-	116,812	13,686,001	12,661,438
Vocational instruction	261,444	-	-	261,444	161,303
Special education instruction	4,775,864	-	-	4,775,864	4,851,299
Instructional support services	1,002,726	-	-	1,002,726	1,004,358
Pupil support services	509,307	2,947,923	495	3,457,725	3,435,146
Site, buildings, and equipment	2,094,477	-	2,168,501	4,262,978	3,051,103
Fiscal and other fixed cost programs	117,405	-	295,486	412,891	407,496
TOTAL EXPENDITURES	25,028,236	2,947,923	2,743,097	30,719,256	28,369,488
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,336,255	(646,304)	8,739	698,690	513,315
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	26,858	12,825	2,927	42,610	6,193
Transfers in (out)	(633,479)	633,479	-	-	-
Transfers out	(202,111)	-	-	(202,111)	(353,090)
TOTAL OTHER FINANCING SOURCES (USES)	(808,732)	646,304	2,927	(159,501)	(346,897)
NET CHANGE IN FUND BALANCES	527,523	-	11,666	539,189	166,418
FUND BALANCES, JULY 1	5,296,872	-	(192,494)	5,104,378	4,937,960
FUND BALANCES, JUNE 30	$ 5,824,395	$ -	$ (180,828)	$ 5,643,567	$ 5,104,378

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

FOOD SERVICE SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and investments	$ 152,288	$ 95,217
Accounts receivable	2,956	818
Due from State of Minnesota	758	-
Inventory	27,684	37,214
TOTAL ASSETS	$ 183,686	$ 133,249
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Salaries payable	$ 44,107	$ 46,778
Accounts payable	1,054	306
Unearned revenue	22,799	18,712
TOTAL LIABILITIES	67,960	65,796
FUND BALANCE		
Nonspendable	27,684	37,214
Restricted for:		
Food service	88,042	30,239
TOTAL FUND BALANCE	115,726	67,453
TOTAL LIABILITIES AND FUND BALANCE	$ 183,686	$ 133,249

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

FOOD SERVICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2018
(with comparative actual amounts for year ended June 30, 2017)

	2018				2017
	Budgeted Amounts			Variance with Final Budget -	
	Original	Final	Actual Amounts	Positive (Negative)	Actual Amounts
REVENUES					
Other local and county revenues	$ 2,000	$ 4,300	$ 4,315	$ 15	$ 1,683
Revenue from state sources	66,300	64,600	68,589	3,989	64,674
Revenue from federal sources	619,931	635,200	626,717	(8,483)	634,580
Sales and other conversion of assets	317,300	309,160	334,636	25,476	309,200
TOTAL REVENUES	1,005,531	1,013,260	1,034,257	20,997	1,010,137
EXPENDITURES					
Pupil support services	1,013,933	972,296	985,984	(13,688)	972,891
NET CHANGE IN FUND BALANCE	(8,402)	40,964	48,273	7,309	37,246
FUND BALANCE, JULY 1	67,453	67,453	67,453	-	30,207
FUND BALANCE, JUNE 30	$ 59,051	$ 108,417	$ 115,726	$ 7,309	$ 67,453

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

COMMUNITY SERVICE SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and investments	$ -	$ 82,606
Accounts receivable	3,143	1,908
Due from State of Minnesota	10,628	9,254
Due from other governmental units	239,674	-
TOTAL ASSETS	$ 253,445	$ 93,768
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Salaries payable	$ 99,950	$ 86,360
Accounts payable	920	4,502
Interfund payables	151,060	-
Unearned revenue	1,515	2,906
TOTAL LIABILITIES	253,445	93,768
FUND BALANCES	-	-
TOTAL LIABILITIES AND FUND BALANCES	$ 253,445	$ 93,768

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

COMMUNITY SERVICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2018
(with comparative actual amounts for year ended June 30, 2017)

	2018				2017
	Budgeted Amounts			Variance with Final Budget -	
	Original	Final	Actual Amounts	Positive (Negative)	Actual Amounts
REVENUES					
Local property tax levies	$ 289,990	$ 291,440	$ 289,700	$ (1,740)	$ 300,760
Other local and county revenues	205,600	190,946	179,740	(11,206)	186,903
Revenue from state sources	101,922	104,031	104,644	613	93,388
TOTAL REVENUES	597,512	586,417	574,084	(12,333)	581,051
EXPENDITURES					
Community education and service	1,044,089	1,130,234	776,195	354,039	934,141
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(446,577)	(543,817)	(202,111)	341,706	(353,090)
OTHER FINANCING SOURCES					
Transfers in	446,577	544,931	202,111	(342,820)	353,090
NET CHANGE IN FUND BALANCE	-	1,114	-	(1,114)	-
FUND BALANCE, JULY 1	-	-	-	-	-
FUND BALANCE, JUNE 30	$ -	$ 1,114	$ -	$ (1,114)	$ -

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and investments	$ 4,615,991	$ 2,704,609
Current property taxes receivable	1,554,702	1,226,726
Delinquent property taxes receivable	195,673	290,290
Due from State of Minnesota	5,418	9,152
Due from other governmental units	331,655	411,688
TOTAL ASSETS	$ 6,703,439	$ 4,642,465
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Unearned revenue	$ 144,155	$ 124,115
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - delinquent taxes	195,673	290,290
Property taxes levied for subsequent years	3,268,828	2,707,266
TOTAL DEFERRED INFLOWS OF RESOURCES	3,464,501	2,997,556
FUND BALANCE		
Restricted for:		
Debt service	3,094,783	1,520,794
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$ 6,703,439	$ 4,642,465

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2018
(with comparative actual amounts for year ended June 30, 2017)

	2018				2017
	Budgeted Amounts			Variance with Final Budget -	
	Original	Final	Actual Amounts	Positive (Negative)	Actual Amounts
REVENUES					
Local property tax levies	$ 4,642,239	$ 6,667,688	$ 6,699,333	$ 31,645	$ 5,024,855
Other local and county revenues	-	10,000	37,432	27,432	21,761
Revenue from state sources	90,027	54,178	54,174	(4)	91,525
Revenue from federal sources	154,474	157,772	157,804	32	157,990
TOTAL REVENUES	4,886,740	6,889,638	6,948,743	59,105	5,296,131
EXPENDITURES					
Fiscal and other fixed cost programs	5,374,254	5,374,904	5,374,754	150	5,184,198
NET CHANGE IN FUND BALANCE	(487,514)	1,514,734	1,573,989	59,255	111,933
FUND BALANCE, JULY 1	1,520,794	1,520,794	1,520,794	-	1,408,861
FUND BALANCE, JUNE 30	$ 1,033,280	$ 3,035,528	$ 3,094,783	$ 59,255	$ 1,520,794

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and investments	$ 1,804,015	$ 5,346,369
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$ 264,929	$ 1,089,568
FUND BALANCE		
Restricted for:		
Long term facilities maintenance	1,539,086	4,256,801
TOTAL LIABILITIES AND FUND BALANCE	$ 1,804,015	$ 5,346,369

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2018
(with comparative actual amounts for year ended June 30, 2017)

	2018				2017
	Budgeted Amounts			Variance with Final Budget -	
	Original	Final	Actual Amounts	Positive (Negative)	Actual Amounts
REVENUES					
Other local and county revenues	$ 4,000	$ -	$ 36,561	$ 36,561	$ 18,222
EXPENDITURES					
Site, buildings, and equipment	4,314,645	2,773,983	2,754,276	19,707	2,321,996
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,310,645)	(2,773,983)	(2,717,715)	56,268	(2,303,774)
OTHER FINANCING SOURCES					
Bond issuance	-	-	-	-	6,295,000
Premium on bonded debt	-	-	-	-	265,377
TOTAL OTHER FINANCING SOURCES	-	-	-	-	6,560,377
NET CHANGE IN FUND BALANCE	(4,310,645)	(2,773,983)	(2,717,715)	56,268	4,256,603
FUND BALANCE, JULY 1	4,256,801	4,256,801	4,256,801	-	198
FUND BALANCE, JUNE 30	$ (53,844)	$ 1,482,818	$ 1,539,086	$ 56,268	$ 4,256,801

DEPARTMENT OF EDUCATION

Fiscal Compliance

Fiscal Compliance Report - 6/30/2018

District: ST. LOUIS COUNTY (2142-1) Back Print Help Logoff

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$31,417,946	$31,417,946	$0
Total Expenditures	$30,719,256	$30,719,256	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$464,515	$464,516	($1)
Restricted / Reserved:			
4.03 Staff Development	$0	$0	$0
4.06 Health and Safety	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$353,153	$353,153	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.45 Career Tech Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$94,573	$94,573	$0
4.50 Pre-Kindergarten	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$27,049	$27,049	$0
4.67 LTFM	($533,981)	($533,981)	$0
4.72 Medical Assistance	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$331,053	$331,053	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$121,697	$121,697	$0
Unassigned:			
4.22 Unassigned Fund Balance	$4,785,508	$4,785,508	$0

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$36,561	$36,561	$0
Total Expenditures	$2,754,276	$2,754,275	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$1,539,086	$1,539,086	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$6,948,743	$6,948,742	$1
Total Expenditures	$5,374,754	$5,374,754	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$3,094,783	$3,094,783	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$4,019	$4,019	$0
Total Expenditures	$9,000	$9,000	$0
4.22 Unassigned Fund Balance (Net Assets)	$57,796	$57,796	$0
20 INTERNAL SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

02 FOOD SERVICES

Total Revenue	$1,034,257	$1,034,257	$0
Total Expenditures	$985,984	$985,984	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$27,684	$27,684	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$88,042	$88,041	$1
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$574,084	$574,084	$0
Total Expenditures	$776,195	$776,195	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$0	$0	$0
4.32 E.C.F.E	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$0	$0	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor/ Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Passed through State of Minnesota:		
Child Nutrition Cluster		
School Breakfast Program	10.553	$ 150,284
National School Lunch	10.555	420,395
Commodity Distribution	10.555	52,006
Total Child Nutrition Cluster		622,685
Fresh Fruit and Vegetable Program	10.582	4,032
TOTAL U.S. DEPARTMENT OF AGRICULTURE		626,717
U.S. DEPARTMENT OF EDUCATION		
Passed through Northland Learning Center Independent School District No. 6076, Minnesota:		
Special Education Cluster (IDEA)		
Special Education-Grants to States	84.027	385,963
Special Education-Preschool Grants	84.173	2,116
Total Special Education Cluster (IDEA)		388,079
Passed through Independent School District No. 706, Virginia, Minnesota:		
Career and Technical Education-Basic Grants to States	84.048	3,669
Passed through State of Minnesota:		
Title I Grants to Local Education Agencies	84.010	506,064
Improving Teacher Quality State Grants	84.367	10,477
Direct Award:		
Impact Aid	84.041	128,944
Indian Education-Grants to Local Educational Agencies	84.060	89,704
TOTAL U.S. DEPARTMENT OF EDUCATION		1,126,937
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 1,753,654

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Independent School District No. 2142, St. Louis County, Minnesota, under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part, 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Independent School District No. 2142, St. Louis County, Minnesota, it is not intended to and does not present the financial position, changes in net position, or cash flows of Independent School District No. 2142, St. Louis County, Minnesota.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Independent School District No. 2142 St. Louis County, Minnesota, has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

NOTE C - COMMODITY DISTRIBUTION

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received. At June 30, 2018, the District had food commodities totaling $18,048 in inventory.

NOTE D - PASS-THROUGH GRANT NUMBERS

Pass-through grant numbers were not assigned by the pass-through agencies.

NOTE E - RECONCILIATION OF TOTAL EXPENDITURES OF FEDERAL AWARDS TO REVENUE FROM FEDERAL SOURCES

Revenues from federal sources, as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, are comprised of the following:

Expenditures of federal awards	$ 1,753,654
Federal reimbursements with no single audit requirements	
Build America Bonds interest	157,804
Total revenues from federal sources	$ 1,911,458

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the School Board
Independent School District No. 2142,
St. Louis County, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 2142, St. Louis County, Minnesota as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Independent School District No. 2142, St. Louis County, Minnesota's basic financial statements, and have issued our report thereon dated December 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent School District No. 2142, St. Louis County, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independent School District No. 2142, St. Louis County, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 2142, St. Louis County, Minnesota's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

Compliance

As part of obtaining reasonable assurance about whether Independent School District No. 2142, St. Louis County, Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 2142, St. Louis County, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts,* except as described in the schedule of findings and questioned costs as item 2018-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Independent School District No. 2142, St. Louis County, Minnesota's noncompliance with the above referenced provisions.

Other Matters

We noted certain matters that we reported to management of Independent School District No. 2142, St. Louis County, Minnesota, in a separate letter dated December 19, 2018, included under this cover.

Independent School District No. 2142, St. Louis County, Minnesota's Response to Findings

Independent School District No. 2142, St. Louis County, Minnesota's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Independent School District No. 2142, St. Louis County, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Walker, Giroux & Hahne, LLC

Virginia, Minnesota
December 19, 2018

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQURIED BY THE UNIFORM GUIDANCE

To the School Board
Independent School District No. 2142,
St. Louis County, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 2142, St. Louis County, Minnesota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Independent School District No. 2142, St. Louis County, Minnesota's major federal programs for the year ended June 30, 2018. Independent School District No. 2142, St. Louis County, Minnesota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Independent School District No. 2142, St. Louis County, Minnesota's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Independent School District No. 2142, St. Louis County, Minnesota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Independent School District No. 2142, St. Louis County, Minnesota's compliance.

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 2142, St. Louis County, Minnesota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Independent School District No. 2142, St. Louis County, Minnesota is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Independent School District No. 2142, St. Louis County, Minnesota's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 2142, St. Louis County, Minnesota's internal control over compliance.

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

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

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

Walker, Giroux & Hahne, LLC

Virginia, Minnesota
December 19, 2018

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

FINDING 2017-001. SEGREGATION OF DUTIES – CASH TRANSACTIONS AT INDIVIDUAL SCHOOLS

Summary of condition
Due to the limited number of personnel within the individual schools' offices, the segregation of accounting functions necessary to ensure adequate internal accounting control for cash transactions is not possible.

Summary of Corrective Action Previously Reported
The accountant will continue to monitor all transactions and the District's administration will structure the duties of office and school personnel to help ensure as much segregation of duties as possible within the District's staffing limitations and funding constraints.

Current Status
Ongoing.

FINDING 2017-002. ACCOUNTING FOR STUDENT ACTIVITY ACCOUNTS

Summary of condition
Although the School District has developed policies and procedures to control and account for all student activity accounts as required by the *Manual of Activity Fund Accounting* which was issued by the Minnesota Department of Education, District personnel are not always following these policies and procedures.

Summary of Corrective Action Previously Reported
The District will review the *Manual of Activity Fund Accounting* with the Schools' principals and deans of students to ensure the District's policies and procedures are followed.

Current Status
Ongoing.

U.S. DEPARTMENT OF EDUCATION

There were no prior audit findings.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____ yes _X_ no
- Significant deficiency(ies) identified? _X_ yes ____ none reported

Noncompliance material to financial statements noted? ____ yes _X_ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ____ yes _X_ no
- Significant deficiency(ies) identified? ____ yes _X_ none reported

Type of auditor's report issued on compliance for major federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ____ yes _X_ no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee? _X_ yes ____ no

Section II - Financial Statement Findings

2018-001. SEGREGATION OF DUTIES – CASH TRANSACTIONS AT INDIVIDUAL SCHOOLS

Criteria
The concentration of duties and responsibilities in a limited number of individuals at the individual schools is not desirable from an internal accounting control point of view.

Condition
Due to the limited number of personnel within the individual schools' offices, the segregation of accounting functions necessary to ensure adequate internal accounting control for cash transactions is not possible.

Effect
Because of the weakness in segregation of duties, the District has not provided adequate internal control.

Cause
This occurred because of staffing limitations in the individual schools.

Auditor Recommendations
Officials and management of the District should constantly be aware of this condition, attempt to segregate duties as much as possible and provide oversight to partially compensate for this deficiency.

Views of Responsible Officials and Planned Corrective Action
Management agrees with the audit finding. The accountant will continue to monitor all transactions and the District's administration will structure the duties of office and school personnel to help ensure as much segregation of duties as possible within the District's staffing limitations and funding constraints.

Section III – Federal Award Findings and Questioned Costs

None noted.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2018

Section IV – Other Findings

MINNESOTA LEGAL COMPLIANCE

2018-002. ACCOUNTING FOR STUDENT ACTIVITY ACCOUNTS

Criteria
The *Manual of Activity Fund Accounting* provides uniform procedures for the financial management of student activity accounts in Minnesota public schools.

Condition
Although the School District has developed policies and procedures to control and account for all student activity accounts as required by the *Manual of Activity Fund Accounting* which was issued by the Minnesota Department of Education, District personnel are not always following these policies and procedures.

Effect
The School District is not in compliance with the provisions of the *Manual of Activity Fund Accounting* as required by the State of Minnesota.

Cause
This occurred because District personnel are not always following the policies and procedures as required by the *Manual of Activity Fund Accounting.*

Auditor Recommendation
The District's administration must review the *Manual of Activity Fund Accounting* and enforce their policies and procedures developed to control and account for all student activity accounts.

Views of Responsible Officials and Planned Corrective Action
Management agrees with the audit finding. The District will review the *Manual of Activity Fund Accounting* with the Schools' principals and deans of students to ensure the District's policies and procedures are followed.

REPRESENTATION OF INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

CORRECTIVE ACTION PLAN
Year Ended June 30, 2018

Finding Number: 2018-001
Finding Title: SEGREGATION OF DUTIES – CASH TRANSACTIONS AT INDIVIDUAL SCHOOLS

Name of Contact Person Responsible for Corrective Action
Kim Johnson, Business Manager

Corrective Action Planned
The District's accountant has been monitoring transactions and the District's administration is reviewing the duties of office personnel on an ongoing basis.

Anticipated Completion Date
Ongoing

Finding Number: 2018-002
Finding Title: ACCOUNTING FOR STUDENT ACTIVITY ACCOUNTS

Name of Contact Person Responsible for Corrective Action
Kim Johnson, Business Manager

Corrective Action Planned
The District will review the *Manual of Activity Fund Accounting* with the Schools' principals and deans of students to ensure the District's policies and procedures are followed.

Anticipated Completion Date
June 30, 2019

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MANAGEMENT LETTER

To the School Board
Independent School District No. 2142,
St. Louis County, Minnesota

In planning and performing our audit of the financial statements of Independent School District No. 2142, St. Louis County, Minnesota as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. A separate report dated December 19, 2018, included under this cover, contains our communication of significant deficiencies or material weaknesses in the District's internal control. This letter does not affect our report dated December 19, 2018, on the financial statements of Independent School District No. 2142, St. Louis County, Minnesota.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

1) Numerous invoices selected in our sample for disbursements testing were not paid within 35 days from the invoice date because the accounts payable clerk did not receive them timely. We recommend the District review and/or correct procedures to ensure that invoices are consistently paid within the 35 day period as required by state statute.

2) One disbursement in our sample had an email as supporting documentation. The accounts payable clerk had not received the supporting invoice. Although payments were approved, we recommend the District obtain the proper supporting documentation such as invoices for disbursements.

3) One payroll disbursement from our sample included payment for an additional ½ hour that was not included on the employee's timesheet. We recommend the District obtain proper documentation and approval from employees and supervisors prior to making payroll disbursements.

This communication is intended solely for the information and use of management, the School Board, State of Minnesota, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Walker, Giroux & Hahne, LLC

Virginia, Minnesota
December 19, 2018

Walker, Giroux & Hahne LLC

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INDEPENDENT AUDITOR'S REPORT ON THE STUDENT ACTIVITY ACCOUNTS

To the School Board, Principals, Advisors, and Students
Independent School District No. 2142,
St. Louis County, Minnesota

Report on the Financial Statement

We have audited the accompanying statement of cash receipts and disbursements of the Student Activity Accounts of Independent School District No. 2142, St. Louis County, Minnesota, as of and for the year ended June 30, 2018, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the State of Minnesota's Department of Education, as described in Note 2. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity'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 statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Student Activity Accounts have not established procedures to provide assurance that all cash collections are recorded in the accounting records. Accordingly, it was not practicable for us to extend our audit of such cash collections beyond the amounts recorded.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statement referred to above presents fairly, in all material respects, the cash balances of the Student Activity Accounts of Independent School District No. 2142, St. Louis County, Minnesota as of June 30, 2018, and the cash receipts and disbursements for the year then ended, in accordance with the financial reporting provisions of the State of Minnesota's Department of Education as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. This financial statement is prepared on the basis of the financial reporting provisions of the State of Minnesota's Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the State of Minnesota. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended solely for the information and use of management, the School Board, principals, advisors, students, and the State of Minnesota and is not intended to be, and should not be, used by anyone other than these specified parties.

Walker, Giroux & Hahne, LLC

Virginia, Minnesota
December 19, 2017

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

STUDENT ACTIVITY ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
As of and For the Year Ended June 30, 2018

	Cash Balance July 1	Receipts	Transfers In	Disbursements	Transfers Out	Cash Balance June 30
South Ridge School						
All Night Grad Party	$ 4,436	$ 7,986	$ -	$ 7,477	$ -	$ 4,945
Art	92	4,576	325	4,636	-	357
Band	2,609	7,835	-	8,297	-	2,147
Baseball	2,011	4,794	-	6,161	-	644
Boys Basketball	212	-	-	105	-	107
Cheer Club	492	459	-	381	-	570
Choir	1,716	2,249	-	1,846	671	1,448
Class of 2018	7,366	5,661	-	8,993	1,340	2,694
Class of 2019	1,294	9,944	-	7,062	-	4,176
Class of 2020	-	2,192	-	1,266	-	926
Cross Country	33	1,547	-	1,579	-	1
Drama	-	927	-	602	325	-
Fifth Grade/School Store	6,894	23,056	-	24,984	-	4,966
Football	138	1,500	-	1,638	-	-
For Club	-	-	300	119	-	181
French Club	476	-	-	120	-	356
GSA	345	194	-	532	-	7
Girls Basketball	585	-	-	-	-	585
Green Team	845	466	-	192	-	1,119
Industrial Tech	148	-	-	-	-	148
K-6 Elementary	3,551	14,163	671	15,088	-	3,297
Library	635	5,456	-	5,483	-	608
National Honor Society	972	780	-	1,058	300	394
PE/Outdoor	292	2,495	-	2,359	-	428
School to Work	842	-	-	-	-	842
Science Club	784	-	-	514	-	270
Softball	144	6,329	-	4,021	-	2,452
Speech	-	741	-	312	-	429
Student Council	2,872	5,382	-	5,043	-	3,211
Track and Field	118	60	-	178	-	-
Volleyball	50	1,355	-	1,062	-	343
Youth Football	1,930	495	-	1,389	-	1,036
Yearbook	5,217	8,695	1,340	10,666	-	4,586
Total South Ridge School	47,099	119,337	2,636	123,163	2,636	43,273

The accompanying notes are an integral part of this financial statement.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

STUDENT ACTIVITY ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)
As of and For the Year Ended June 30, 2018

	Cash Balance July 1	Receipts	Transfers In	Disbursements	Transfers Out	Cash Balance June 30
Northeast Range School						
All Night Grad Party	$ 697	$ 6,180	$ -	$ 6,078	$ -	$ 799
Art Club	176	73	-	35	-	214
Band	571	10	-	-	-	581
Boys Basketball	126	-	-	-	126	-
Class of 2017 (Closed)	201	-	-	-	201	-
Class of 2018	897	991	-	1,541	-	347
Class of 2019	1,947	4,092	-	3,569	50	2,420
Class of 2020	1,226	205	-	-	-	1,431
Class of 2021	479	319	50	-	-	848
Class of 2022	581	-	-	-	-	581
Class of 2023	-	1,221	201	736	-	686
Cross Country	-	189	-	-	-	189
DC Senior Trip	-	2,321	-	2,320	-	1
Destination Imagination	-	280	-	-	-	280
Drama	18	-	-	-	-	18
Elementary	1,001	5,552	-	4,403	-	2,150
Football	1,402	1,063	-	911	-	1,554
Girls Basketball	250	-	-	-	-	250
IRYA - Green Team	1,469	-	-	-	-	1,469
Journalism/Media	3	403	-	-	-	406
Letter Winners	46	291	126	197	-	266
National Honor Society	871	-	-	251	-	620
Robotics	3,090	5,906	-	5,047	-	3,949
Science Club	54	-	-	-	-	54
Student Council	491	1,385	-	845	-	1,031
Swimming	590	-	-	440	-	150
Volleyball	1	-	-	-	-	1
Yearbook	2,371	3,664	-	5,006	-	1,029
Total Northeast Range School	18,558	34,145	377	31,379	377	21,324
Cherry School						
Adventure Club	395	4,160	-	3,734	-	821
All Night Grad Party	743	17,690	-	18,169	-	264
Baseball	2,171	5,360	-	4,457	70	3,004
Band	8,225	23,387	-	29,944	-	1,668
Class of 2018 (Closed)	989	217	-	1,105	101	-
Class of 2019	2,481	5,042	35	4,564	-	2,994
Class of 2020	1,647	-	-	-	-	1,647
Class of 2021	1,505	-	-	-	-	1,505
Class of 2022	1,739	-	-	-	-	1,739
Class of 2023	-	3,692	-	1,677	-	2,015
Elementary	2,364	2,092	-	3,181	-	1,275
Football	-	895	-	275	-	620
Grades 4/5	559	871	-	542	-	888
Speech	-	8,027	70	3,045	-	5,052
Student Council	1,334	13,830	-	12,371	54	2,739
Volleyball	3,460	4,699	-	2,962	-	5,197
Yearbook	2,186	5,315	120	5,373	-	2,248
Total Cherry School	29,798	95,277	225	91,399	225	33,676

The accompanying notes are an integral part of this financial statement.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

STUDENT ACTIVITY ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)
As of and For the Year Ended June 30, 2018

	Cash Balance July 1	Receipts	Transfers In	Disbursements	Transfers Out	Cash Balance June 30
North Woods School						
Boys Basketball (Closed)	$ 59	$ -	$ -	$ -	$ 59	$ -
Business of Music (Closed)	245	-	-	237	8	-
Cheerleading (Closed)	250	1,766	-	1,933	83	-
Chorus	248	-	-	-	-	248
Civics in Action (Closed)	1,089	-	-	-	1,089	-
Class of 2017 (Closed)	2,879	-	-	-	2,879	-
Class of 2018 (Closed)	3,734	225	-	3,156	803	-
Class of 2019	7,011	8,300	-	11,495	-	3,816
Class of 2020	4,528	2,670	-	50	-	7,148
Class of 2021	2,184	274	-	-	-	2,458
Class of 2022	2,080	4,020	647	2,117	65	4,565
Class of 2023	-	-	2,879	475	-	2,404
Class of 2024	-	-	803	-	-	803
Sixth Grade	744	860	-	300	-	1,304
Fifth Grade	279	1,773	-	740	-	1,312
Fourth Grade	820	570	-	297	-	1,093
Third Grade	780	560	-	330	-	1,010
Second Grade	1,438	560	-	565	-	1,433
First Grade	744	560	-	385	-	919
Kindergarten	1,813	590	-	649	-	1,754
Elementary	1,132	204	-	542	-	794
Drama	30	-	8	15	-	23
Green Team	735	-	-	306	-	429
National Honor Society	309	380	-	233	-	456
Niij Nation	1,433	1,959	-	1,321	-	2,071
Peer Helpers	764	1,992	-	1,932	-	824
Pre-K	-	500	-	290	-	210
Spanish Club	6	-	-	-	-	6
Science Club	594	-	-	574	-	20
Softball	53	-	-	-	-	53
Student Council	7,972	16,139	1,296	19,137	647	5,623
Yearbook	8,620	4,803	-	5,582	-	7,841
Total North Woods School	52,573	48,705	5,633	52,661	5,633	48,617
Tower-Soudan Elementary						
Elementary	5,681	9,690	58	13,625	-	1,804
Library	58	-	-	-	58	-
Total Tower-Soudan Elementary	5,739	9,690	58	13,625	58	1,804
TOTAL DISTRICT	$ 153,767	$ 307,154	$ 8,929	$ 312,227	$ 8,929	$ 148,694

The accompanying notes are an integral part of this financial statement.

INDEPENDENT SCHOOL DISTRICT NO. 2142
ST. LOUIS COUNTY, MINNESOTA

STUDENT ACTIVITY ACCOUNTS
NOTES TO FINANCIAL STATEMENT
Year Ended June 30, 2018

NOTE 1 - ORGANIZATION

Student activity accounts are used for dollars raised **by** the students **for** the students and are directed toward the skill development and enjoyment of students. The student activity accounts contain dollars which are owned, operated and managed by organizations, clubs, or associations (groups) within the student body under the guidance and direction of staff members or other adults for educational, recreational, or cultural purposes. These activities are generally conducted outside of school hours and are not offered for school credit nor are they required for graduation. Student activities are to be self-sustaining with all expenses paid by dues, admissions, or other student fund raising events.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statement of the Student Activity Accounts of Independent School District No. 2142, St. Louis County, Minnesota, is prepared using accounting practices prescribed by the State of Minnesota's Department of Education to demonstrate compliance with the State's regulatory basis of accounting, which practices differ from accounting principles generally accepted in the United States of America. Receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligation is incurred.

NOTE 3 - DEPOSITS

Cash balances are held in demand accounts. In accordance with Minnesota statutes, the Student Activity Accounts maintain deposits at those depository banks authorized by the School Board. All such depositories are members of the Federal Reserve System.

Minnesota statutes require that all Student Activity Accounts' deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance. State statutes authorize the types of securities which may be pledged as collateral and require that those securities be held in safekeeping by the Student Activity Accounts or in a financial institution other than that furnishing the collateral. As of June 30, 2018, the carrying amount of the Student Activity Accounts' deposits was $148,694, and the bank balance was $149,461. At June 30, 2018, the Student Activity Accounts' deposits were fully insured or collateralized.

Walker, Giroux & Hahne LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
P.O. Box 960 • 225 1st Street North, Suite 2400, Virginia, Minnesota 55792
218-749-4880 • FAX 218-749-8528

INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE ON THE STUDENT ACTIVITY ACCOUNTS

To the School Board, Principals, Advisors, and Students
Independent School District No. 2142,
St. Louis County, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America, the statement of cash receipts and disbursements of the Student Activity Accounts of Independent School District No. 2142, St. Louis County, Minnesota, as of and for the year ended June 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated December 19, 2018. In our report, our opinion was qualified because the Student Activity Accounts have not established procedures to provide assurance that all cash collections are recorded in the accounting records. Further, the financial statement is prepared using accounting practices prescribed by the State of Minnesota's Department of Education to demonstrate compliance with the State's regulatory basis of accounting, which practices differ from accounting principles generally accepted in the United States of America.

The provisions of the *Manual for Activity Fund Accounting (MAFA)*, issued by the Minnesota Department of Education. Minn. Stat. §123B.49, subd. 4(c) requires an annual audit of extracurricular activities not under Board control. The *Manual for Activity Fund Accounting* provides uniform financial accounting and reporting standards for student activities. Compliance with student activity laws and regulations is the responsibility of the student activity accounts' management. We have performed auditing procedures to test compliance with the provisions of this manual. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 2142, St. Louis County, Minnesota failed to comply with the provisions of the *Manual for Activity Fund Accounting,* except as described below. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Independent School District No. 2142, St. Louis County, Minnesota's noncompliance with the above referenced provisions.

Criteria
The *Manual for Activity Fund Accounting* provides uniform procedures for the financial management of student activity accounts in Minnesota public schools.

Condition
Although the School Board has developed policies and procedures and required the use of MAFA forms and procedures to control and account for all student activity accounts as required by the *Manual for Activity Fund Accounting* which was issued by the Minnesota Department of Education, the schools are not always following these policies and procedures.

Cause
This occurred because District personnel are not always following the policies and procedures as required by the *Manual of Activity Fund Accounting.*

Effect
The Student Activity Accounts are not in compliance with all of the provisions of the *Manual for Activity Fund Accounting* as required by the State of Minnesota.

Recommendation
The Student Activity Accounts' administration must review the *Manual for Activity Fund Accounting* and enforce their policies and procedures that have been developed.

Corrective Action Plan (CAP)

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

2. Actions Planned in Response to Finding
   The District will review the *Manual for Activity Fund Accounting* with the Schools' principals and deans of students to ensure the District's policies and procedures are followed.

3. Official Responsible for Ensuring CAP
   Kim Johnson, Business Manager, is the official responsible for ensuring this plan.

4. Planned Completion Date for CAP
   The District will complete this plan by June 30, 2019.

5. Plan to Monitor Completion of CAP
   The Superintendent, and the St. Louis County School Board will be monitoring the completion of this plan.

Further detail of the above finding follows:

Cherry:

1) During our testing of a sample of disbursements, we noted Check No. 6365 was written for reimbursement of concession stand items. The check was written for $329.96; however, the copies of vendor receipts attached totaled $401.29. A receipt from Sullivan Supply for $71.33 appears to have been missed. We recommend that you review this transaction to see that the correct amount is paid.

2) The Student Activity Purpose Forms for Grade 4/5 and Baseball both state "split between both accounts" for termination instructions. This wording is too vague; termination instructions should name another activity fund. There are also several forms that state "senior class" or "next graduating class". All Student Activity Purpose Forms should specifically name another student activity fund to receive the balance upon termination.

3) Check No. 6337 has only one signature. Two signatures are required on all student activity checks.

Northeast Range:

1) A Student Activity Purpose Form was not on file for the Class of 2022.

2) The termination instructions listed on the Student Activity Purpose Form for yearbook state "next year's yearbook staff". These funds need to be designated to another student activity fund.

   No termination instructions were shown on the Student Activity Purpose Form for the Class of 2019.

   The termination instructions listed on the Student Activity Purpose Form for Robotics state "send to class I am advising". These are not proper termination instructions for student activity funds.

3) The *Manual for Activity Fund Accounting* (MAFA) states that funds with no activity for one year should be disposed of, unless the advisor submits a plan to the building principal indicating why the activity has been inactive and why it should not be terminated. The building principal must approve the plan. There were two funds (Drama and Volleyball) that had no activity during the year and were not marked as having been requested to remain open. These activities should be reviewed to determine if these are active clubs, and if they are no longer active, they should be closed.

North Woods:

1) Copies of cancelled checks were not provided for seven of the eleven disbursements we sampled. A copy of the front and back of all cancelled checks should be kept on file with the bank statements or be available online if requested.

2) The year-end bank reconciliation was not correct; there were deposits in transit listed that were recording errors and not true deposits in transit.

3) We noted several deposits that had been put in the wrong bank account (student activity vs. petty cash.) Procedures need to be in place to be sure that all funds are deposited into the proper accounts on a timely basis.

4) We noted the Spanish Club and Softball activity funds had no activity during the year. MAFA states that funds with no activity for one year should be disposed of, unless the advisor submits a plan to the building principal indicating why the activity has been inactive and why it should not be terminated. These activities should be reviewed to determine if these are active clubs, and if they are no longer active, they should be closed.

5) The year-end balances of the student activity funds provided to us did not match the bank balance at June 30, 2018. There were many recording errors in the QuickBooks funds. We have adjusted the fund balances and recommend that you use an Excel spreadsheet similar to that used by the other schools to track your funds. If you have questions or do not agree with any of the adjustments, please contact us.

South Ridge:

1) Check No. 1562 dated January 5, 2018 is shown as outstanding at June 30, 2018. We recommend you follow up to see if this check needs to be voided or reissued.

2) The termination instructions listed on the Student Activity Purpose Form for Cross Country state "Cross Country". These funds need to be designated to another student activity fund. No termination instructions were listed on the Student Activity Purpose form for Cheer Club.

Tower/Soudan:

1) During our test of disbursements, three of the four items tested were found to not have all supporting documentation. The procedures state that a Requisition Form and Pay Order Form is required for all disbursements. We found Check Nos. 3514 and 3536 did not have a Requisition Form on file, and Check No. 3526 did not have an invoice, Requisition Form, or Pay Order on file.

This communication is intended solely for the information and use of management, the School Board, principals, advisors, students, and the State of Minnesota and is not intended to be, and should not be, used by anyone other than these specified parties.

Walker, Giroux & Hahne, LLC

Virginia, Minnesota
December 19, 2018

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

Independent School District No. 2142
Virginia, Minnesota

[Purchaser]

Re: Lease-Purchase Agreement dated as of September 1, 2019, between U.S. Bank National Association, as trustee, and Independent School District No. 2142 (St. Louis County), Minnesota and $[_________] Certificates of Participation, Series 2019A

Ladies and Gentlemen:

We have acted as counsel to Independent School District No. 2142 (St. Louis County), Minnesota (the "Lessee") with respect to the Lease-Purchase Agreement described above (the "Lease"). In that capacity we have reviewed copies of a Ground Lease and Easement Agreement dated as of September 1, 2019, between the Lessee, as lessor, and U.S. Bank National Association, as trustee (the "Trustee"), as lessee (the "Ground Lease"); the Lease and the exhibits attached thereto; a Trust Agreement dated as of September 1, 2019, between the Lessee and the Trustee, including the form of Certificate of Participation, Series 2019A (the "Certificates") attached thereto (the "Trust Agreement"); and a Tax Certificate of the Lessee dated as of the date hereof.

Under the Lease, the Project (as defined therein) is being leased and/or sold to the Lessee, and the Lessee has undertaken to pay rental payments with respect thereto (the "Rental Payments") aggregating $[_______] comprising principal payments of $[__________] and interest on deferred principal payments of $[_______]. The Rental Payments are payable at the times and in the amounts as set forth in Exhibit B to the Lease. The Rental Payments are payable exclusively from moneys to be legally appropriated and provided therefor by the Lessee. In the sole event that moneys are not so appropriated and provided, the Lessee may, by written notice to the Trustee, as lessor, discontinue the Lease at the end of any fiscal year of the Lessee (July 1 through June 30) then in effect. If the Lessee discontinues the Lease at the end of any such fiscal year in the manner provided therein, the Lease is terminated without penalty or liability on the part of the Lessee to pay any Rental Payments coming due after the fiscal year then in effect, but in such event, the Lessee has the obligation to surrender the Project for the remaining term of the Ground Lease, as described in the Lease and the Ground Lease. In the event the Lessee does not discontinue the Lease and pays all Rental Payments due in accordance therewith, the rights of the Trustee and the registered owners of the Certificates in the Project are terminated. Under the Trust Agreement, the Trustee has executed and delivered the Certificates evidencing the right of the registered owners thereof to the portion of the Rental Payments described therein. The Lessee has designated the Lease as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986 (the "Code").

Based on our examination of these and such other documents as we deem relevant, assuming the genuineness of the signatures thereon and the accuracy of the facts stated therein without undertaking to verify the same by independent investigation, based upon existing law, and subject to the exceptions and limitations set forth herein, it is our opinion that:

1. The Lessee is an independent school district and political subdivision of the State of Minnesota (the "State"), duly organized, existing and operating under the Constitution and laws of the State.

2. The Lessee is authorized and has power under State law to enter into the Ground Lease, the Lease, and Trust Agreement and to carry out its obligations thereunder and the transactions contemplated thereby.

3. The Ground Lease, the Lease and Trust Agreement have been duly authorized, approved, executed and delivered by and on behalf of the Lessee, and the same are valid and binding contracts of the Lessee enforceable against the Lessee in accordance with their terms.

4. The Lease and the obligations of the Lessee thereunder are special, limited obligations of the Lessee payable in each fiscal year from amounts appropriated for such purpose in the annual budget of the Lessee, provided that the Lessee is not obligated to make any such appropriation. The full faith and credit and ability of the Lessee to levy ad valorem taxes without limitation as to rate or amount are not pledged to the payment of the Lease, any obligation of the Lessee thereunder, or any amounts paid with respect to the Certificates issued under the Trust Agreement.

5. The amount of each Rental Payment designated as and comprising interest as set forth in Exhibit B to the Lease and received by the registered owners of the Certificates (a) is excluded from gross income for federal income tax purposes under Section 103 of the Code, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.

6. The amount of each Rental Payment designated as and comprising interest as set forth in Exhibit B to the Lease and received by the registered owners of the Certificates (a) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, estates, and trusts.

The opinions expressed in paragraphs (5) and (6) above are subject to the compliance by the Lessee with certain requirements of the Code that must be satisfied subsequent to the issuance of the Lease and the Certificates. Noncompliance with these requirements could result in the inclusion of interest on the amount of each Rental Payment designated as and comprising interest as set forth in Exhibit B to the Lease and received by the registered owners of the Certificates in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, retroactive to the date of the Lease and the Certificates.

The opinions set forth above are further subject to the following qualifications and exceptions:

1. Our opinions are subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or other similar law of general application affecting creditors' rights.

2. Our opinions are subject to the effect of general principles of equity, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing, and other similar doctrines affecting the enforceability of agreements generally (regardless of whether considered in a proceeding in equity or at law).

3. Our opinions are subject to possible judicial action giving effect to governmental actions or foreign laws affecting creditors' rights.

4. Our opinions expressed above are limited to and assume the application of the law of the State and the federal laws of the United States of America.

5. We have not reviewed and do not opine as to compliance of the Lessee or the Project with applicable zoning, health, safety, building, environmental, land use or subdivision laws, ordinances, codes, rules or regulations.

6. No opinion is expressed as to title matters of any nature whatsoever, including all matters within the scope of any title commitment or title policy.

7. Except as stated herein, we express no opinion regarding federal, state, or other tax consequences related to the Lease or the Certificates. We note, however, that notwithstanding the opinions expressed in paragraph (6) above, the amount of each Rental Payment designated as and comprising interest as set forth in Exhibit B to the Lease and received by the registered owners of the Certificates is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

8. We express no opinion as to compliance with state or federal securities laws and regulations applicable to disposition of the Certificates or rights under the Lease to any investor, including, without limitation, any opinion as to the accuracy, completeness or sufficiency of any offering materials relating to Lessee, the Lease, the Ground Lease, the Trust Agreement or the Certificates.

Dated this [____] day of September 2019.

Very truly yours,

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE COVENANTS
(EXCERPTS FROM SALE RESOLUTION)

(See following pages)

FORM OF CONTINUING DISCLOSURE

(a) Definitions. The following capitalized terms shall have the following meanings for purposes of this section.

"*Annual Report*" means any annual report provided by the District pursuant to, and as described in, subsection (c) of this section.

"*Beneficial Owner*" means any person which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (ii) is treated as the owner of any Certificates for federal income tax purposes.

"*EMMA*" means the MSRB's Electronic Municipal Market Access system available at http://emma.msrb.org.

"*Financial Obligation*" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of either (i) or (ii). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

"*Holders*" means the registered holders of the Certificates, as recorded in the registration books of the Registrar (as defined in the Trust Agreement).

"*Listed Events*" means the events listed in subsection (d) of this section.

"*MSRB*" means the Municipal Securities Rulemaking Board, 1300 I Street NW, Suite 1000, Washington, DC 20005.

"*Participating Underwriter*" means any of the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"*Rule*" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

(b) Purpose and Beneficiaries. The District makes the following covenants for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriters in complying with the Rule.

(c) Provision of Annual Reports.

(i) Not later than 12 months after the end of each fiscal year of the District (the "Submission Deadline") (the first report being due not later than 12 months after June 30, 2019), the District shall, either directly or indirectly through an agent designated by the District, file on EMMA an electronic copy of its Annual Report in a format and accompanied by such identifying information as prescribed by the MSRB. If the District's fiscal year changes, it shall, either directly or indirectly through an agent designated by the District, give notice of such change in the same manner as for a Listed Event under subsection (d), and the Submission Deadline beginning with the subsequent fiscal year will become one year following the end of the new fiscal year. If the District is unable to provide an Annual

Report by the Submission Deadline, in a timely manner thereafter, the District shall, either directly or indirectly through an agent designated by the District, file a notice on EMMA stating that there has been a failure to provide an Annual Report on or before the Submission Deadline.

(ii) The Annual Report must contain or include by reference the following:

(1) The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota state law, as in effect from time to time, or, if and to the extent such audited financial statements have not been prepared in accordance with generally accepted accounting principles, noting the discrepancies therefrom and the effect thereof. If the District's audited financial statements are not available by the Submission Deadline, the Annual Report shall contain unaudited financial information (which may include any annual filing information required by Minnesota state law) accompanied by a notice that the audited financial statements are not yet available, and the audited financial statements shall be filed on EMMA within 10 days of when they become available.

(2) To the extent not included in the financial statements provided as part of the Annual Report, tables, schedules or other information of the type contained in the Official Statement for the Certificates under the following headings or captions, which information may be unaudited:

(A) Current Property Valuations
(B) Direct Debt
(C) Tax Levies and Collections
(D) Student Body
(E) Employment / Unemployment Data

(iii) The Annual Report may be submitted as a single document or as separate documents comprising a package. The contents of the Annual Report may be included in the Annual Report by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available on EMMA or are filed with the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available on EMMA. The Annual Report shall clearly identify each such other document so included by reference. The audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the Submission Deadline if they are not available by that date.

(d) Reporting of Significant Events.

(i) The District shall, either directly or indirectly through an agent designated by the District, give notice of the occurrence of any of the following events with respect to the Certificates, all pursuant to the provisions of this subsection (d):

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

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

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

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

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

(11) Rating changes.

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

For the purposes of the event identified in this subparagraph (12), 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.

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

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

(15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar

terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(ii) If a Listed Event described in subparagraph (2), (7), (8) (but only with respect to bond calls under (8)), (10), (13), (14) or (15) has occurred *and the District has determined that such Listed Event is material under applicable federal securities laws*, the District shall, either directly or indirectly through an agent designated by the District, in a timely manner but not later than 10 business days after the occurrence of such Listed Event, promptly file a notice of such occurrence on EMMA, with such notice in a format and accompanied by such identifying information as prescribed by the MSRB.

(iii) If a Listed Event described in subparagraph (1), (3), (4), (5), (6), (8) (but only with respect to tender offers under (8)), (9), (11), (12) or (16) above has occurred the District shall, either directly or indirectly through an agent designated by the District, in a timely manner but not later than 10 business days after the occurrence of such Listed Event, promptly file a notice of such occurrence on EMMA, with such notice in a format and accompanied by such identifying information as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subparagraphs (8) and (9) need not be given under this subsection (d) any earlier than the notice (if any) of the underlying event is given to Holders of affected Certificates pursuant to the Trust Agreement.

(e) Termination of Reporting Obligation. The District's obligations under this section will terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates or upon the District's receipt of an opinion of nationally recognized bond counsel to the effect that, because of legislative action or final judicial action or administrative actions or proceedings, the failure of the District to comply with the terms hereof will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended.

(f) Dissemination Agent. The District may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this section, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent. The dissemination agent will not be responsible in any manner for the content of any notice or Annual Report prepared by the District pursuant to this section.

(g) Amendment; Waiver. Notwithstanding any other provision of this section, the District may amend the covenants contained in this section, and any provision of this section may be waived, if

(i) (1) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Certificates, or the type of business conducted; (2) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (3) the amendment or waiver either (A) is approved by a majority of the Holders, or (B) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners; or

(ii) the amendment or waiver is necessary to comply with modifications to or interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission.

In the event of any amendment or waiver of a provision of this section, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing audited financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under subsection (d), and (ii) the Annual Report for the year in which the change is made will present a comparison or other discussion in narrative form (and also, if feasible, in quantitative form) describing or illustrating the material differences between the audited financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

(i) Default. In the event of a failure of the District to comply with any provision of this section, any Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this section. Direct, indirect, consequential and punitive damages will not be recoverable by any person for any default hereunder and are hereby waived to the extent permitted by law. A default under this section will not be deemed an event of default under the Lease, the Trust Agreement or this resolution, and the sole remedy under this section in the event of any failure of the District to comply with this section will be an action to compel performance.

APPENDIX E

TERMS OF PROPOSAL

$8,375,000* CERTIFICATES OF PARTICIPATION, SERIES 2019A
INDEPENDENT SCHOOL DISTRICT NO. 2142 (ST. LOUIS COUNTY), MINNESOTA

Proposals for the purchase of $8,375,000* Certificates of Participation, Series 2019A (the "Certificates") of Independent School District No. 2142 (St. Louis County), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 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 August 27, 2019, at which time they will be opened, read and tabulated. The proposals will be presented to the Board of Education for consideration for award by resolution at a meeting to be held at 5:00 P.M., Central Time, on the same date. The proposal offering to purchase the Certificates upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

PURPOSE

The Certificates are being issued pursuant to Minnesota Statutes, Section 465.71, by the District for the purpose of financing the construction of building additions at the Cherry and South Ridge Schools. The Certificates will be special obligations of the District payable from and secured by a pledge of lease payments required to be made by the District to the Trustee pursuant to a Lease-Purchase Agreement (the "Lease") to be entered into between the District and Trustee. **THE CERTIFICATES DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE DISTRICT AND ARE NOT A CHARGE AGAINST THE GENERAL CREDIT OF THE DISTRICT**.

DATES AND MATURITIES

The Certificates will be dated September 26, 2019, will be issued as fully registered Certificates in the denomination of $5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2020	$500,000	2027	$345,000	2034	$440,000
2021	260,000	2028	365,000	2035	455,000
2022	270,000	2029	375,000	2036	470,000
2023	285,000	2030	395,000	2037	485,000
2024	300,000	2031	405,000	2038	495,000
2025	315,000	2032	415,000	2039	510,000
2026	330,000	2033	430,000	2040	530,000

ADJUSTMENT OPTION

* The District reserves the right to increase or decrease the principal amount of the Certificates 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 Certificates 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, 2020, to the registered owners of the Certificates appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2020 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Certificates 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 Certificates 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 Certificates, 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 Certificates. So long as Cede & Co. is the registered owner of the Certificates, 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 Certificates.

PAYING AGENT

The District has selected U.S. Bank National Association, St. Paul, Minnesota, to act as paying agent (the "Paying Agent") and Trustee (the "Trustee"). The District will pay the charges for Paying Agent and Trustee services. The District reserves the right to remove the Paying Agent and/or Trustee to appoint a successor.

OPTIONAL REDEMPTION

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

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

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

DELIVERY

On or about September 26, 2019, the Certificates 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 Certificates is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Certificates 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 ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the District.

SUBMISSION OF PROPOSALS

Proposals must not be for less than $8,207,500 plus accrued interest on the principal sum of $8,375,000 from date of original issue of the Certificates to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

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

2) 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, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

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

A good faith deposit ("Deposit") in the amount of $167,500 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Certificates 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 Certificates 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 Certificates is adjourned, recessed, or continued to another date without award of the Certificates having been made.

AWARD

The Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Certificates.

CUSIP NUMBERS

The District will assume no obligation for the assignment or printing of CUSIP numbers on the Certificates 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 Certificates 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 Certificates. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

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

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

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

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

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

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

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

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

PRELIMINARY OFFICIAL STATEMENT

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

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

By Order of the Board of Education

Independent School District No. 2142
(St. Louis County), Minnesota

PROPOSAL FORM

The Board of Education **August 27, 2019**
Independent School District No. 2142 (St. Louis County), Minnesota

RE: $8,375,000* Certificates of Participation, Series 2019A (the "Certificates")
DATED: September 26, 2019

For all or none of the above Certificates, 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 $8,207,500) plus accrued interest to date of delivery for fully registered Certificates bearing interest rates and maturing in the stated years as follows:

________	% due 2020	________	% due 2027	________	% due 2034
________	% due 2021	________	% due 2028	________	% due 2035
________	% due 2022	________	% due 2029	________	% due 2036
________	% due 2023	________	% due 2030	________	% due 2037
________	% due 2024	________	% due 2031	________	% due 2038
________	% due 2025	________	% due 2032	________	% due 2039
________	% due 2026	________	% due 2033	________	% due 2040

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

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2020 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Certificates 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%.

A good faith deposit ("Deposit") in the amount of $167,500 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Certificates 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 Certificates 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. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Certificates to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about September 26, 2019.

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

We have received and reviewed the Official Statement, and any addenda thereto, 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 Certificates within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Certificates 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 Certificates.

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 September 26, 2019 of the above proposal is $_______________and the true interest cost (TIC) is __________%.

The foregoing offer is hereby accepted by and on behalf of the Board of Education of Independent School District No. 2142 (St. Louis County), Minnesota, on August 27, 2019.

By: ______________________ By: ______________________

Title: ______________________ Title: ______________________