NEW ISSUE: FULL BOOK ENTRY **RATING*: MOODY'S (APPLIED FOR)**
(See "RATING" herein)

In the opinion of Kutak Rock LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Certificates, the interest on the Certificates is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). See "TAX EXEMPTION and RELATED TAX CONSIDERATIONS" herein.

OFFICIAL STATEMENT

$6,010,000[(1)] CERTIFICATES OF PARTICIPATION, SERIES 2019A
INDEPENDENT SCHOOL DISTRICT NO. 544 (FERGUS FALLS), MINNESOTA
(Otter Tail and Wilkin Counties)

Dated: September 26, 2019 **Principal Due:** February 1, 2020 through 2038
Minimum Bid: $5,949,900 (99% of Par) **Good Faith Deposit:** $60,000

The $6,010,000[(1)] Certificates of Participation, Series 2019A (the "Certificates") evidence participation in a Lease-Purchase Agreement (the "Lease") between U.S. Bank National Association (the "Trustee") and Independent School District No. 544 (Fergus Falls), Minnesota (the "District"). The Lease is entered into pursuant to Minnesota Statutes, Section 465.71, as amended. The proceeds of the Certificates will be used for the purpose of (i) financing the acquisition and renovation of an 89,000 square foot building to house and operate an early learning center and child care center, and (ii) paying the costs associated with the issuance of the Certificates. The Certificates will be special obligations of the District payable from and secured by a pledge of rental payments required to be made by the District to the Trustee (the "Rental Payments") pursuant to the Lease.

The Lease is subject to termination by the District at the end of any Fiscal Year of the District if the School Board does not appropriate moneys sufficient to continue the Agreement for the ensuing Fiscal Year. In such event the Lease is terminated and there is no obligation of the District for future Rental Payments.

The Certificates will be issued as fully registered Certificates without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in the principal amount of $5,000 and integral multiples thereof. Purchasers will not receive Certificates representing their interest in the Certificates purchased. Principal of the Certificates, payable annually on February 1, 2020 through 2038, and interest, payable semiannually on each February 1 and August 1 commencing February 1, 2020, will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein.

The Certificates will mature on February 1 in the years and amounts as follows:

Year	Principal[(1)]	Interest Rate*	Yield*	Year	Principal[(1)]	Interest Rate*	Yield*
2020	$ 100,000	______%	______%	2030	$ 335,000	______%	______%
2021	220,000	______%	______%	2031	350,000	______%	______%
2022	235,000	______%	______%	2032	360,000	______%	______%
2023	245,000	______%	______%	2033	375,000	______%	______%
2024	255,000	______%	______%	2034	385,000	______%	______%
2025	270,000	______%	______%	2035	400,000	______%	______%
2026	285,000	______%	______%	2036	410,000	______%	______%
2027	295,000	______%	______%	2037	425,000	______%	______%
2028	310,000	______%	______%	2038	435,000	______%	______%
2029	320,000	______%	______%				

The Certificates maturing on February 1, 2028, and thereafter are subject to optional redemption on February 1, 2027, and any date thereafter at a price of par plus accrued interest. See "*Redemption Provisions*" herein.

BANK QUALIFIED: The Certificates will be designated as "Qualified Tax-Exempt Obligations."

TRUSTEE: U.S. Bank National Association, St. Paul, Minnesota

LEGAL OPINION: Kutak Rock LLP, Minneapolis, Minnesota

BIDS OPENING: 10:30 A.M. Central Time on Monday, September 16, 2019
In the Offices of PFM Financial Advisors LLC, Minneapolis, Minnesota 55402

BID CONSIDERATION: At a special school board meeting at 5:00 P.M. Central Time on Monday, September 16, 2019

DELIVERY: Delivery is anticipated on or about September 26, 2019.

The date of this Official Statement is September 9, 2019.

* Interest rates, reoffering yields or prices and ratings will be set forth in the Final Official Statement described herein.

(1) The District reserves the right to adjust the issue size after the receipt of bids.

(THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.)

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No dealer, broker, salesman or other person has been authorized by the District, the Municipal Advisor or the Underwriter to give any information or to make any representations other than those contained in this Official Statement or the Final Official Statement and, if given or made, such information and representations must not be relied upon as having been authorized by the District, the Municipal Advisor or the Underwriter. This Official Statement or the Final Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Obligations by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the District and other sources which are believed to be reliable, but it is not to be construed as a representation by the Municipal Advisor or Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement or the Final Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the District or in any other information contained herein, since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE OBLIGATIONS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE OBLIGATIONS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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INTRODUCTION TO THE OFFICIAL STATEMENT

The following information is furnished solely to provide limited introductory information regarding the $6,010,000[(1)] Certificates of Participation, Series 2019A (the "Certificates") issued on behalf of the Independent School District No. 544 (Fergus Falls), Minnesota (the "District") and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto.

Issuer:	Independent School District No. 544 (Fergus Falls), Minnesota.
Authority for Issuance:	The Certificates are being issued pursuant to the provisions of Minnesota Statutes, Section 465.71, and a Trust Agreement between U.S. Bank National Association (the "Trustee") and Independent School District No. 544 (Fergus Falls), Minnesota (the "Issuer" or :District") dated September 1, 2019 (the "Trust Agreement").
Purpose:	The proceeds of the Certificates will be used for the purpose of (i) financing the acquisition and renovation of an 89,000 square foot building to house and operate an early learning center and child care center, and (ii) paying the costs associated with the issuance of the Certificates.
Security:	The Lease and the Certificates are not a general obligation of the District, and the full faith and credit and ad valorem taxing powers of the District are not pledged to the payment of the Rental Payments. The Lease is subject to termination by the District at the end of any Fiscal Year of the District if the School Board does not appropriate moneys sufficient to continue the Lease for the ensuing Fiscal Year.
Principal Payments:	Principal of the Certificates is payable annually on February 1 of the years 2020 through 2038.
Interest Payments:	Interest on the Certificates is payable on February 1 and August 1, commencing February 1, 2020.
Optional Redemption:	The Certificates maturing on February 1, 2028, and thereafter are subject to optional redemption on February 1, 2027, and any date thereafter at a price of par plus accrued interest.
Denominations:	$5,000 or multiples thereof.
Book-Entry Only:	The Certificates will be issued as book-entry only securities through the Depository Trust Company.
Bank Qualified:	The Certificates are designated as "Qualified Tax-Exempt Obligations"
Tax Status:	Generally exempt from federal and state income taxes (see "Tax Exemption and Related Tax Considerations" herein).
Professional Consultants:	*Municipal Advisor:* PFM Financial Advisors LLC Minneapolis, Minnesota *Bond Counsel:* Kutak Rock LLP Minneapolis, Minnesota *Trustee:* U.S. Bank National Association St. Paul, Minnesota
Legal Matters:	Validity, tax exemption, and legal matters incident to the authorization and issuance of the Certificates are subject to the opinion of Kutak Rock LLP, Bond Counsel. The opinion will be substantially in the form set forth in Appendix B attached hereto.
Dated Date/Delivery Date:	On or about September 26, 2019.

(1) Preliminary, subject to change.

The information set forth herein has been obtained from the District and other sources which are believed to be reliable, but it is not to be construed as a representation by the Municipal Advisor or Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the District or in any other information contained herein, since the date hereof.

The Official Statement is in a form deemed final as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1) (the "Rule"), but is subject to minor revision or amendment in accordance with the Rule. Not later than seven business days following the award of the Certificates, the District shall provide copies of the Final Official Statement, as that term is used in the Rule, to the purchaser of the Certificates. The purchaser of the Certificates will be supplied with Final Official Statements in a quantity sufficient to meet its request. Up to 25 copies of the Final Official Statement will be furnished without cost.

Questions regarding the Certificates or the Official Statement can be directed to, and additional copies of the Official Statement, the District's audited financial reports and the documents described herein may be obtained from, PFM Financial Advisors LLC, 50 South Sixth, Suite 2250, Minneapolis, Minnesota 55402 (612/338-3535 or 612/338-7264 fax), the District's Municipal Advisor.

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DESCRIPTION OF THE CERTIFICATES

Authorization and Purpose

The Certificates are being issued pursuant to the provisions of Minnesota Statutes, Section 465.71, and a Trust Agreement between U.S. Bank National Association (the "Trustee") and Independent School District No. 544 (Fergus Falls), Minnesota (the "Issuer" or :District") dated September 1, 2019 (the "Trust Agreement").

The proceeds of the Certificates will be used to acquire the 89,000 square foot Target building (the "Existing Building") located at 2300 College Way in Fergus Falls and to renovate and otherwise improve the facility for use as an early learning center and childcare center (the "Facility") for the District. A portion of the renovated facility will be leased to a nonprofit day care provider. Some of the improvements to the Existing Building consist of installing new HVAC, windows, interior spaces for classrooms, laboratories, kitchen and dining spaces and other support spaces, parking lot improvements and a playground facility (the "Improvements").

Security and Source of Payment

The Certificates are valid and binding special, limited obligations of the District payable solely from and secured by a pledge of Rental Payments to be made to the Trustee by the District pursuant to the Lease. The Certificates are not a general obligation of the District, and the full faith and credit and ad valorem taxing powers of the District are not pledged to the payment of the Rental Payments. The Lease is subject to termination by the District at the end of any Fiscal Year of the District if the School Board does not appropriate moneys sufficient to continue the Lease for the ensuing Fiscal Year.

The District will purchase the existing building and enter into a Ground Lease Agreement with the Trustee which extends, unless sooner terminated to February 1, 2048 (the "Ground Lease"). If the Groud Lease is terminated as a result of nonappropriation the Trustee may sublease the property for the remaining term of the Ground Lease.

Pursuant to Minnesota Statues, Section126C.40, the total levy for any year must not exceed $212 times the adjusted pupil units for the fiscal year to which the levy is attributable. The District has levied $310,000 pursuant to this authority (the "Lease Levy") and will continue to levy this amount for the duration of the Certificates. The primary sources of revenue the District intends to use in making its Rental Payments are the proceeds of the Lease Levy and rental payments from the day care provider.

Additional Certificates may be issued on a parity with the Certificates and any other Additional Certificates Outstanding, at any time and from time to time for any of the following purposes: (i) to provide funds to pay all or any part of the costs of acquisition, construction, furnishing and equipping of additions or expansions to the Facilities; or (ii) to provide funds to pay all or any part of the costs of repairing, replacing or restoring the Facilities in the event of damage, destruction or condemnation thereto or thereof, but only to the extent that such costs exceed the Net Proceeds of the insurance or condemnation awards out of which such costs are to be paid pursuant to the Lease.

Risk Factors

No person should purchase any Certificates without carefully reviewing the following information that summarizes factors that should be considered before such purchase.

Nonappropriation

Rental Payments will be payable solely by District funds which are annually budgeted and appropriated by the School Board of the District and which may be reduced or terminated by action of such governing body. There is no assurance that the Lease will be renewed each Fiscal Year for all of its anticipated term. The School Board of the District is under no obligation to provide to the Trustee funds for such renewals. Neither the Lease, nor the District's obligation to make Rental Payments thereunder, nor the Certificates, are a general obligation of the District. The Certificates are special, limited obligations of the District and the full faith and credit of the District is not pledged to the payment of principal of and interest on the Certificates. Accordingly, any factors that may potentially influence the budgeting process of the District should be considered by a prospective purchaser. In the event the governing body of the District fails to renew the Lease for any Fiscal Year, fails to budget and appropriate sufficient District funds for payment of all Rental Payments or defaults under the Lease, the Lease will be terminated. In such event, the Certificates will be payable from proceeds the Trustee may receive from selling or leasing its interest in the Facility under the Ground Lease. This may result in revenues substantially less than amounts to be received under the Lease and the proceeds of any such operation may be substantially less than the remaining principal amount on the Certificates.

Failure of the District to make Rental Payments under the Lease

In the event the District fails to make the Rental Payments as required under the Lease, the Trustee has the right to terminate the Lease and exclude the District from possession of the Facility. The District shall have the right to remove from the Facility at or prior to such termination or possession all personal property located therein which was not financed with Certificate proceeds or that has not replaced personal property so financed, and that is not otherwise owned by the Trustee, but the District shall repair any damages caused by such removal. The Trustee can attempt to sub-lease the Premises to another entity or can attempt to sell the Premises; however, there is no assurance that the Trustee will be able to lease or sell its interest in the Facilities or that its interest in the Facilities could be leased or sold for amounts equal to Rental Payments required to be made by the District under the Lease.

Damage, Destruction and/or Condemnation

If the Facility or any element thereof is destroyed (in whole or in part) or is damaged by fire or other casualty or title to or the temporary use of the Facility or any part thereof, or the interest of the District or the Trustee in the Facility or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the District shall have the rights with respect to the Net Proceeds of any insurance or condemnation award specified, but the District shall be obligated to continue to pay the Rental Payments and Additional Rental Payments due with respect to the Facility. All Net Proceeds shall be deposited in the Insurance and Casualty Award Account in the Trust Agreement and shall be applied to the prompt repair, restoration, modification, improvement or replacement of the Facility by the District or if the District elects not to repair or rebuild, all Net Proceeds shall be applied to prepay the Rental Payments.

Inadequacy of Other Revenues

The primary security and sources of revenue for the payment of the Certificates are the Lease and Rental Payments, respectively. In the event the Lease is canceled by the District, the Trustee may attempt to lease its interest in the Facility so as to produce revenues to pay the principal and interest on the Certificates. Potential purchasers should be aware that the Trustee may be unable to lease the Facility for an amount or at the times sufficient to pay the principal and interest on the Certificates when due.

Inability to Liquidate, or Delay in Liquidating, the Premises

An Event of Default under the Lease gives the Trustee the right to possession of, and the right to lease or sell its interest in the Facility subject to encumbrances allowed by the Lease. The enforceability of the Certificates and the Lease, are subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights. A potential purchaser should not anticipate that lease or liquidation could be accomplished rapidly. Any delays in the ability of the Trustee to obtain unencumbered title to the Premises will result in delays in the payment of Certificates. No assurance can be given that any amounts received upon lease or liquidation of the Premises would be sufficient to pay the principal of the Certificates and interest accrued thereon.

Effect of Termination of the Lease on the Certificates

Bond Counsel has rendered no opinion with respect to the applicability or inapplicability of the registration requirements of the Securities Act of 1933, as amended, to any Certificates subsequent to a termination of the Lease by reason of nonappropriation or an Event of Default. If the Lease is terminated by reason of either such event, there is no assurance that the Certificates may be transferred by an owner thereof without compliance with the registration provisions of the Securities Act of 1933, as amended, or the availability of an exemption therefrom.

Loss of Tax Exemption

If, at any time during the term of the Certificates, the interest on the Certificates were to become subject to taxation, no provision has been made for redemption and investors would not be entitled to any additional interest exceeding the rate printed on the Certificates. The Holder would subsequently then be holding a security with a substantially lower interest rate return than that of a comparable taxable security.

Sources and Uses of Funds

Table 1 below presents the estimated sources and uses of funds for the Certificates.

Table 1
Sources and Uses of Funds of the Certificates

Sources of Funds	
Par Amount	$ 6,010,000[1]
Uses of Funds	
Deposit to Project Account	$ 5,889,000
Cost of Issuance/Underwriter's Discount	120,200
Total Uses of Funds	$ 6,010,000

(1) Preliminary, subject to change.

Interest Computation

Interest on the Certificates will be payable semi-annually, on February 1 and August 1 of each year, commencing February 1, 2020. Interest will be computed on a 360-day year, 30-day month basis, and paid to the owners of record as of the close of business on the fifteenth of the immediately preceding month.

Redemption Provisions

Optional Redemption

The Certificates maturing on February 1, 2028 and thereafter, may be prepaid, in whole or in part and if in part, in multiples of $5,000 on February 1, 2027, at a price of par plus accrued interest to the redemption date.

Extraordinary Redemption

The Certificates shall be subject to extraordinary redemption and prepayment, in whole but not in part, at the option of the District on any date if there occurs an event of damage, destruction or condemnation relating to the Facilities and the District determines that rebuilding, restoration and replacement of the Facilities to an acceptable condition would not be economically feasible, subject to the provisions of the Lease. Such extraordinary optional redemption shall be at a price equal to the principal amount to be redeemed plus accrued interest to the redemption date without premium.

Notice of Redemption

When redemption is authorized or required, the Trustee shall give to the Certificate Owners notice, at the expense of the District, of the redemption of the Certificates. Notice of such redemption shall be given by Trustee not less than thirty (30) days prior to the redemption date by mailing a copy of the redemption notice by first class, postage prepaid, to the Original Purchaser and to the Owners whose Certificates are to be redeemed; provided that notice shall be given to any securities depository in accordance with its operational arrangements including by electronic means.

Book-Entry Only System

The information contained in the following paragraphs of this subsection "Book-Entry Only System" has been extracted from a schedule prepared by Depository Trust Company ("DTC") entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE." 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.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Certificates"). The Certificates 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 certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 the Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Certificates 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 the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

4. To facilitate subsequent transfers, all Certificates 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 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial

Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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.

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 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Certificates 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. DTC may discontinue providing its services as depository with respect to the Certificates 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, Bond Certificates are required to be printed and delivered.

10. 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.

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

NEITHER THE DISTRICT NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE CERTIFICATES UNDER THE RESOLUTION; (III) THE SELECTION BY DTC OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE CERTIFICATES OF A SERIES; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE CERTIFICATES; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF CERTIFICATES; OR (VI) ANY OTHER MATTER.

Continuing Disclosure

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the District shall covenant pursuant to a Trust Agreement to enter into an undertaking (the "Undertaking") for the benefit of holders of the Certificates to provide the financial information and operating data (the "Annual Report") on or before twelve (12) months after the end of each fiscal year commencing with the fiscal year ending June 30, 2019, and to provide notices of the occurrence of certain events enumerated in the Rule to the MSRB. The details and terms of the Undertaking, as well as the information to be contained in the Annual Report or the notices of material events are set forth in the Form of Continuing Disclosure Certificate (the "Certificate") to be executed and delivered by the District at the time the Certificates are delivered. Such Certificate will be in substantially the form attached hereto as Appendix C.

Within the last five year the District has not failed to comply in all material respects with its prior undertaking under the Rule except that, irrespective of materiality, its Annual Report for its fiscal year ended June 30, 2014 was filed on April 8, 2015, 12 days past its Reporting Date.

A failure by the District to comply with the Undertakings will not constitute an event of default on the Certificates (although holders will have any available remedy at law or in equity). Nevertheless, such a 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. Consequently, such a failure may adversely affect the transferability and liquidity of the Certificates and their market price.

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THE DISTRICT

The District covers an area of 342.31 square miles in Otter Tail and Wilkin Counties and is headquartered in the City of Fergus Falls (the "City"), which is the county seat for Otter Tail County. The City is located 50 miles southeast of Fargo-Moorhead and 175 miles northwest of the Minneapolis-St. Paul metropolitan area on Interstate 94. For the 2018-19 school year 3,131 students were enrolled in the District's schools in its PreK-12 programs which is an increase of 1.50% from the previous school year.

The District operates three elementary schools, one middle school/high school and one education center/high school. Table 2 provides details of the District's current facilities.

Table 2
District Facilities

Building	Year Built	Additions	Grades	2018/2019 Enrollment
Adams Elementary	1939	1960, 1994	1-2	319
Cleveland Elementary	1957	1960, 2008	3-5	396
McKinley Elementary	1939	1960, 1994	PreK-1	251
Kennedy Secondary	1968	1994, 2010	6-12	1,346
Roosevelt Education Center	1953	Numerous	9-12	114
IQ Academy (on line)	--	--	K-12	493
Total				2,919

Source: The District.

Organization and Administration

The school board is a policy-making body responsible for selecting the superintendent and overseeing the District's budget, curriculum, personnel and facilities. The school board is granted authority to carry out these duties by the State of Minnesota and the Minnesota Legislature. Regular meetings of the Board are held at the Kennedy Secondary School at 5:00 p.m. on the second and fourth Monday's of each month.

The table below presents the District's Board of Education consisting of six members who are elected at large to four-year terms, along with the current administration. Board officers are elected from the Board annually to serve one year terms.

SCHOOL BOARD

Name	Position	Expiration of Current Term
Matthew Lemke	*Chair*	2020
Melanie Cole	*Vice-Chair*	2022
Kirby Anderson	*Treasurer*	2022
Melissa Hermes	*Clerk*	2022
Natalie Knutson	*Director*	2020
Stephen Vigesaa	*Director*	2020

ADMINISTRATION

Name	Position
Gerald Ness	*Superintendent of Schools*
Mark Masten	*Business Manager*

District Employment

The District employs approximately 199 certified teachers and 185 other non-certified employees. Organized employees of the District are represented by 6 bargaining units. Table 3 below presents the employee groups within the District.

Table 3
Employee Bargaining Units

Employee Groups within District	Current Contract Expiration Date	Term of Contract
Teachers (Union)	June 30, 2019[1]	2 Years
Principals	June 30, 2019[1]	2 Years
Secretaries / Custodians (Union)	June 30, 2020	2 Years
Special Education Paraprofessionals (Union)	June 30, 2020	2 Years
Para-Educators	June 30, 2020	2 Years
Cafeteria	June 30, 2020	2 Years

(1) Expired contracts are currently under negotiation.

Source: The District.

Enrollment

Table 4 shows the K-12 enrollment in the District in the last five school years.

Table 4
District Fall Enrollment

School Year	Total	Percent Change
2018/2019	2,919	-0.65%
2017/2018	2,938	2.35%
2016/2017	2,869	6.38%
2015/2016	2,697	1.97%
2014/2015	2,645	15.77%

Source: The District.

Defined Benefit Pension Plan

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Public Employees' Retirement Association (PERA) or the Teachers' Retirement Association (TRA), all of which are administered on a state-wide basis. Disclosures relating to these plans are as follows:

Public Employees Retirement Association (PERA)

<u>Plan Description</u>

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

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

<u>Contributions</u>

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2018. The District was required to contribute 7.5% for Coordinated Plan members in fiscal year 2018. The District's contributions to the GERF for the year ended June 30, 2018, were $286,856. The District's contributions were equal to the required contribution for each year as set by state statue.

<u>Pension Costs</u>

At June 30, 2018, the District reported a liability of $3,638,842 for its proportionate share of the GERF's net pension liability. The net pension liability reflected a reduction due to the State of Minnesota's contribution of $6 million to the fund in 2017. The State of Minnesota is considered a 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 $45,751. 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 share was 0.0570%, which was an increase of 0.003% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $210,154 for its proportionate share of GERF's pension expense. In addition, the District recognized an additional $1,321 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the GERF.

At June 30, 2018, the District reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 119,925	$ 222,907
Changes in actuarial assumptions	572,330	364,794
Difference between projected and actual investment earnings	--	7,065
Change in proportion and differences between contributions made and District's proportionate share of contributions	182,689	175,300
District's contribution to GERF subsequent to the measurement date	286,856	--
Total	$ 1,161,800	$ 770,066

$286,856 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Years Ended June 30	Pension Expense Amount
2019	$ 105,086
2020	153,250
2021	(44,668)
2022	(108,790)
2023	--

Teachers Retirement Association

Plan Description

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

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

Contributions Rate

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

	Ending June 30, 2017		Ending June 30, 2018	
	Employees	Employers	Employees	Employers
Basic	11.0%	11.5%	11.0%	11.5%
Coordinated	7.5%	7.5%	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 the Schedule of Employers and Non-Employer Pension Allocations.

Employer contributions reported in TRA's CAFT, Statement of Changes in Fiduciary Net Position	$ 367,791,000
Add employer contributions not related to future contribution efforts	810,000
Deduct TRA's contributions not included in allocation	(456,000)
Total employer contributions	$ 368,145,000
Total non-employer contributions	35,588,000
Total contributions reported in Schedule of Employer and Non-Employer Allocations	$ 403,733,000

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.

For more detailed information about "Benefits Provided", "Actuarial Assumptions", "Discount Rates", "Pension Liability Sensitivity", "Pension Plan Fiduciary Net Position" refer to the Note 9 of the District's Audited Financial Statements for the Year Ended June 30, 2018.

Other Post-Employment Benefits

Plan Description

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District's health insurance plan after retirement. This plan covers active and retired employees who have reached age 55 and at least 3 years of service. Retiree participation in the District's plan is paid entirely by the retiree. Benefit provisions for current employees are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. A separately issued report is not available.

Benefits Provided

The District allows access to the contract groups other post-retirement benefits of blended medical premiums of $518 for single and $1,384 for family coverage. The implicit rate subsidy is only until Medicare eligibility. There are no subsidized post-employment dental or life benefits. For retirees (teachers only) hired prior to September 1, 1994 and 55 years of age with at least 20 years of service, the District will pay 70% of base salary minus District contributions to the Matching Program paid to the Health Care Savings Plan to a maximum of $800. This benefit ceases after June 30, 2018. The annual matching contribution amount is $1,150 from years 1-7, $1,450 from years 8-13, and $2,050 for years 14 and over.

As of July 1, 2017, there are 306 active employees are covered by the benefits and 63 inactive employees or beneficiaries currently receiving benefits payments.

Total OPEB Liability

The District's total OPEB liability of $1,032,828 was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.

Changes in the Total OPEB Liability

Balance at June 30, 2017	$ 1,017,907
Changes from the Prior Year:	
Service Cost	71,959
Interest Cost	35,496
Benefit Payments	(92,534)
Net Change	14,921
Balance at June 30, 2018	$ 1,032,828

For more detailed information about "Actuarial Assumptions and Other Inputs", "Sensitivity of the Total OPEB Liability to Charge in Discount Rate and the Healthcare Cost Trend Rates" and "OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB", refer to the Note 7 of the District's Audited Financial Statements for the Year Ended June 30, 2018.

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ECONOMIC AND DEMOGRAPHIC INFORMATION

Otter Tail County (the "County") has 1,048 lakes within its borders, the most in a single county in the United States. The County has been listed as one of the "Top Ten Places to Live and Boat" according to Boating Magazine. The area economy includes tourism, agriculture, health care, and food manufacturing.

Population

Table 5 lists the population of the City of Fergus Falls and Otter Tail and Wilkin Counties for the last five decennial censuses, and the most recent estimate available published by the U.S. Census Bureau.

Table 5
Population

Year	City of Fergus Falls	Otter Tail County	Wilkin County
2018 (Estimate)	13,845	58,812	6,254
2010	13,138	57,303	6,576
2000	13,471	57,159	7,138
1990	12,362	50,714	7,516
1980	12,519	51,937	8,454
1970	12,443	46,097	9,389

Source: United States Census Bureau, www.census.gov.

Labor Force and Unemployment Statistics

Table 6 lists the annual average labor force and unemployment rate for Otter Tail County and Wilkin County as compared to the unemployment rate for the State of Minnesota and the United States for the years 2015 through 2019, and the most recent figure available for 2017. Information in this table has not been seasonally adjusted.

Table 6
Labor Force and Unemployment Statistics

	Otter Tail County		Wilkin County		State of Minnesota	United States
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Unemployment Rate	Unemployment Rate
2019[(1)]	33,663	4.0%	3,713	3.6%	3.3%	4.0%
2018	31,441	3.6%	3.558	3.0%	2.9%	3.9%
2017	31,537	3.9%	3.558	3.1%	3.4%	4.4%
2016	31,006	4.4%	3,712	3.3%	3.9%	4.9%
2015	31,224	4.2%	3,726	3.4%	3.7%	5.3%

(1) As of July, 2019.

Source: Minnesota Department of Employment and Economic Development, Local Area Unemployment Statistics, http://mn.gov/deed

Major Employers

Table 7 lists the ten largest employers in the city of Fergus Falls.

Table 7
Top 10 Employers

Employer	Products/Services	Approximate Employees
Lake Region Hospital	Hospital/Nursing Home	723
Otter Tail County	Government	378
Fergus Falls Public Schools	Education	358
Bimbo Bakeries	Food Manufacturing	350
Otter Tail Power Company	Public Utility	300
Pioneer Retirement Community	Nursing Home	280
Zero Variance	Business Services	201
Northern Contours	Manufacturing	200
Veterans Home	Nursing Home	190
City of Fergus Falls	Government	187
Wal-Mart	Department Store	180
Broen Home	Nursing Home	175
CK Home Health Care Inc	Home Health Services	150

Source: The City of Fergus Falls Economic Improvement Commission, 2017 Community Profile, http://ffeic.org
Infosource/ReferenceUSA

Housing and Income Statistics

Table 8 below presents key housing and income statistics for Otter Tail County as compared with the State of Minnesota.

Table 8
Housing and Income Statistics

	Otter Tail County	State of Minnesota
Median Value of Home	$ 170,900	$ 199,700
Median Household Income	$ 52,640	$ 68,388
Per Capita Personal Income		
2017	$ 45,415	$ 54359
2016	44,607	52,735
2015	44,083	51,929
2014	41,343	49,133
2013	40,136	47,235

Source: U.S. Census Bureau, American Community Survey 5-Year Estimates (2013-2017), http://www.census.gov
U.S. Bureau of Economic Analysis, Personal Income and Employment, http://www.bea.gov

FINANCIAL SUMMARY

(This summary is subject in all respects to more complete information contained in this Official Statement)

Economic Market Value (2018/19)	$	2,335,025,791
Estimated Market Value (2018/19)	$	2,152,836,800
Taxable Market Value (2018/19)	$	1,992,948,730
Net Tax Capacity (2018/19)	$	21,540,518
General Obligation Long-Term Debt of the District	$	20,945,000
Lease Obligations (includes the Certificates)	$	6,010,000
Overlapping General Obligation Debt	$	11,373,684
Estimated Population of the District (2017)		19,479
Area		342.31 Square Miles

Debt Ratios:

	Amount	Per Capita (19,479)	% of Economic Market Value
General Obligation Debt	$ 20,945,000	$ 1,075	0.90%
Lease Obligations	6,010,000	309	0.26%
Overlapping Debt	11,373,684	584	0.49%
Total	$ 38,328,684	$ 1,968	1.65%

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INDEBTEDNESS

General Obligation Long-Term Debt

Table 9 and Table 10 below, summarize the District's general obligation long-term debt outstanding as of September 1, 2019.

Table 9
General Obligation Debt by Issue

Date of Issue	Purpose	Original Amount	Interest Rate Outstanding	Maturities Outstanding	Principal Outstanding
06/01/13	Capital Facilities, Series 2013A	$ 1,350,000	2.00%	02/01/20-24	$ 695,000
06/02/15	Capital Facilities, Series 2015A	2,770,000	2.00% - 3.25%	02/01/20-35	2,295,000
12/22/15	School Building Refunding, Series 2015B	4,380,000	1.50% - 2.50%	01/01/20-28	4,310,000
02/18/16	School Building Refunding, Series 2016A	9,740,000	2.00%	01/01/20-27	9,530,000
05/16/17	School Building Refunding, Series 2017A	5,990,000	5.00%	01/01/20-22	4,115,000
Total					$ 20,945,000

Table 10
General Obligation Debt
Annual Maturity Schedule

	Outstanding Debt		
Fiscal Year Ending June 30	Principal	Interest	Total Debt Service
2020	$ 2,150,000	$ 288,785	$ 2,438,785
2021	2,220,000	486,620	2,706,620
2022	2,190,000	392,320	2,582,320
2023	2,200,000	323,995	2,523,995
2024	2,250,000	279,920	2,529,920
2025	2,135,000	234,715	2,369,715
2026	2,165,000	191,805	2,356,805
2027	2,230,000	147,075	2,377,075
2028	2,280,000	92,825	2,372,825
2029	150,000	35,100	185,100
2030	150,000	30,600	180,600
2031	155,000	26,100	181,100
2032	160,000	21,450	181,450
2033	165,000	16,410	181,410
2034	170,000	11,213	181,213
2035	175,000	5,688	180,688
Total	$ 20,945,000	$ 2,584,620	$ 23,529,621

Lease Revenue Debt

Table 11 and below, summarize the District's lease revenue long-term debt outstanding as of the issuance of the Certificates.

Table 11
Lease Revenue Debt by Issue

Date of Issue	Purpose	Original Amount	Interest Rate Outstanding	Maturities Outstanding	Principal Outstanding
09/26/19	Preschool Center	$ 6,010,000	This Issue	02/01/20-38	$ 6,010,000[1]
Total					$ 6,010,000[1]

(1) Preliminary, subject to change

Table 12
Lease Revenue Debt
Annual Maturity Schedule

Fiscal Year Ending June 30	Principal[1]	Interest[1]	Total Debt Service
2020	$ 100,000	$ 80,625	$ 180,625
2021	220,000	227,200	447,200
2022	235,000	216,200	451,200
2023	245,000	204,450	449,450
2024	255,000	192,200	447,200
2025	270,000	179,450	449,450
2026	285,000	165,950	450,950
2027	295,000	151,700	446,700
2028	310,000	139,900	449,900
2029	320,000	127,500	447,500
2030	335,000	114,700	449,700
2031	350,000	101,300	451,300
2032	360,000	87,300	447,300
2033	375,000	72,900	447,900
2034	385,000	61,650	446,650
2035	400,000	50,100	450,100
2036	410,000	38,100	448,100
2037	425,000	25,800	450,800
2038	435,000	13,050	448,050
Total	$ 6,010,000	$ 2,250,075	$ 8,260,075

(1) Preliminary, subject to change

General Obligation Short-Term Debt

The District has no short-term debt outstanding.

Capital Leases

The District has no capital leases outstanding.

Future Financing

The District does not anticipate that it will issue general obligation debt within the next six months.

Overlapping Debt

Listed below are taxing jurisdictions in Otter Tail and Wilkin Counties which overlap the District. Table 13 sets forth the general obligation debt as of December 31, 2018, unless otherwise noted, for each of these jurisdictions and the amount of that debt allocable to the District.

Table 13
Overlapping Debt

Entity	General Obligation Bonded Debt Outstanding	Percent of Debt Applicable to the District	Outstanding Debt Chargeable to Property in the District
Otter Tail County	$ 12,340,000[1]	22.17%	$ 2,735,673
Wilkin County	3,280,000	0.04%	1,155
City of Dalton	375,000	100.00%	375,000
City of Elizabeth	281,800	100.00%	281,800
City of Fergus Falls	7,790,000[2]	100.00%	7,790,000
Dane Prairie Township	250,781	75.79%	190,056
Total	$ 21,037,581		$ 11,373,684

(1) Includes general obligation debt payable by tax levies. It excludes general obligation debt paid from solid waste revenues.
(2) Includes general obligation debt payable by special assessments and tax levies. Excludes general obligation debt payable from sales tax, water and sewer revenues.

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PROPERTY VALUATIONS AND TAXES

Assessed Valuations/Tax Capacity and Estimated Market Valuations

The County Assessor, pursuant to State law, is responsible for the assessment of all taxable property located within a county. State law provides, with certain exceptions, that all taxable property is to be valued at its market value. All real property subject to taxation must be listed and shall be valued each year with reference to its value as of January 2. The assessor views and reappraises all parcels at maximum intervals of five years. Personal property subject to taxation must also be listed and assessed annually as of January 2.

With certain exemptions, all property is valued at its Estimated Market Value ("EMV"), which is the value the assessor determines to be the price the property to be fairly worth. Taxable Market Value ("TMV") is EMV less certain exclusions, including the exclusions under the "This Old House" program for certain improvements made to homes over 45 years old and, for taxes payable in 2012 and thereafter, a homestead market value exclusion ("Homestead Exclusion") for homesteads valued at under $413,800. The Homestead Exclusion replaces the former residential homestead market value credit ("Homestead Credit"), which provided an offset of an amount of residential homeowner property taxes with a credit, which was reimbursed to the County by the State.

Net Tax Capacity ("NTC") is the value upon which taxes are levied and collected. The NTC is computed by applying the class rate percentages specific to each type of property classification against the TMV. Class rate percentages vary depending on the type of property. The following table shows the class rates for selected property types for taxes payable in 2019.

Table 14
Property Class Rates

Type of Property	Pay 2019 Class Rates
Residential Homestead	
First $500,000 Taxable Market Value	1.00%
Over $500,000 Taxable Market Value	1.25%
Commercial/Industrial	
First $150,000 Taxable Market Value	1.50%
Over $150,000 Taxable Market Value	2.00%
Non-Homestead Market Rate Apartments	1.25%

Neither the net tax capacity nor the market value may accurately represent what a property's actual market value would be in the marketplace. By dividing the taxable market value used for tax purposes by the State Equalization Aid Review Committee's ("EARC") Sales Ratio for any particular year, an Economic Market Value can be calculated which approximates actual market value. The Economic Market Value replaces the Indicated Market Value which was previously calculated by dividing the TMV by the Sales Ratio. Sales ratios represent the relationship between the market value used for tax purposes and actual selling prices which were obtained in real estate transactions within a governmental unit in any particular year. The 2018 Sales Ratio for the District is 92.00%.

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Table 15 below presents the Economic Market Value, Estimated Market Value, Taxable Market Value and Net Tax Capacity of taxable property within the District for assessment year 2018/collection year 2019.

Table 15
Property Values in the District 2018/19

	Economic Market Value[1]	Estimated Market Value	Taxable Market Value	Net Tax Capacity
Otter Tail and Wilkin County				
Real Estate	$ 2,277,362,391	$ 2,095,173,400	$ 1,935,285,330	$ 20,629,848
Personal Property	57,663,400	57,663,400	57,663,400	1,146,879
Less: Captured tax capacity of Tax Increment Dist.	--	--	--	(178,023)
Less: 10% of 200 KV Transmission Lines	--	--	--	(58,186)
Total	$ 2,335,025,791	$ 2,152,836,800	$ 1,992,948,730	$ 21,540,518

(1) Economic Market Value is calculated using the Estimated Market Value of real estate divided by the sales ratio plus the Estimated Market Value of personal property.

Source: Otter Tail and Wilkin Counties.

Table 16 below presents the Economic Market Value, Estimated Market Value, Taxable Market Value and the Tax Capacity for the current year and five prior years.

Table 16
Trend of Property Values

Collection Year	Economic Market Value	Sales Ratio	Estimated Market Value	Taxable Market Value	Adjusted Tax Capacity[1]
2019	$ 2,335,025,791	92.00%	$ 2,152,836,800	$ 1,992,948,730	$ 21,540,518
2018	2,337,553,743	88.40%	2,073,119,600	1,910,917,053	20,675,909
2017	2,194,588,199	92.74%	2,039,234,500	1,876,482,422	20,258,413
2016	2,151,661,338	92.64%	1,997,165,200	1,831,147,255	19,669,953
2015	2,149,251,246	89.68%	1,930,958,800	1,763,329,200	18,910,154
2014	1,847,254,406	98.74%	1,823,979,000	1,653,810,700	17,992,881

(1) Net of fiscal disparities and tax increment captured tax capacity.

Source: Otter Tail and Wilkin Counties.

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Table 17 below presents the total Net Tax Capacity of real estate property within the District by the various types of property.

Table 17
Net Tax Capacity by Category
Assessment Year 2018/Collection Year 2019

Real Estate Only	Net Tax Capacity	% of Total Net Tax Capacity
Residential Homestead	$ 7,882,047	38.2%
Agricultural	4,567,772	22.1%
Commercial and Industrial		
Public Utility	887,498	4.3%
Railroad Operating Property	154,844	0.8%
All Other Commercial/Industrial	4,221,271	20.5%
Non-Homestead Residential	1,991,395	9.7%
Commercial & Residential Seasonal	925,021	4.5%
Total	$ 20,629,848	100.0%

Source: Otter Tail and Wilkin Counties.

Property Tax Levies and Collections

The tax year in Minnesota is January 1 to December 31. Taxes are collected by the County Treasurer. The sequence of events in the taxation of property begins with the certification of the property tax levy to the County Auditor by December 28. The County Auditor then calculates the tax capacity rates and spreads the taxes designed to meet these budget requirements. The resulting taxes on property are payable the following year. The due dates for taxes on real property are one-half on or before May 15 and one-half on or before September 15. The due dates for payment of personal property taxes are one-half on or before February 28 and one-half on or before June 30.

Penalties on unpaid taxes occur as follows: On May 16, unpaid property taxes (first one-half) are penalized at a rate of 3% on property classified as homestead and 7% on property classified as non-homestead. Thereafter, an additional 1% is charged on the 16th day of each month up to and including September 16 for both homestead and non-homestead property. On September 16 unpaid property taxes (second one-half) are penalized at a rate of 4% for both homestead and non-homestead property. Thereafter, an additional 2% on homestead property and 4% on non-homestead property is charged on the 16th day of each month up to and including December 16. An additional 2% penalty is charged on the first business day in January following the year in which the taxes were due. Interest is charged based on variable rates per annum, on the full amount of the taxes, penalties, and costs unpaid. Personal property tax not paid when due is penalized at a rate of 8%. Table 18 shows the District's tax levies and collections for collection years 2014 through 2018, and the gross and net levies for the current collection year.

Table 18
Tax Collections in the District

			Collected First Year		Collected as of 12/31/18	
Collection Year	Gross Levy	Net Levy	Amount	% of Net Levy	Amount	% of Net Levy
2018	$ 6,558,633	$ 6,277,844	$ 6,201,791	98.8%	$ 6,200,964	98.8%
2017	6,678,613	6,612,672	6,534,082	98.8%	6,593,514	99.7%
2016	6,546,367	6,490,165	6,408,990	98.7%	6,456,366	99.5%
2015	6,230,717	6,168,271	6,094,147	98.8%	6,155,173	99.8%
2014	4,908,883	4,871,049	4,819,688	98.9%	4,866,622	99.9%

Source: Otter Tail and Wilkin Counties.

Tax Rates

Table 19 shows the tax rates for District residents in Otter Tail County in the City of Fergus Falls and its overlapping jurisdictions for the collection years 2015 through 2019.

Table 19
Tax Rates

	2018/19	2017/18	2016/17	2015/16	2014/15
Otter Tail County	41.561%	41.503%	41.858%	42.129%	41.517%
Otter Tail County HRA	1.307%	--%	0.674%	0.624%	0.634%
City of Fergus Falls	58.601%	57.818%	55.552%	54.826%	52.956%
City of Fergus Falls HRA	1.622%	1.612%	1.606%	1.622%	1.631%
ISD No. 544 (Fergus Falls)	22.680%	22.330%	22.686%	22.779%	22.914%
Bois De Sioux Watershed Dist.	6.121%	--%	1.795%	1.765%	0.429%
Total	131.892%	123.263%	124.171%	123.745%	120.081%

Source: Otter Tail County.

Principal Taxpayers

A list of the ten largest taxpaying parcels in the District with the highest net tax capacities on the 2018 assessment year is presented in Table 20 below.

Table 20
Principal Taxpayers

Taxpayer	Net Tax Capacity	Percent of Total
Otter Tail Power Co.	$ 1,334,292	6.13%
Green Plains Otter Tail LLC	274,446	1.26%
Xcel Energy	201,766	0.93%
Lake Region Healthcare Corp.	195,304	0.90%
Otter Tail Valley Railroad Co	154,844	0.71%
Stock Farms Family LLLP	154,150	0.71%
Great River Energy	146,026	0.67%
MFF Mortgage Borrower	130,978	0.60%
Walmart	110,344	0.51%
Allete Inc.	105,930	0.49%
Total	$ 2,808,080	12.89%

(1) Based on the 2018/2019 Total Net Tax Capacity of $21,776,727. The total Net Tax Capacity includes real and personal property and is not adjusted for tax increment financing.

Source: Otter Tail County.

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FINANCIAL INFORMATION

Financial Statements

The District's financial statements are audited by an independent auditor (the "Auditor"). Copies of the District's audited financial statements are available upon request from PFM Financial Advisors LLC, the District's Municipal Advisor or through the Electronic Municipal Market Access website as part of the District's annual continuing disclosure reports. See Appendix A for the District's audited financial statements for fiscal year ended June 30, 2018.

General Fund Budget for Fiscal Year 2019

The table below presents the District's budget summary for the General Fund for the 2019 Fiscal Year.

Table 21
General Fund Budget for Fiscal Year 2019

Revenues	
Local Property Tax Levies	$ 3,557,375
Other Local and County Sources	890,150
State Sources	26,666,600
Federal Sources	375,000
Total Revenues	$ 31,489,125
Expenditures	
Total Expenditures	$ 31,506,775

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Results of Operations

Statements of revenues and expenditures of the General Fund of the District have been compiled from the District's audited financial statements. They have been organized in such a manner as to facilitate year-to-year comparisons. Table 22 presents a statement of revenues and expenditures of the District's General Fund for the fiscal years ended June 30, 2016 through 2018.

Table 22
General Fund Revenues and Expenditures and Changes in Fund Balance
(Years Ended June 30)

Revenues	2018	2017	2016
Local Property Tax Levies	$ 3,355,579	$ 3,258,303	$ 2,928,900
Other Local and County Sources	887,027	1,530,684	1,602,934
State Sources	25,777,332	24,355,866	22,273,985
Federal Sources	436,944	471,637	473,714
Sales and Other Conversion of Assets	12,097	16,032	6,917
Total Revenues	$ 30,468,979	$ 29,632,522	$ 27,286,450
Expenditures			
District and School Administration	$ 1,582,350	$ 1,426,913	$ 1,536,122
District Support Services	538,286	502,819	483,068
Regular Instruction	15,649,361	13,528,459	12,561,767
Vocational and Educational Instruction	536,409	509,977	443,224
Special Education Instruction	3,501,348	3,556,079	3,577,404
Instructional Support Services	1,131,258	1,067,635	1,038,486
Pupil Support Services	2,633,524	3,238,895	2,310,653
Sites and Buildings	4,704,208	3,536,475	2,811,591
Fiscal and Other Fixed Costs Programs	71,356	106,387	96,668
Total Expenditures	$ 30,348,100	$ 27,473,639	$ 24,858,983
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 120,879	$ 2,158,883	$ 2,427,467
Fund Balance, Beginning	5,718,268	3,559,385	1,131,918
Fund Balance, Ending	$ 5,839,147	$ 5,718,268	$ 3,559,385

Source: The District's Audited Financial Statements for the fiscal years ended June 30, 2016 through 2018.

MUNICIPAL ADVISOR

The District has retained PFM Financial Advisors LLC, of Minneapolis, Minnesota, as Municipal Advisor (the "Municipal Advisor") in connection with the issuance of the Certificates. In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the District to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Certificates.

Requests for information concerning the District should be addressed to PFM Financial Advisors LLC, 50 South Sixth Street, Suite 2250, Minneapolis, Minnesota 55402 (612/338-3535, 612/338-7264 FAX).

RATING

A rating for the Certificates has been requested from Moody's Investors Service. The rating reflects only the views of the rating agency. For an explanation of the rating as described by the rating agency please contact the rating agency. The bond rating is subject to change or withdrawal by the rating agency at any time. Therefore, after the date hereof investors should not assume that such rating is still in effect. A revision or withdrawal of the rating may have an adverse effect on the market price and marketability of the Certificates.

TAX EXEMPTION AND RELATED TAX CONSIDERATIONS

Tax Exemption. It is the opinion of Kutak Rock LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and on certifications to be furnished at closing, and assuming compliance by the District with certain covenants (the "Tax Covenants"), that interest to be paid on the Certificates is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes. Such interest is, however, included in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions.

Certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), however, impose continuing requirements that must be met after the issuance of the Bond in order for interest thereon to be and remain not includable in federal gross income and in Minnesota taxable net income of individuals, estates and trusts. These requirements include, but are not limited to, provisions regarding the use of Certificates proceeds and the facilities financed with such proceeds; restrictions on the investment of Bond proceeds and other amounts; and provisions requiring that certain investment earnings be rebated periodically to the federal government. Noncompliance with such requirements may cause interest on the Certificates to be includable in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Compliance with the Tax Covenants will satisfy the current requirements of the Code with respect to exemption of interest on the Certificates. 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 becomes includable in federal gross income or in Minnesota taxable net income.

Related Tax Considerations. Interest on the Certificates is not an item of tax preference for federal or Minnesota alternative minimum tax purposes. 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. Passive investment income, including interest on the Certificates, may be subject to taxation under section 1375 of the Code, and corresponding provisions of Minnesota law, for an S corporation that has accumulated earnings and profits at the close of the taxable year, if more than 25 percent of its gross receipts is passive investment income. In the case of an insurance company subject to the tax imposed by section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under section 832(b)(5) of the Code must be reduced by an amount equal to 15 percent of the interest on the Certificates that is received or accrued during the taxable year. Interest on the Certificates may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by section 884 of the Code, and is included in net investment income of foreign insurance companies under section 842(b) of the Code.

From time to time, there are legislative proposals that, if enacted, could adversely affect the federal and state tax matters referred to herein, adversely affect the marketability or market value of the Certificates, or otherwise prevent holders of the Certificates from realizing the full benefit of the tax exemption of interest on the Certificates. For example, both former President Obama and the former Chairman of the Committee on Ways and Means of the U.S. House of Representatives have proposed legislation that effectively would impose a partial tax on otherwise tax exempt interest for certain higher income taxpayers. In addition, regulatory and administrative actions may from time to time be announced that could adversely affect the market value, marketability or tax status of the Certificates. No prediction is made concerning future events. The opinions expressed by Bond Counsel in connection with the issuance of the Certificates are based upon existing law. Purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed legislation, and regulatory or administrative actions.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from ownership or disposition of the Certificates or receipt of interest on the Certificates. Prospective purchasers or bondholders should consult their tax advisors with respect to collateral tax consequences and applicable state and local tax rules in states other than Minnesota.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The District has designated the Certificates as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for Federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations. The District will also represent and covenant that it does not reasonably expect that it or any subordinate entities will issue tax-exempt obligations (other than private activity bonds, treating qualified 501(c)(3) bonds as not being private activity bonds) in an aggregate amount greater than $10,000,000 in 2019.

LITIGATION

There is no litigation now pending or, to the knowledge of District officials, threatened which questions the validity of the Certificates or of any proceedings of the District taken with respect to the issuance or sale thereof.

CERTIFICATION

The District will furnish a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Certificates are subject to the opinion of Kutak Rock LLP, Bond Counsel, as to validity and tax exemption. The opinion will be substantially in the form set forth in Appendix B attached hereto. Except as to the information contained under the captions "*Security and Source of Payment*" and "TAX EXEMPTION AND RELATED TAX CONSIDERATIONS," Bond Counsel has not been requested to, and has not undertaken to, verify the accuracy of the information contained in this Official Statement and expresses no opinion with respect thereto.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and are not representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract or agreement with the owners of any Certificates.

This Official Statement has been approved by the District for distribution by the Superintendent to prospective purchasers of the Certificates.

INDEPENDENT SCHOOL DISTRICT NO. 544
(FERGUS FALLS), MINNESOTA

By: ____
Superintendent

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APPENDIX A

The District's Audited Financial Statements for the Fiscal Year Ended June 30, 2018

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Financial Statements
June 30, 2018

Independent School District No. 544
Fergus Falls Public Schools

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Additional Reports

Name	Position	Term Expires
School Board		
Melanie Cole	Chairperson	2018
Matthew Lemke	Vice Chairperson	2020
Blaine Danielson	Clerk	2018
Natalie Knutson	Treasurer	2020
Melissa Hermes	Director	2018
Steven Vigesaa	Director	2020
Administration		
Jerry Ness	Superintendent	
Mark Masten	Business Manager	

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The School Board of
Independent School District No. 544
Fergus Falls Public Schools
Fergus Falls, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of, Independent School District No. 544, Fergus Falls Public Schools (the District), 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 an opinion on these financial statements based on our audits. We conducted our audits 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 District, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Notes 1 and 15 to the financial statements, the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which has resulted in a restatement of the net position as of July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the District's total OPEB liability and related ratios, schedule of employer's share of net pension liability and schedule of employer's contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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.

Management has omitted budgetary comparison schedules for the Community Service special revenue fund and the Food Service special revenue fund, that U.S. generally accepted accounting principles requires to be presented to supplement the basic financial statements. Such missing 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 to place the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The school board and administration, combining and individual fund schedules, student activity cash balances, and the uniform accounting and reporting standards compliance table, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements of the District.

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

The school board and administration has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Fargo, North Dakota
November 13, 2018

This section of Fergus Falls Public Schools - Independent School District No. 544's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018.

Financial Highlights

Key financial highlights for the 2018 fiscal year

- General Fund revenues were $30,468,979 while expenditures totaled $30,348,100, increasing fund balance by $120,879.

- The Food Service Fund revenues were $1,234,403 while expenditures totaled $1,163,063, increasing fund balance by $71,340.

- The Community Service Fund revenues were $1,016,557 while expenditures totaled $858,696, increasing fund balance by $157,861.

- The Debt Service Fund revenues were $3,195,791 while expenditures were $3,123,645, increasing fund balance by $72,146 before other financing sources and uses.

Overview of the Financial Statements

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

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The following outline shows how the various parts of this annual report are arranged and related to one another.

1. Management's Discussion and Analysis
2. Basic Financial Statements
    a. District-Wide Financial Statements
    b. Fund Financial Statements

Footnote 1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

Governmental Funds – All of the District's basic services are included in governmental funds, which generally focus on:

1. how cash and other financial assets that can readily be converted to cash flow in and out and
2. the balances left at year-end that are available for spending.

Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net Position – The District's combined net position was a negative $260,334 on June 30, 2018. A condensed version of the Statement of Net Position at June 30, 2018 and 2017 is as follows:

	2018	2017
Assets		
Current assets	$ 16,178,119	$ 37,091,189
Capital assets	44,451,612	44,078,559
Total assets	60,629,731	81,169,748
Deferred Outflows of Resources	25,140,723	33,561,743
Liabilities		
Other liabilities	5,261,747	4,125,641
Long-term liabilities	67,318,871	99,058,759
Total liabilities	72,580,618	103,184,400
Deferred Inflows of Resources	13,450,170	7,449,164
Net Position (Deficit)		
Invested in capital assets, net of related debt	21,436,612	(636,441)
Restricted for specific purposes	946,224	21,423,134
Unrestricted	(22,643,170)	(16,688,766)
Total net position (deficit)	$ (260,334)	$ 4,097,927

Due to the implementation of GASB Statement No. 75 in the current year, figures may not be comparable to the prior year for some areas of the financial statements.

Changes in Net Position – The District's total revenues were $35,930,897 for the year ended June 30, 2018. Property taxes and state formula aid accounted for 90% of total revenue for the year. The other 10% came from other general revenues combined with investment earnings and the remainder from program revenues.

The total cost of all programs and services was $39,160,326. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 5% of total costs.

Total expenses surpassed revenues, decreasing net position by $3,229,429.

A condensed version of the Statement of Activities for the years ended June 30, 2018 and 2017 is as follows:

	2018	2017
Revenues		
Program revenues		
Charges for service	$ 459,177	$ 954,097
Operating grants and contributions	2,160,589	2,315,975
Capital grants and contributions	-	55,200
General		
Property taxes	6,673,261	6,594,632
Aids and payments from state and other	25,745,928	24,330,990
Unrestricted investment earnings	147,830	147,178
Miscellaneous revenues	744,112	1,348,275
Total revenues	35,930,897	35,746,347
Expenses		
Administration	1,930,027	1,734,021
District support services	462,827	557,044
Regular instruction	21,956,787	20,143,538
Vocational educational instruction	536,409	509,977
Special education instruction	3,501,348	3,556,079
Community education and services	788,576	771,686
Instructional support services	1,131,258	1,067,635
Pupil support services	3,872,648	4,595,283
Sites and buildings	2,519,112	3,791,251
Fiscal and other fixed-cost programs	2,461,334	2,116,204
Total expenses	39,160,326	38,842,718
Change in net position	(3,229,429)	(3,096,371)
Net position - beginning, as restated on July 1, 2017	2,969,095	7,194,298
Net position (deficit) - ending	$ (260,334)	$ 4,097,927

Due to the implementation of GASB Statement No. 75 in the current year, figures may not be comparable to the prior year for some areas of the financial statements.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $6,870,589. This is down from $26,603,010 at the end of the prior year, a decrease of $19,732,421. The decrease is due to the refunding bond payments in the Debt Service Fund.

According to the Minnesota Department of Education's "School Profile" information, out of 499 school districts and charter schools in the State of Minnesota reporting data for 2017 Fergus Falls Public Schools is ranked:

72nd in enrollment compared to 74th last year
471st in state special education funding per student ($487 vs $1,292 state average)
476th in state funding per student ($8,311 vs $9577 state average)
453rd in federal funding per student ($166 vs $462 state average)
205th in General Fund levy per student ($1,145 vs $1,815 state average)
463rd in total General Fund funding per student ($10,165 vs $12,364 state average)
434th in total All Funds funding per student ($12,095 vs $14,736)

490th in administrative costs per student ($678 vs $1,049 state average)
440th in instructional costs per student ($6,163 vs $7,886 state average)
341st in support costs per student ($2,102 vs $2,613 state average)
417th in capital expenditures per student ($463 vs $701 state average)
463rd in total General Fund expenditures per student ($8,943 vs $11,548 state average)
464th in total expenditures per student in all funds ($11,239 vs $16,541 state average)

General Fund

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

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2018	2017		
Local property taxes	$ 3,355,579	$ 3,258,303	$ 97,276	3.0%
Other local sources	887,027	1,530,684	(643,657)	-42.1%
State sources	25,777,332	24,355,866	1,421,466	5.8%
Federal sources	436,944	471,637	(34,693)	-7.4%
Other	12,097	16,032	(3,935)	-24.5%
Total General Fund revenues	$ 30,468,979	$ 29,632,522	$ 836,457	2.8%

Total General Fund revenues increased by $836,457 or 2.8% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2018	2017		
Salaries and benefits	$ 19,899,229	$ 17,961,894	$ 1,937,335	10.8%
Purchased services	8,562,389	7,414,711	1,147,678	15.5%
Capital expenditures	153,312	98,346	54,966	55.9%
Supplies and materials	1,617,420	1,208,238	409,182	33.9%
Other expenditures	115,750	790,450	(674,700)	-85.4%
Total General Fund expenditures	$ 30,348,100	$ 27,473,639	$ 2,874,461	10.5%

Total General Fund expenditures increased by $2,874,461 or 10.5% from the previous year as a result of increased online school services.

General Fund Budgetary Highlights

The District did revise the 2018 budget. The majority of the budget revisions were the result of adjustments to federal grants.

Other Major Funds

The Food Service Fund incurred a surplus of $71,340, resulting in a fund balance of $186,097.

The Community Service Fund incurred a surplus of $157,861, resulting in a fund balance of $456,414.

The Debt Service Fund incurred a deficit of $20,082,501, resulting in a fund balance of $388,931. This was due to a payment for refunding bonds during 2018 in the amount of $20,154,647.

Capital Asset and Debt Administration

By the end of 2018, the District had invested $68,306,160 in a broad range of capital assets, including school buildings, athletic facilities, computer and technology related equipment. Total depreciation expense for the year was $1,323,272. See Note 4 to the financial statement for further information.

	2018	2017
Land	$ 134,250	$ 134,250
Buildings	64,583,140	63,586,054
Improvements	1,338,926	1,189,463
Equipment	2,249,844	1,700,068
Accumulated depreciation	(23,854,548)	(22,531,276)
Total capital assets	$ 44,451,612	$ 44,078,559

Long-Term Liabilities

The District had a net pension liability of $44,859,988 at year end. The District had a total OPEB liability of $1,032,828 at year-end. The District had $23,683,474 in General Obligation building bonds and premiums at year-end. See Notes 6,7, and 9 to the financial statement for further information.

Factors Bearing on the District's Future

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for its revenue authority. Although the State did increase funding for public schools, this increase does not completely cover new mandates from the state and federal government.

Contacting The District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact the Business Office, Independent School District No. 544, 601 Randolph Ave, Fergus Falls, Minnesota 56537.

Assets	
Cash, cash equivalents, and investments	$ 8,754,087
Receivables	
Current property taxes	2,962,885
Delinquent property taxes	115,837
Due from other governmental units	3,451,164
Accounts	379,169
Inventories	4,725
Prepaid items	510,252
	16,178,119
Capital assets	
Land	134,250
Buildings	1,338,926
Improvements	64,583,140
Equipment	2,249,844
Less accumulated depreciation	(23,854,548)
Total capital assets, net of depreciation	44,451,612
Total assets	60,629,731
Deferred Outflows of Resources	
OPEB	90,380
Pension plans	25,050,343
Total deferred outflows of resources	25,140,723
Liabilities	
Accounts payable	1,073,490
Due to other governmental units	5,901
Salaries payable	1,836,440
Accrued interest payable	47,147
Unearned revenue	41,350
Long-term liabilities	
Due within one year - bonds and premiums	2,257,419
Due in more than one year - bonds and premiums	21,426,055
Due in more than one year - OPEB	1,032,828
Due in more than one year - net pension liability	44,859,988
Total liabilities	72,580,618
Deferred Inflows of Resources	
Unavailable revenue - property taxes	6,234,512
Pension plans	7,215,658
Total deferred inflows of resources	13,450,170
Net Position (Deficit)	
Net investment in capital assets	21,436,612
Restricted for specific purposes	946,224
Unrestricted	(22,643,170)
Total net position (deficit)	$ (260,334)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:					
District and school administration	$ 1,930,027	$ -	$ -	$ -	$ (1,930,027)
District support services	462,827	-	-	-	(462,827)
Regular instruction	21,956,787	252,645	457,130	-	(21,247,012)
Vocational educational instruction	536,409	-	-	-	(536,409)
Exceptional instruction	3,501,348	-	-	-	(3,501,348)
Community education and services	788,576	206,532	475,473	-	(106,571)
Instructional support services	1,131,258	-	-	-	(1,131,258)
Pupil support services	3,872,648	-	1,227,986	-	(2,644,662)
Site, buildings, and equipment	2,519,112	-	-	-	(2,519,112)
Fiscal and other fixed-cost programs	2,461,334	-	-	-	(2,461,334)
Total governmental activities	$ 39,160,326	$ 459,177	$ 2,160,589	$ -	(36,540,560)
General revenues:					
Property taxes, levied for general purposes					3,360,601
Property taxes, levied for community service					267,645
Property taxes, levied for debt service					3,045,015
Aids and payments from the state					25,683,708
County apportionment					62,220
Unrestricted investment earnings					147,830
Miscellaneous revenues					744,112
Total general revenues					33,311,131
Changes in net position					(3,229,429)
Net position - beginning, as restated (Note 15)					2,969,095
Net position (deficit) - ending					$ (260,334)

	General	Food Service Fund	Community Service Fund	Building Construction Fund	Debt Service Fund	Totals
Assets						
Cash, cash equivalents, and investments	$ 6,208,112	$ 257,459	$ 683,814	$ -	$ 1,604,702	$ 8,754,087
Receivables						
Current property taxes	1,473,398	-	118,684	-	1,370,803	2,962,885
Delinquent property taxes	57,496	-	4,716	-	53,625	115,837
Due from other governmental units	3,410,731	-	40,433	-	-	3,451,164
Due from other funds	282,228	-	-	-	-	282,228
Accounts	92,453	321	4,167	282,228	-	379,169
Inventories	-	4,725	-	-	-	4,725
Prepaid items	218,772	-	-	-	291,480	510,252
Total assets	$ 11,743,190	$ 262,505	$ 851,814	$ 282,228	$ 3,320,610	$ 16,460,347
Liabilities						
Accounts payable	$ 958,300	$ 5,166	$ 110,024	$ -	$ -	$ 1,073,490
Due to other governmental units	5,901	-	-	-	-	5,901
Due to other funds	-	-	-	282,228	-	282,228
Accrued salaries, payroll deductions and employer contributions	1,796,206	36,922	3,312	-	-	1,836,440
Unearned revenue	5,230	34,320	1,800	-	-	41,350
Total liabilities	2,765,637	76,408	115,136	282,228	-	3,239,409
Deferred Inflows of Resources						
Unavailable revenue-property taxes	3,138,406	-	280,264	-	2,931,679	6,350,349
Fund Balance						
Nonspendable	218,772	4,725	-	-	291,480	514,977
Restricted	172,706	181,372	483,501	-	97,451	935,030
Unassigned	5,447,669	-	(27,087)	-	-	5,420,582
Total fund balance	5,839,147	186,097	456,414	-	388,931	6,870,589
Total liabilities, deferred inflows of resources, and fund balances	$ 11,743,190	$ 262,505	$ 851,814	$ 282,228	$ 3,320,610	$ 16,460,347

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2018

Total Fund Balances - Governmental Funds	$ 6,870,589
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	44,451,612
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(47,147)
Delinquent property taxes are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	115,837
Total OPEB obligations are not recognized in the funds.	(1,032,828)
Deferred outflows and inflows of resources related to pension and OPEB are applicable to future periods and, therefore, are not reported in the funds.	17,925,065
Long-term liabilities, including bonds payable, capital leases payable, net pension liability and bond premiums are not due and payable in the current period and therefore, are not reported as liabilities in the funds.	(68,543,462)
Total Net Position - Governmental Activities	$ (260,334)

	General	Food Service Fund	Community Service Fund	Building Construction Fund	Debt Service Fund	Totals
Revenues						
Local property tax levies	$ 3,355,579	$ -	$ 267,645	$ -	$ 3,045,015	$ 6,668,239
Other local and county sources	887,027	8,909	362,317	-	111,542	1,369,795
State sources	25,777,332	67,214	381,700	-	39,234	26,265,480
Federal sources	436,944	539,090	4,895	-	-	980,929
Sales and other conversion of assets	12,097	619,190	-	-	-	631,287
Total revenues	30,468,979	1,234,403	1,016,557	-	3,195,791	35,915,730
Expenditures						
District and school administration	1,582,350	-	-	-	-	1,582,350
District support services	538,286	-	-	-	-	538,286
Regular instruction	15,649,361	-	-	-	-	15,649,361
Vocational educational instruction	536,409	-	-	-	-	536,409
Special education instruction	3,501,348	-	-	-	-	3,501,348
Community education and service	-	-	858,696	-	-	858,696
Instructional support services	1,131,258	-	-	-	-	1,131,258
Pupil support services	2,633,524	1,163,063	-	-	-	3,796,587
Sites and buildings	4,704,208	-	-	-	-	4,704,208
Fiscal and other fixed cost programs	71,356	-	-	-	3,123,645	3,195,001
Total expenditures	30,348,100	1,163,063	858,696	-	3,123,645	35,493,504
Excess of Revenues Over Expenditures	120,879	71,340	157,861	-	72,146	422,226
Other Financing (Uses)						
Payment on refunding bonds	-	-	-	-	(20,154,647)	(20,154,647)
Net Change in Fund Balance	120,879	71,340	157,861	-	(20,082,501)	(19,732,421)
Fund Balance, Beginning of Year	5,718,268	114,757	298,553	-	20,471,432	26,603,010
Fund Balance, End of Year	$ 5,839,147	$ 186,097	$ 456,414	$ -	$ 388,931	$ 6,870,589

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds	$ (19,732,421)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense and disposals in the current period.	373,053
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	5,023
In the statement of activities OPEB liabilities are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	75,459
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	(6,307,426)
The issuance of long term debt provides current financial resources to governmental funds, while the repayment of principle of long-term debt consumes the current financial resources of the governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these difference in the treatment of long-term debt and related items.	22,356,883
Change in Net Position of Governmental Activities	$ (3,229,429)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Local property tax levies	$ 3,323,300	$ 3,323,300	$ 3,355,579	$ 32,279
Other local and county sources	667,525	667,525	887,027	219,502
State sources	24,193,275	24,193,275	25,777,332	1,584,057
Federal sources	440,041	460,000	436,944	(23,056)
Sales and other conversion of assets	-	-	12,097	12,097
Total revenues	28,624,141	28,644,100	30,468,979	1,824,879
Expenditures				
District and school administration	1,680,100	1,680,100	1,582,350	97,750
District support services	596,325	596,325	538,286	58,039
Regular instruction	14,501,841	14,529,825	15,649,361	(1,119,536)
Vocational instruction	478,025	479,275	536,409	(57,134)
Special education instruction	3,547,525	3,547,525	3,501,348	46,177
Instructional support services	856,275	850,850	1,131,258	(280,408)
Pupil support services	2,662,000	2,665,575	2,633,524	32,051
Sites and buildings	4,172,075	4,172,075	4,704,208	(532,133)
Fiscal and other fixed cost programs	187,000	187,000	71,356	115,644
Total expenditures	28,681,166	28,708,550	30,348,100	(1,639,550)
Net Change in Fund Balance	$ (57,025)	$ (64,450)	120,879	$ 185,329
Fund Balance, Beginning of Year			5,718,268	
Fund Balance, End of Year			$ 5,839,147	

Statement of Fiduciary Net Position
June 30, 2018

	Agency Fund	Trust
Assets		
Cash and cash equivalents	$ 69,959	$ 105,162
Liabilities		
Accounts payable	-	8,650
Due to other organizations	69,959	-
Total liabilities	69,959	8,650
Net Position		
Unrestricted	$ -	$ 96,512

The Notes to Financial Statements are an integral part of this statement.

	Trust
Additions	
Gifts, bequests and interest	$ 76,964
Deductions	
Scholarships	10,566
Other deductions	47,855
Total deductions	58,421
Net Change in Net Position	18,543
Net Position, Beginning of Year	77,969
Net Position, End of Year	$ 96,512

The Notes to Financial Statements are an integral part of this statement.

Note 1 - Summary of Significant Accounting Policies

Organization

Independent School District No. 544, Fergus Falls Public Schools, Fergus Falls, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

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

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

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

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

Government-Wide Financial Statement Presentation

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

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

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

Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental and fiduciary funds. All individual governmental funds are reported as separate columns in the fund financial statements.

Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust, private-purpose trust, and agency. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide statements.

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

1. *Revenue Recognition* – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

2. *Recording of Expenditures* – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, severance and healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are included within the applicable functional areas.

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

Description of Funds

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

Major Governmental Funds

- *General Fund* – The general fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, and health and safety projects.

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

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

- *Building Construction Fund* – The building construction fund is used to account for financial resources used for the construction of major capital facilities authorized by bond issue or alternative facility levies.

- *Debt Service Fund* – The debt service fund is used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.

GASB Statement No. 34 specifies that the accounts and activities of each of the District's most significant governmental funds (termed "major funds") be reported in separate columns on the fund financial statements. Other non-major funds can be reported in total. The general and debt service funds are the only major funds by definition; however, the District has elected to present all funds as major, which an option is permitted by the statement.

GASB Statement No. 34 also requires that budget vs. actual information be presented for the general fund and all major special revenue funds.

Fiduciary Funds

- *Private-Purpose Trust Fund* – The private-purpose trust fund is used to administer resources received and held by the District as the trustee for others. The private-purpose trust fund is used for scholarships.

- *Student Activity Fund* – The student activity fund is used to administer resources received and held by the District as the trustee for others. The student activity fund is used for extracurricular student activities.

Other Significant Accounting Policies

Budgeting

An operating budget is adopted by July 1 of each fiscal year for all governmental funds on the same modified accrual basis used to reflect actual revenues and expenditures. The superintendent is authorized to transfer budget amounts within line items; however, supplemental appropriations that amend total appropriations of any fund require a board resolution. Reported budgeted amounts are as originally adopted or as amended by board resolution. Unencumbered appropriations lapse at year-end

Cash, Cash Equivalents, and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

The District considers certificates of deposit with a maturity of three months or more to be investments.

Short-term, highly liquid debt instruments (including commercial paper, bankers acceptances, and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

Receivables

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

Inventories

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and are recorded as an expense or expenditure at the time of consumption.

Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District.

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

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

Capital Assets

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

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 50 years.

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

Long-Term Obligations

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

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

Pensions

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the 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. Additional information can be found in Note 9.

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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *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/expenditure) until then. The District has three items that qualify for reporting in this category. They are the contributions made to pension plans and OPEB plan after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

Implementation of GASB Statement No. 75

As of July 1, 2017, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard improves the usefulness of information about and improves accounting and financial reporting for postemployment benefits other than pensions (other postemployment benefits or OPEB). The effect of the implementation of this standard on net position is disclosed in Note 15 and the additional disclosures required by this standard is included in Note 7.

Risk Management

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

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's government-wide and fiduciary funds financial statements. Net invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance

In governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

- Nonspendable fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.

- Restricted fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school board and that remain binding unless removed by the school board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number. A majority vote of the school board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board.

- Assigned fund balance amounts are comprised of unrestricted funds constrained by the school district's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district's intended use of those resources. The action to assign fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number.

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

The District's policy is to strive to maintain a minimum unassigned general fund balance of 8% of the annual budget. The first priority is to utilize the balance as restricted fund balance. Committed funds will be considered with assigned fund balance third when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used like assigned or unassigned.

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.

Note 2 - Deposits and Investments

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's School Board. All such depositories are members of the Federal Reserve System.

The following is considered the most significant risk associated with deposits

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

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

At June 30, 2018, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

Investments

Credit Risk – Investments

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The District had certificates of deposits of $4,000 as of June 30, 2018.

Interest Rate Risk – Investments

The District does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

The following table presents the District's deposit and investment balances at June 30, 2018:

		Investment Maturities (in Years)			
Type	Fair Value	N/A	< 1	1 - 5	> 5
Cash and cash equivalents					
Minnesota School District Liquid Asset Fund	$ 199,788	$ 199,788	$ -	$ -	$ -
Deposits	8,702,220	8,702,220	-	-	-
Money Market	2,000	2,000	-	-	-
Corporate bonds	1,920	-	-	-	1,920
Corporate Stock*	19,280	19,280	-	-	-
Certificates of Deposit	4,000	-	4,000	-	-
	$ 8,929,208	$ 8,923,288	$ 4,000	$ -	$ 1,920

*The corporate stock is being held in trust with dividends going to scholarships.

Cash and investments are included on the basic financial statements as follows:

Cash, cash equivalents, and investments - Statement of Net Position	$ 8,754,087
Cash and cash equivalents - Statement of Fiduciary Net Position	175,121
	$ 8,929,208

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities and 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 pools shares.

Note 3 - Due from other Governmental Units

Amounts receivable from other governments as of June 30, 2018, include:

Fund	Federal	State	Other	Total
General	$ 117,703	$ 3,218,800	$ 74,228	$ 3,410,731
Community service	2,301	38,132	-	40,433
	$ 120,004	$ 3,256,932	$ 74,228	$ 3,451,164

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2018 is a follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 134,250	$ -	$ -	$ 134,250
Capital assets being depreciated:				
Improvements	1,189,463	149,463	-	1,338,926
Buildings	63,586,054	997,086	-	64,583,140
Equipment	1,700,068	549,776	-	2,249,844
Total capital assets being depreciated	66,475,585	1,696,325	-	68,171,910
Less accumulated depreciation for:				
Improvements	548,795	48,164	-	596,959
Buildings	21,404,810	1,190,367	-	22,595,177
Equipment	577,671	84,741	-	662,412
Total accumulated depreciation	22,531,276	1,323,272	-	23,854,548
Net capital assets, depreciated	43,944,309	373,053	-	44,317,362
Total capital assets, net	$ 44,078,559	$ 373,053	$ -	$ 44,451,612

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

Pupil support	$ 5,942
Sites and buildings	1,317,330
Total depreciation expense	$ 1,323,272

Note 5 - Aid Anticipation Certificates

A summary of changes in short-term debt for the year ended June 30, 2018 is as follows:

Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
$ 1,500,000	$ -	$ 1,500,000	$ -

The District sold general obligation aid anticipation certificates dated September 1, 2016 with a value of $1,500,000 at an interest rate of 2.0 percent. These certificates matured and were repaid on September 15, 2017 Interest and fiscal charges on aid anticipation certificates for the year ended June 30, 2018 in the General Fund totaled $29,147.

Note 6 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2018 are as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Bonds payable	$ 44,715,000	$ -	$ 21,700,000	$ 23,015,000	$ 2,070,000
Bond premium	1,157,245	-	488,771	668,474	187,419
	$ 45,872,245	$ -	$ 22,188,771	$ 23,683,474	$ 2,257,419

The following is a summary of bonds payable as of June 30, 2018:

Bond Description	Maturity Date	Interest Rate	Original Principal	Outstanding Balance
General Obligation Capital Facilities Bonds, Series 2013A	2/24	2.00	$1,350,000	$ 830,000
General Obligation Credit Enhancement Program, Series 2015A	2/35	2.00 - 3.25	$2,770,000	2,410,000
General Obligation Refunding Bonds, Series 2015B	1/28	1.50 - 2.50	$4,380,000	4,380,000
General Obligation Refunding Bonds, Series 2016A	1/27	2.00	$9,740,000	9,740,000
General Obligation Refunding Bonds, Series 2017A	1/22	5.00	$5,655,000	5,655,000
				$ 23,015,000

Bonds Payable – These are for the acquisition and betterment of school sites and facilities, additional capital facility improvements, and refunding bonds. Payments are made out of the debt service fund.

Remaining principal and interest payments on long-term debt are as follows:

	Bonds Payable	
Years Ending June 30,	Principal	Interest
2019	$ 2,070,000	$ 664,820
2020	2,150,000	577,570
2021	2,220,000	486,620
2022	2,190,000	392,320
2023	2,200,000	323,995
2024 - 2028	11,060,000	946,340
2029 - 2033	780,000	129,660
2034 - 2035	345,000	16,900
	$ 23,015,000	$ 3,538,225

Note 7 - Other Post-Employment Benefits

A. Plan Description

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District's health insurance plan after retirement. This plan covers active and retired employees who have reached age 55 and at least 3 years of service. Retiree participation in the District's plan is paid entirely by the retiree. Benefit provisions for current employees are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. A separately issued report is not available.

B. Benefits Provided

The District allows access to the contract groups other post-retirement benefits of blended medical premiums of $518 for single and $1,384 for family coverage. The implicit rate subsidy is only until Medicare eligibility. There are no subsidized post-employment dental or life benefits. For retirees (teachers only) hired prior to September 1, 1994 and 55 years of age with at least 20 years of service, the District will pay 70% of base salary minus District contributions to the Matching Program paid to the Health Care Savings Plan to a maximum of $800. This benefit ceases after June 30, 2018. The annual matching contribution amount is $1,150 from years 1-7, $1,450 from years 8-13, and $2,050 for years 14 and over.

C. Employees Covered by Benefit Terms

At the valuation date of July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	63
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	306
	369

D. Total OPEB Liability

The District's total OPEB liability of $1,032,828 was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.

E. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent	
Salary increases	3.00 percent	
Discount rate	3.40 percent	
Healthcare cost trend rates	6.50 percent as of July 1, 2017 grading to 5.00% over 6 years	
Retiree plan participation	Future retirees electing coverage:	
	- Pre-65 subsidy available	50%
	- Pre-65 subsidy not available	50%
	- future retirees electing life	75%
Percent of married retirees electing spouse coverage	Percent future retirees electing pre-65 spouse coverage	
	- Pre-65 subsidy available	10%
	- Pre-65 subsidy not available	10%

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study as of July 1, 2017.

F. Changes in the Total OPEB Liability

Balance at June 30, 2017	$ 1,017,907
Changes from the Prior Year:	
Service Cost	71,959
Interest Cost	35,496
Benefit Payments	(92,534)
Net Change	14,921
Balance at June 30, 2018	$ 1,032,828

G. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.40%	3.40%	4.40%
Total OPEB Liability	$ 1,090,272	$ 1,032,828	$ 977,249

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

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Medical trend rate	5.50% decreasing to 4% over 5 years	6.50% decreasing to 5% over 5 years	7.50% decreasing to 6% over 5 years
Total OPEB Liability	$ 948,716	$ 1,032,828	$ 1,130,401

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

For the year ended June 30, 2018, the District recognized OPEB expense of $19,374. 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
Employer contributions made after the measurement date	$ 90,380	$ -

$90,380 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

Note 8 - Fund Balance

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

At June 30, 2018, the District has recorded the following fund balances for the following purposes:

	General	Food Service Fund	Community Service Fund	Debt Service Fund	Totals
Fund balances					
Nonspendable					
Inventories	$ -	$ 4,725	$ -	$ -	$ 4,725
Prepaid items	218,772	-	-	291,480	510,252
Total nonspendable	218,772	4,725	-	291,480	514,977
Restricted					
Operating capital	172,706	-	-	-	172,706
Food service	-	181,372	-	-	181,372
Community education	-	-	212,700	-	212,700
School readiness	-	-	120,799	-	120,799
E.C.F.E.	-	-	148,710	-	148,710
Adult basic education	-	-	1,292	-	1,292
Debt Service	-	-	-	97,451	97,451
Total restricted	172,706	181,372	483,501	97,451	935,030
Unassigned	5,447,669	-	(27,087)	-	5,420,582
Total fund balances	$ 5,839,147	$ 186,097	$ 456,414	$ 388,931	$ 6,870,589

The UFARS fund balance reporting standards are slightly different than the reporting standards under GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is a reconciliation between the fund balance reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Fund balances			
Nonspendable			
Inventories	$ 4,725	$ -	$ 4,725
Prepaid items	510,252	-	510,252
Total nonspendable	514,977	-	514,977
Restricted			
Health and safety	-	(902)	(902)
Operating capital	172,706	-	172,706
Long-term facilities maintenance	-	(25,391)	(25,391)
Food service	181,372	-	181,372
Community education	212,700	-	212,700
School readiness	120,799	-	120,799
E.C.F.E.	148,710	-	148,710
Adult basic education	1,292	-	1,292
Community service	-	(4,556)	(4,556)
Debt Service	97,451	-	97,451
Total restricted	935,030	(30,849)	904,181
Unassigned	5,420,582	30,849	5,451,431
Total fund balances	$ 6,870,589	$ -	$ 6,870,589

Note 9 - Defined Benefit Pension Plans - Statewide

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Public Employees' Retirement Association (PERA) or the Teachers' Retirement Association (TRA), all of which are administered on a state-wide basis. Disclosures relating to these plans are as follows:

Public Employees Retirement Association (PERA)

A. Plan Description

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

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

B. Benefits Provided

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

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

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

C. Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2018. The District was required to contribute 7.5% for Coordinated Plan members in fiscal year 2018. The District's contributions to the GERF for the year ended June 30, 2018, were $286,856. The District's contributions were equal to the required contribution for each year as set by state statue.

D. Actuarial Assumptions

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

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

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

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 for GERF was completed in 2015, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2017:

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

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

Asset Class	Target Allocations	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%
	100%	

E. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F Pension Costs

At June 30, 2018, the District reported a liability of $3,638,842 for its proportionate share of the GERF's net pension liability. The net pension liability reflected a reduction due to the State of Minnesota's contribution of $6 million to the fund in 2017. The State of Minnesota is considered a 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 $45,751. 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 share was 0.0570%, which was an increase of 0.003% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $210,154 for its proportionate share of GERF's pension expense. In addition, the District recognized an additional $1,321 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the GERF.

At June 30, 2018, the District reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 119,925	$ 222,907
Changes in actuarial assumptions	572,330	364,794
Difference between projected and actual investment earnings	-	7,065
Change in proportion and differences between contributions made and District's proportionate share of contributions	182,689	175,300
District's contributions to GERF subsequent to the measurement date	286,856	-
Total	$ 1,161,800	$ 770,066

$286,856 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2019	$ 105,086
2020	153,250
2021	(44,668)
2022	(108,790)
2023	-

G Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	$ 5,644,115	$ 3,638,842	$ 1,997,163

H Pension Plan Fiduciary Net Position

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

Teachers Retirement Association (TRA)

A. Plan Description

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

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

B. Benefits Provided

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

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

Tier I Benefits

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

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 factor for all years under normal retirement age.
(c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II Benefits

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

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

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

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

C. Contribution Rate

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

	Employees	Employers
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 the Schedule of Employers and Non-Employer Pension Allocations.

Employer contributions reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	$ 367,791,000
Add employer contributions not related to future contribution efforts	810,000
Deduct TRA's contributions not included in allocation	(456,000)
Total employer contributions	$ 368,145,000
Total non-employer contributions	35,588,000
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 403,733,000

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.

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2017
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	5.12%, from the Single Equivalent Interest Rate calculation
Price inflation	2.50%
Wage growth rate	2.85% for 10 years; 3.25% thereafter
Projected salary increase	2.85 - 8.85% for 10 years; 3.25 - 9.25% thereafter
Cost of living adjustment	2.00%
Mortality assumptions	
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 Allocations	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%
	100%	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2017 is 6 years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of 6 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of 5 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 2.00% annually to 2.50% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50%, but remain at 2.00% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.40% to 0.00%, the vested inactive load increased from 4.00% to 7.00% and the non-vested inactive load increased from 4.00% to 9.00%.
- The investment rate of return assumption was changed from 8.00% to 7.50%.
- The price inflation assumption was lowered from 2.75% to 2.50%.
- The payroll growth assumption was lowered from 3.50% to 3.00%.
- The general wage growth assumption was lowered from 3.50% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

E. Discount Rate

The discount rate used to measure the total pension liability was 5.12 percent. This is a decrease 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 2018 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 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).

F. Net Pension Liability

At June 30, 2018, the District reported a liability of $41,221,146 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on The District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.2065% at the end of the measurement period and 0.2046% 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	$ 41,221,146
State's proportionate share of the net pension liability associated with the district	$ 3,985,390

For the year ended June 30, 2018, the District recognized pension expense of $1,152,224. It also recognized $76,437 as an increase to pension expense for the support provided by direct aid.

At June 30, 2018, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 7,012	$ 289,452
Changes in actuarial assumptions	22,217,064	5,774,431
Difference between projected and actual investment earnings	407,632	-
Change in proportion and differences between contributions made and District's proportionate share of contributions	377,662	381,709
District's contributions to TRA subsequent to the measurement date	879,173	-
Total	$ 23,888,543	$ 6,445,592

$879,173 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2019	$ 4,783,085
2020	4,783,085
2021	4,437,320
2022	3,697,314
2023	(1,137,026)

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.12% as well as the liability measured using one percent lower and one percent higher:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	4.12%	5.12%	6.12%
District's proportionate share of the TRA net pension liability	$ 54,403,970	$ 41,221,146	$ 30,106,422

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

H. Pension Plan Fiduciary Net Position

Detailed information about TRA'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.

Note 10 - Flexible Benefit Plan

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

Before the beginning of the Plan year, which is from September 1 to August 31, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

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

Amounts withheld for medical reimbursement and dependent care are paid by the District to an outside administrator upon an employee submitting a request for reimbursement. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the employee.

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

Note 11 - Related Organization

The District, in conjunction with eight other school districts, is a member district of Fergus Falls Area Special Education Cooperative No. 935. The Joint Powers Board consists of one representative and one delegate from each member district. The representative is the Superintendent of Schools of each member district, and the delegate is one School Board member from each member district appointed by the School Board of that member district, who serves a three-year term. The purpose of the Joint Powers Board is to provide by cooperative effort a comprehensive special education program for the member districts. Each member district is entitled to one vote, which shall be cast by the delegate of that member district. The representative is a nonvoting member of the Joint Powers Board. Contributions of $405,800 were made by the District to the related organization for the year ended June 30, 2018. The contributions are based on the operating budget of the Cooperative and allocated per agreement to the member districts.

Fergus Falls Area Special Education Cooperative is separately audited from the District. Complete financial statements for the Cooperative can be obtained from its administrative office at 518 Friberg Avenue, Fergus Falls, MN 56537.

Note 12 - Commitments and Contingencies

Federal Revenue

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

Note 13 - Interfund Receivables and Payables

Interfund receivables and payables are used when a fund has a cash deficit. At June 30, 2018, the Building Construction Fund has a cash deficit that will be covered by future payments of pledges towards the installation of artificial turf. A summary of the District's interfund balances at June 30, 2018, is as follows:

	Due From Other Funds	Due To Other Funds
General Fund	$ 282,228	$ -
Building Construction Fund	-	282,228
	$ 282,228	$ 282,228

Note 14 - Stewardship, Compliance, and Accountability

Budget control for the fund is established by its total appropriations.

The General Fund had expenditures exceeding appropriations of $1,639,549 for the year ended June 30, 2018. These over expenditures were funded by revenues exceeding budget and existing fund balance.

Note 15 - Adoption of New Standard

As of July 1, 2017, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position for governmental activities was restated to retroactively remove the prior OPEB asset reported under GASB Statement No. 45 and adopt the provisions of GASB Statement No. 75 to report the beginning total OPEB liability as follows:

Net Position - June 30, 2017, as previously reported	$ 4,097,927
Remove previously reported OPEB asset previously reported under GASB Statement No. 45	(110,925)
Add total OPEB liability under GASB Statement No. 75 at June 30, 2017	(1,017,907)
Net Position - July 1, 2017, as restated	$ 2,969,095

Note 16 - Issued But Non-effective Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the District. The first statement issued but not yet implemented that will significantly affect the District is Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. This statement will be implemented at the District in the year ended June 30, 2019.

The second statement issued but not yet implemented that will significantly affect the District is Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. This statement will be implemented at the District in the year ended June 30, 2020.

The third statement issued but not yet implemented that will significantly affect the District is Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This statement will be implemented at the District in the year ended June 30, 2021.

The fourth statement issued but not yet implemented that will significantly affect the District is Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period. This statement will be implemented at the District in the year ended June 30, 2021.

The final statement issued but not yet implemented that will significantly affect the District is Statement No. 90, *Majority Equity Interests*. This statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all the other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2018.

Management has not yet determined the effect these pronouncements will have on the District's financial statements.

Required Supplementary Information
June 30, 2018

Independent School District No. 544
Fergus Falls Public Schools

Schedule of Changes in the District’s Total OPEB Liability and Related Ratios, Last 10 Fiscal Years*

	2018
Service cost	$ 71,959
Interest	35,496
Benefit payments	(92,534)
Net change in total OPEB liability	14,921
Total OPEB liability - beginning	1,017,907
Total OPEB liability - ending	$ 1,032,828
Covered-employee payroll	$ 13,621,645
District's total OPEB liability as a percentage of covered-employee payroll	7.58%

*GASB Statement No. 75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Changes in the District’s Total OPEB Liability and Related Ratios

- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years*

Pension Plan	Measurement Date	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 Associated With District (b)	Total (c) (a+b)	Employer's Covered-Payroll (d)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll (a/d)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2017	0.0570%	$ 3,638,842	$ 45,751	$ 3,684,593	$ 3,578,933	101.7%	75.9%
PERA	6/30/2016	0.0540%	$ 4,384,532	$ 57,258	$ 4,441,790	$ 3,360,173	130.5%	68.9%
PERA	6/30/2015	0.0553%	$ 2,865,933	N/A	$ 2,865,933	$ 3,220,493	89.0%	78.2%
PERA	6/30/2014	0.0631%	$ 2,964,122	N/A	$ 2,964,122	$ 3,344,061	88.6%	78.8%
TRA	6/30/2017	0.2065%	$ 41,221,146	$ 3,985,390	$ 45,206,536	$ 11,128,227	370.4%	51.6%
TRA	6/30/2016	0.2046%	$ 48,801,982	$ 4,897,651	$ 53,699,633	$ 10,722,120	455.2%	44.9%
TRA	6/30/2015	0.2069%	$ 12,798,811	$ 1,570,043	$ 14,368,854	$ 10,573,573	121.0%	76.8%
TRA	6/30/2014	0.2281%	$ 10,510,684	$ 739,272	$ 11,249,956	$ 10,827,932	97.1%	81.5%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Schedule of Employer's Contributions
Last 10 Fiscal Years*

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Payroll (c)	Contributions as a Percentage of Covered-Payroll (b/c)
PERA	6/30/2018	$ 286,856	$ 286,856	$ -	$ 3,824,747	7.5%
PERA	6/30/2017	$ 268,420	$ 268,420	$ -	$ 3,578,933	7.5%
PERA	6/30/2016	$ 252,013	$ 252,013	$ -	$ 3,360,173	7.5%
PERA	6/30/2015	$ 241,537	$ 241,537	$ -	$ 3,220,493	7.5%
TRA	6/30/2018	$ 879,173	$ 879,173	$ -	$ 11,722,307	7.5%
TRA	6/30/2017	$ 834,617	$ 834,617	$ -	$ 11,128,227	7.5%
TRA	6/30/2016	$ 804,159	$ 804,159	$ -	$ 10,722,120	7.5%
TRA	6/30/2015	$ 793,018	$ 793,018	$ -	$ 10,573,573	7.5%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

- PERA's CAFR may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.
- TRA's CAFR may be obtained on the TRA's website at www.MinnesotaTRA.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Combining and Individual Fund Schedules
June 30, 2018

Independent School District No. 544
Fergus Falls Public Schools

	Fund Balance Beginning of Year	Net Change in Fund Balance	Fund Balance End of Year
Nonspendable	$ 145,309	$ 73,463	$ 218,772
Restricted for health and safety	-	(902)	(902)
Restricted for operating capital	728,024	(555,318)	172,706
Restricted for long term facilities maintenance	1,616	(27,007)	(25,391)
Unassigned	4,843,319	630,643	5,473,962
	$ 5,718,268	$ 120,879	$ 5,839,147

Other Supplementary Information
June 30, 2018

Independent School District No. 544
Fergus Falls Public Schools

Activity	Balance 7/1/17	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/18
MS Yearbook	$ 790	$ 1,465	$ 1,801	$ 454
MAD 6th Grade	1,134	2,482	1,450	2,166
MS Student Council	2,479	6,396	5,384	3,491
HS Student Council	1,619	10,377	10,099	1,897
National Honor Society	152	1,440	1,317	275
French Club	46	-	-	46
HS Yearbook	6,587	7,845	8,912	5,520
HS Choir	14,578	64,333	77,658	1,253
HS Band	7,926	82,877	84,745	6,058
FFA	5,864	18,096	18,482	5,478
Summer Foreign Travel	1,483	3,807	5,280	10
Summer Foreign Travel - Europe	1,086	1,709	1,693	1,102
KAR 6th Grade	2,826	1,594	1,365	3,055
Synchronized Swimming	744	525	-	1,269
Super Mileage	-	5,100	2,011	3,089
Prom	8,803	6,206	6,392	8,617
Otter Outlet	31,828	58,794	71,216	19,406
Speech	-	1,523	978	545
Debate	-	200	-	200
HS Orchestra	1,425	8,139	9,562	2
ALC Advisory	256	2,059	1,636	679
MAAP Stars	604	3,593	3,362	835
FFHS First Robotics Team	1,727	3,249	3,776	1,200
Adaptive Bowling	-	2,210	840	1,370
Fishing Club	-	6,820	6,280	540
Adams STEAM	-	1,360	1,354	6
Unappropriated fund balance	286	1,610	500	1,396
	$ 92,243	$ 303,809	$ 326,093	$ 69,959

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	
Department of Agriculture				
Passed through Minnesota Department of Education				
Child Nutrition Cluster				
Summer Food Service Program for Children	10.559	0544-01-000 FIN 705	$ 2,365	
School Breakfast Program	10.553	0544-01-000 FIN 705	103,143	
National School Lunch Program (Commodities)	10.555	0544-01-000 FIN 701	81,194	
National School Lunch Program	10.555	0544-01-000 FIN 701	410,203	
Total Child Nutrition Cluster				$ 596,905
Department of Education				
Passed through Minnesota Department of Education				
Adult Education - Basic Grants to States	84.002	0544-01-000 FIN 438	4,895	
Title I, part A	84.010	0544-01-000 FIN 401	348,606	
Title II, part A	84.367	0544-01-000 FIN 414	79,435	
Student Support and Academic Enrichment	84.424	0544-01-000 FIN 499	8,903	
Total Department of Education				441,839
Department of Health and Human Services				
Passed through Minnesota Department of Education				
IEP Services - Cluster	93.778	0544-01-000 FIN 425		29,089
Total Federal Financial Assistance				$ 1,067,833

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2018. The information 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 the District, it is not intended to and does not present the financial position or changes in net position of the District.

Note B – Significant Accounting Policies

Expenditures reported in 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. No federal financial assistance has been provided to a subrecipient.

Note C – Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

Note D – Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2018 the organization had food commodities totaling $4,725 in inventory.

Fiscal Compliance Report - 6/30/2018
District: FERGUS FALLS (544-1)

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01 GENERAL FUND	Audit	UFARS	Audit - UFARS
Total Revenue	$30,468,979	$30,468,978	$1
Total Expenditures	$30,348,100	$30,348,099	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$218,772	$218,773	($1)
Restricted / Reserved:			
4.03 Staff Development	$0	$0	$0
4.06 Health and Safety	($902)	($902)	$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	$172,706	$172,706	$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	$0	$0	$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	$0	$0	$0
4.67 LTFM	($25,391)	($25,391)	$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	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$0	$0	$0
Unassigned:			
4.22 Unassigned Fund Balance	$5,473,962	$5,473,965	($3)

06 BUILDING CONSTRUCTION	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
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	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$3,195,791	$3,195,792	($1)
Total Expenditures	$3,123,645	$3,123,647	($2)
Non Spendable:			
4.60 Non Spendable Fund Balance	$291,480	$291,480	$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	$97,451	$97,450	$1
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST	Audit	UFARS	Audit - UFARS
Total Revenue	$76,964	$76,964	$0
Total Expenditures	$58,421	$58,420	$1
4.22 Unassigned Fund Balance (Net Assets)	$96,512	$96,512	$0

20 INTERNAL SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

25 OPEB REVOCABLE TRUST	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

02 FOOD SERVICES

Total Revenue	$1,234,403	$1,234,403	$0
Total Expenditures	$1,163,063	$1,163,064	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$4,725	$4,724	$1
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$181,372	$181,372	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$1,016,557	$1,016,556	$1
Total Expenditures	$858,696	$858,693	$3
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$212,700	$212,700	$0
4.32 E.C.F.E	$148,710	$148,710	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$120,799	$120,799	$0
4.47 Adult Basic Education	$1,292	$1,292	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	($4,556)	($4,556)	$0
Unassigned:			
4.63 Unassigned Fund Balance	($22,531)	($22,531)	$0

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

Additional Reports
June 30, 2018

Independent School District No. 544
Fergus Falls Public Schools

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*

The School Board of
Independent School District No. 544
Fergus Falls Public Schools
Fergus Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 544, Fergus Falls Public Schools (the District), 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, and have issued our report thereon dated November 13, 2018.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-A to be a material weakness.

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.

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

Response to Finding
The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District'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 results 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.

Eide Bailly LLP

Fargo, North Dakota
November 13, 2018

Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The School Board of
Independent School District No. 544
Fergus Falls Public Schools
Fergus Falls, Minnesota

Report on Compliance for the Major Federal Program
We have audited the District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2018. The District's major federal program is 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 the compliance for the District's major federal program 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 compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program
In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2018.

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

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

Eide Bailly LLP

Fargo, North Dakota
November 13, 2018

EideBailly

CPAs & BUSINESS ADVISORS

Report on Compliance over Financial Reporting of the Student Activity Accounts

The School Board of
Independent School District No. 544
Fergus Falls Public Schools
Fergus Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the *Manual for Activity Fund Accounting (MAFA)*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 544, Fergus Falls Public Schools (the District), for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2018.

Compliance
As part of obtaining reasonable assurance about whether the District's student activity accounts are free of material misstatement, we performed tests of the district's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of student activity 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 that are required to be reported under MAFA.

This report is intended solely for the information and use of management, the Board of Education, the Minnesota Department of Education and other state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Fargo, North Dakota
November 13, 2018

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Independent Auditors Report on *Minnesota Legal Compliance*

The School Board of
Independent School District No. 544
Fergus Falls Public Schools
Fergus Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 544 as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2018.

The *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursement, 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 no items came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions. The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Fargo, North Dakota
November 13, 2018

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Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	CFDA Number
Child Nutrition Cluster	10.553, 10.555, 10.559

Dollar threshold used to distinguish between type A band type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2018-A Preparation of Financial Statements and Schedule of Expenditures of Federal Awards, Including Material Adjustments
Material Weakness

Criteria: A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements, as well as a system for internally preparing the District's financial statements and schedule of expenditures of federal awards.

Condition: During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the District's existing internal controls, and therefore could have resulted in a material misstatement of the District's financial statements. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements, and the schedule of expenditures of federal awards.

Cause: The District does not have an internal control system designed to identify all necessary adjustments, and does not have an internal control system designed to provide for the preparation of the financial statements and schedule of expenditures of federal awards being audited.

Effect: This deficiency could result in a misstatement to the financial statements and schedule of expenditures of federal awards that would not be prevented or detected. The disclosures in the financial statements could also be incomplete.

Recommendation: A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials: There is no disagreement with the audit finding.

Section III – Student Activity Findings

None

Section IV – Federal Award Findings and Questioned Costs

None

Section V – Minnesota Legal Compliance

None

APPENDIX B

Form of Legal Opinion

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KUTAK ROCK LLP

SUITE 3400
60 SOUTH SIXTH STREET

MINNEAPOLIS, MINNESOTA 55402-4400

612-334-5000
FACSIMILE 612-334-5050

www.kutakrock.com

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WASHINGTON, D.C.
WICHITA

STEPHEN C. ROSHOLT
stephen.rosholt@kutakrock.com
(612) 334-5000

September __, 2019

Independent School District No. 544 (Fergus Falls)
Fergus Falls, Minnesota

Re: Independent School District No. 544 (Fergus Falls)
$_,___,000 Certificates of Participation, Series 2019A

Ladies and Gentlemen:

We have acted as bond counsel to Independent School District No. 544 (Fergus Falls) (the "District"), in connection with the issuance on behalf of the District of $_,000,000 Certificates of Participation, Series 2019A, dated September 26, 2019 (the "Certificates") with respect to a Lease-Purchase Agreement dated as of September 1, 2019 (the "Lease") between U.S. Bank National Association (the "Trustee") and the District.

We have examined such certified proceedings, documents and certifications of public officials as we deem necessary to render this opinion, including the form of the Certificates, the Trust Agreement dated as of September 1, 2019 under which the Certificates are being issued by the Trustee and the Ground Lease Agreement dated as of September 1, 2019 between the District and the Trustee. As to questions of fact material to our opinion, we have relied upon such certified proceedings, documents and certifications furnished to us without undertaking to verify such facts by independent investigation.

We have not been engaged or undertaken to verify the accuracy, completeness or sufficiency of the District's Official Statement dated September __, 2019, or other offering material relating to the Bonds, and we express no opinion relating thereto.

Based on our examination, and assuming the genuineness of the signatures thereon and the accuracy of the facts stated therein, we are of the opinion, as of the date hereof, as follows:

1. The District is an existing independent school district under the laws of the State of Minnesota which is authorized to enter into the Ground Lease, the Lease and the Trust Agreement and perform its obligations thereunder.

2. The Ground Lease, the Lease and the Trust Agreement have been duly authorized, executed and delivered by and on behalf of the District and are valid and binding agreements of the District enforceable in accordance with their terms.

3. The Lease and the Rental Payment obligations of the District thereunder are special, limited obligations of the District payable solely from amounts appropriated for such purpose, but the District is not obligated to make any such appropriation. The Lease and the Rental Payments are not general obligations of the District and neither the full faith and credit nor the taxing powers of the District are pledged to the payment of the Lease obligations or the Certificates.

4. The portion of the Rental Payments designated as interest in the Lease and received by the registered owners of the Certificates is excludable from gross income for purposes of federal income taxation and from taxable net income of individuals, estates and trusts for purposes of Minnesota income taxation under present laws and rulings. Such interest is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of federal alternative minimum tax applicable to individuals and other taxpayers under Section 55 of the Internal Revenue Code of 986, as amended, or Minnesota alternative minimum tax applicable to individuals, trusts and estates. Such interest is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the execution of the Lease and issuance of the Certificates in order that interest thereon be, or continue to be, excludable from gross income and net taxable income for federal and state income tax purposes, respectively. The District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause such interest to cease to be excludable from gross income and net taxable income for federal and state income tax purposes, respectively, retroactive to the date of issuance of the Certificates. The Certificates are designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. We express no opinion regarding any other federal or state tax consequences arising with respect to the Certificates.

It is to be understood that the rights of the holders of the Certificates and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion as to the status of title to the property subject to the Lease and Ground Lease or compliance with applicable zoning, environmental or land use ordinances or regulations.

Very truly yours,

KUTAK ROCK LLP

By ______________________________________
Stephen C. Rosholt

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APPENDIX C

Form of Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "**Disclosure Certificate**"), dated as of September __, 2019, is executed and delivered by Independent School District No. 544 (Fergus Falls), Minnesota (the "**District**") in connection with the issuance of the District's $_,000,000 Certificates of Participation, Series 2019A (the "**Certificates**"). The Certificates are being issued pursuant to a Trust Agreement dated as of September 1, 2019 executed by U.S. Bank National Association (the "**Trust Agreement**"). The District covenants and agrees as follows:

Section 1. Purpose of this Disclosure Certificate. To provide for the public availability of certain information relating to the Certificates and the security therefor and to permit each Participating Underwriter in the primary offerings of the Certificates to comply with Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934, as amended (the "**Rule**"), the District is making the covenants and agreements set forth herein for the benefit of the Owners (as hereinafter defined) from time to time of the outstanding Certificates. The District is the only obligated person with respect to the Certificates within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made.

Section 2. Definitions. As used in this Disclosure Certificate:

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

"**EMMA**" means the Electronic Municipal Market Access system for municipal securities disclosure of the MSRB.

"**Financial Obligation**" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the rule) has been provided to the MSRB consistent with the Rule.

"**MSRB**" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Commission, filings with the MSRB are to be made through the EMMA website of the MSRB, currently located at http://emma.msrb.org.

"**Owner**" or "**Certificate Owner**" means the registered owner or owners of any Certificate appearing in the Certificate register maintained by the registrar for the Certificates or any Beneficial Owner thereof, if such Beneficial Owner provides to the registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the registrar.

"**Participating Underwriter**" means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Certificates.

Section 3. CUSIP Number/Final Official Statement. The CUSIP Number of the final maturity of the Certificates is 314801 ___. The final Official Statement relating to the Certificates is dated September __, 2019(the "**Final Official Statement**").

Section 4. Annual Report. The District will provide, in the manner set forth in Section 7 hereof, either directly or indirectly through an agent designated by the District, on or before twelve (12) months after the end of each fiscal year of the District, commencing with the fiscal year ending June 30, 201_, the following financial information and operating data in respect of the District (collectively, the "**Annual Report**"):

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

(b) to the extent not included in the audited financial statements referred to in paragraph (a) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: "FINANCIAL SUMMARY," "INDEBTEDNESS" and "PROPERTY VALUATIONS AND TAXES."

If the audited financial statements are not available by the date specified, the District shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Annual Report. Within 10 days after the receipt thereof, the District shall provide the audited financial statements.

Any or all of the Annual Report may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the MSRB through its EMMA portal or the Commission. The District shall clearly identify in the Annual Report each document so incorporated by reference.

If any part of the Annual Report can no longer be generated because the operations of the District have materially changed or been discontinued, such part need no longer be provided if the District includes in the Annual Report a statement to such effect; provided, however, if such operations have been replaced by other District operations in respect of which data is not included in the Annual Report and the District determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in Section 5 hereof), then, from and after such determination, the Annual Report shall include such additional specified data regarding the replacement operations. If the Annual Report is changed or this Section is amended as permitted by Section 9 hereof, then the District shall include in the next Annual Report to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

If the District fails to timely file the complete Annual Report, the District shall file, or shall cause to be filed, a notice with the MSRB of such failure in substantially the form attached as **Exhibit I** hereto.

Section 5. Listed Events Disclosure. The District will provide, in the manner set forth in Section 7 hereof, either directly or indirectly through an agent designated by the District, within not in excess of 10 business days, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a "**Listed Event**"):

(a) principal and interest payment delinquencies;
(b) non-payment related defaults, if material;
(c) unscheduled draws on debt service reserves reflecting financial difficulties;
(d) unscheduled draws on credit enhancements reflecting financial difficulties;
(e) substitution of credit or liquidity providers, or their failure to perform;
(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates or other material events affecting the tax- status of the Certificates;
(g) modifications to rights of Certificate holders, if material;
(h) Certificate calls, if material, and tender offers;
(i) defeasances;
(j) release, substitution, or sale of property securing repayment of the Certificates, if material;
(k) rating changes;
(l) bankruptcy, insolvency, receivership, or similar event of the obligated person;
(m) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of an 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;
(n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
(o) Incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect the Certificate holders, if material; and
(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

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

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

Section 6. Additional Disclosures. The District will provide, in the manner set forth in Section 7 hereof, either directly or indirectly through an agent designated by the District, in a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:

(a) the failure of the District to provide the Annual Report required under Section 4 hereof at the time specified thereunder;

(b) the amendment or supplementing of this Disclosure Certificate pursuant to Section 9 hereof, together with a copy of such amendment or supplement and any explanation provided by the District under Section 4 hereof;

(c) the termination of the obligations of the District under this Disclosure Certificate pursuant to Section 8 hereof;

(d) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Annual Report are prepared; and

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

Section 7. Manner of Reporting.

(a) The District agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in Sections 4, 5 and 6 hereof.

(b) All documents provided to the MSRB pursuant to this Section 7 hereof shall be accompanied by identifying information as prescribed by the MSRB from time to time.

Section 8. Term. The covenants of the District in this Disclosure Certificate shall remain in effect so long as any Certificates are outstanding. Notwithstanding the preceding sentence, however, the obligations of the District under this Disclosure Certificate shall terminate and be without further effect as of any date on which the District delivers to the registrar an opinion of Certificate Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the District to comply with the requirements of this Disclosure Certificate will not cause the Participating Underwriters in the primary offerings of the Certificates to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

Section 9. Amendments. This Disclosure Certificate (and the requirements hereof) may be amended or supplemented by the District from time to time, without notice to (except as provided in Section 6 hereof) or the consent of the Owners of any Certificates, by a Trust Agreement of the District filed in the office of the recording officer of the District accompanied by an opinion of Certificate Counsel, who may rely on certificates of the District and others and the opinion may be subject to customary qualifications, to the effect that: (a) such amendment or supplement (i) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the District or the type of operations conducted by the District, or (ii) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (b) this Disclosure Certificate as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Certificates, giving effect to any change in circumstances applicable under clause (a)(i) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (c) such amendment or supplement does not materially impair the interests of the Certificate owners under the Rule.

Section 10. Consequences of Failure of the District to Provide Information. If the District fails to comply with any provisions of this Disclosure Certificate, any person aggrieved thereby, including the Owners of any outstanding Certificates, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this Disclosure Certificate, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Disclosure Certificate constitute a default under the Certificates or under any other provision of the Trust Agreement.

Section 11. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 12. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall not have any obligation under this Disclosure Certificate to update such information or include it in any future disclosure or notice of the occurrence of a Listed Event.

Section 13. Governing Law. This Disclosure Certificate shall be governed by the laws of the State of Minnesota.

EXECUTED AND DATED as of this _____ day of September 2019.

INDEPENDENT SCHOOL DISTRICT NO. 544

By ______________________________________
Chair

And by ___________________________________
Clerk

[CONTINUING DISCLOSURE CERTIFICATE]

EXHIBIT I

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Independent School District No. 544, Minnesota
Name of Certificate Issue:	Certificates of Participation, Series 2019A
Date of Issuance:	September __, 2019
BASE CUSIP:	

NOTICE IS HEREBY GIVEN that the Issuer has not provided [the Annual Report] [a portion of the Annual Report, such as the District's audited financial statements] with respect to the above-named Certificates as required by the Continuing Disclosure Certificate relating to such Certificates, and Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. The District anticipates that [the remainder of] the Annual Report will be filed by _____________________.

Dated:

[INDEPENDENT SCHOOL DISTRICT NO. 544]
[DISSEMINATION AGENT, on behalf the District]

By ____
Its _________________________________

APPENDIX D

Request for Proposals

(This page has been left blank intentionally.)

REQUEST FOR PROPOSALS

$6,010,000* Certificates of Participation Series 2019A
Independent School District No. 544 (Fergus Falls), Minnesota

NOTICE IS HEREBY GIVEN that the Certificates will be offered for sale according to the following terms:

TIME AND PLACE

Sealed or electronic proposals will be received for the purchase of $6,010,000* Certificates of Participation, Series 2019A (the "Certificates") by Independent School District No. 544 (Fergus Falls), Minnesota (the "District") on Monday, September 16, 2019, until **10:30 A.M. Central Time**, in the offices of PFM Financial Advisors LLC, 50 South Sixth Street, Suite 2250, Minneapolis, Minnesota, 55402. Consideration of the award of the Certificates will be by the School Board of the District at a special board meeting on Monday, September 16, 2019 at 5:00 P.M. 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. No proposal may be altered or withdrawn after the time appointed for opening proposals.

FORM OF PROPOSALS

Proposals must be submitted on or in substantial compliance with the Proposal Form provided by the District or through Parity (the "Electronic Bid System"). The District shall not be responsible for any malfunction or mistake made by any person, or as a result of the use of the electronic bid, or the means used to deliver or complete a proposal. The use of such facilities or means is at the sole risk of the prospective proposer who shall be bound by the terms of the bid as received.

No proposal will be received after 10:30 A.M. Central Time on Monday, September 16, 2019, as specified in the Request for Proposals. The time as maintained by the Electronic Bid System shall constitute the official time with respect to all proposals submitted. A proposal may be withdrawn before the deadline using the same method used to submit the proposal. If more than one proposal is received from a proposer, the last proposal received shall be considered.

Sealed Bidding: Sealed proposals may be submitted and will be received at the office of PFM Financial Advisors LLC, 50 South Sixth Street, Suite 2250, Minneapolis, MN 55402, (612) 338-3535.

Electronic Bidding: Electronic proposals must be submitted through Parity® (the "Electronic Bid System"). Information about the Electronic Bid System may be obtained by contacting Parity® at i-Deal/Parity®, Customer Support, 1359 Broadway, 2nd Floor, New York, New York 10018, (212) 849-5021.

Each proposer shall be solely responsible for making necessary arrangements to access the Electronic Bid System for purposes of submitting its electronic proposal in a timely manner and in compliance with the requirements of the Request for Proposals. The District is permitting proposers to use the services of the Electronic Bid System solely as a communication mechanism to conduct the electronic bidding and the Electronic Bid System is not an agent of the District. Provisions of the Request for Proposals or Proposal Form shall control in the event of conflict with information provided by the Electronic Bid System.

* Preliminary, subject to change.

SECURITY AND PURPOSE

The Certificates are being issued pursuant to the provisions of Minnesota Statutes, Section 465.71, and a Trust Agreement between U.S. Bank National Association (the "Trustee") and Independent School District No. 544 (Fergus Falls), Minnesota (the "Issuer" or :District") dated September 1, 2019 (the "Trust Agreement").

The proceeds of the Certificates will be used to acquire the 89,000 square foot Target building (the "Existing Building") located at 2300 College Way in Fergus Falls and to renovate and otherwise improve the facility for use as an early learning center and childcare center (the "Facility") for the District.

The Certificates are not a general obligation of the District, and the full faith and credit and ad valorem taxing powers of the District are not pledged to the payment of the Rental Payments. The Agreement is subject to termination by the District at the end of any Fiscal Year of the District if the School Board does not appropriate moneys sufficient to continue the Agreement for the ensuing Fiscal Year.

DATE, MATURITIES, AND REDEMPTION

The Certificates will be dated originally as of September 26, 2019 will be fully registered Certificates in the denomination of $5,000 each, and will mature on February 1, in the following years in the following amounts:

Year	Amount*	Year	Amount*
2020	$ 100,000	2030	$ 335,000
2021	220,000	2031	350,000
2022	235,000	2032	360,000
2023	245,000	2033	375,000
2024	255,000	2034	385,000
2025	270,000	2035	400,000
2026	285,000	2036	410,000
2027	295,000	2037	425,000
2028	310,000	2038	435,000
2039	320,000		

* Preliminary, subject to change.

The Certificates maturing on February 1, 2028, and thereafter are subject to optional redemption on February 1, 2027, and any date thereafter at a price of par plus accrued interest.

ADJUSTMENTS TO PRINCIPAL AMOUNTS AFTER DETERMINATION OF BEST PROPOSAL

The aggregate principal amount of the Certificates, and each scheduled maturity thereof, are subject to increase or reduction by the District or its designee after the determination of the successful proposer (the "Purchaser"). Such adjustments shall be in the sole discretion of the District or its designee, provided that the District or its designee shall only make such adjustments in order to size the Certificates to establish a debt service structure that is acceptable to the District.

The dollar amount of the purchase price proposed by the Purchaser will be changed if the aggregate principal amount of the Certificates is adjusted as described above. Generally any premium offered or discount taken will be increased or reduced by a percentage equal to the percentage by which the principal amount of the Certificates is increased or reduced; provided that the District's Municipal Advisor will make every effort to ensure that the net compensation to the Purchaser as a percentage of the adjusted par amount does not increase or decrease from what it would have been if no adjustment had been made to the principal amounts shown in the maturity schedule above.

TERM BOND OPTION

Proposals for the Certificates may contain a maturity schedule providing for any combination of serial Certificates and term Certificates, 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.

INTEREST

Interest is payable on February 1 and August 1 of each year, commencing February 1, 2020. Interest will be computed on a 360-day year, 30-day month basis, and paid to the owners of record as of the close of business on the fifteenth of the immediately preceding month.

CUSIP NUMBERS

The District will assume no obligation for the assignment of CUSIP numbers to the Certificates or for the correctness of any such numbers printed thereon, but the District will permit such printing to be done at the expense of the Purchaser, if the Purchaser waives any extension of the time of the delivery of the Certificates caused thereby.

BOOK-ENTRY-ONLY SYSTEM

The Certificates will be issued as fully registered securities in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Certificates. Individual purchases will be made in book-entry form only in the principal amount of $5,000 and integral multiples thereof. Purchasers will not receive Certificates representing their interest in the Certificates purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants, for subsequent disbursement to the beneficial owner of the Certificates.

TYPE OF PROPOSAL AND AWARD

Proposals for not less than $5,949,900 (99.0% of Par) must be electronically submitted, mailed, faxed, or delivered to the office of PFM Financial Advisors LLC, 50 South Sixth Street, Suite 2250, Minneapolis, Minnesota 55402 (612/338-3535, 612/338-7264 FAX) and must be received prior to the time specified above for opening proposals.

Proposals must specify the interest rate or rates; each rate must be in and integral multiple of 1/8 or 1/20 of 1%. Certificates of the same maturity shall bear a single rate from the date of the Certificates to the date of maturity. Each proposal must be for the entire principal amount of the Certificates. No interest rate may be lower than the interest rate on any prior maturity by more than one percentage point. No conditional proposals will be accepted.

Proposals will be compared on the basis of true interest cost ("TIC"). The proposal offering the lowest true interest cost will be deemed most favorable. The TIC is computed as the discount rate which, when used with semiannual compounding to determine the present worth of the principal and interest payments as of the date of the Certificates, produces an amount equal to the purchase price. If two or more proposals provide the same lowest TIC, the District shall determine which proposal shall be accepted, and such determination shall be final. In the event of a tie, the sale of the Certificates will be awarded by lot.

Upon award of the Certificates, the Purchaser shall advise the District of the initial reoffering price to the public of the Certificates. Simultaneously with or before delivery of the Certificates, the Purchaser shall furnish to the District a certificate in form and substance acceptable to bond counsel (a) confirming the initial reoffering prices, (b) certifying that a bona fide initial reoffering of the Certificates has been made to the public (excluding bond houses, brokers, and other intermediaries), and (c) stating at least 10 percent of each maturity of the Certificates was reasonably expected to be sold to the public (excluding bond houses, brokers, and other intermediaries) at such prices or yields.

The School Board reserves the right to reject any and all proposals, to waive any informality in any proposal and to adjourn the sale.

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

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

If a bid 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 bid and (ii) the bidder, if it is the winning bidder, shall require any agreement among underwriters, selling group agreement, third-party 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 bid 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 Issuer to that effect at the time it submits its bid 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 Issuer 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.

<u>If the Issuer advises the purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies</u>, the purchaser will be required to deliver to the Issuer 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.

<u>If the Issuer advises the purchaser that the requirements for a competitive sale have not been satisfied and that the hold-the-offering price rule applies</u>, the purchaser shall (1) upon the request of the Issuer 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 Issuer a certification as to such matters, in a form reasonably acceptable to bond counsel, together with a copy of the pricing wire.
Any action to be taken or documentation to be received by the Issuer pursuant hereto may be taken or received on behalf of the Issuer by PFM Financial Advisors LLC.

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

GOOD FAITH DEPOSIT

A Good Faith Deposit ("Deposit") in the form of a certified or cashier's check payable to the District, or a wire transfer is required by the Purchaser in the amount of $60,000. The Deposit should be received or wire-transferred not later than 3:30 P.M. Central Time on the next business day following the award. If such Deposit is not received by that time, the District may rescind its award to the winning bidder and award the sale of the Certificates to the next best proposer.

RATING

A rating for the Certificates has been requested for from Moody's Investor Services. A rating is subject to withdrawal at any time; withdrawal of a rating may have an adverse effect on the marketability of the Certificates. For an explanation of the significance of the rating, an investor should communicate with the rating agency.

BOND INSURANCE AT PURCHASER'S OPTION

If the Certificates qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the Purchaser of the Certificates. Any increased costs of issuance of the Certificates resulting from such purchase of insurance shall be paid by the Purchaser, except that, if the District has requested and received a rating on the Certificates from a rating agency, the District will pay that rating fee. Any other rating agency fees shall be the responsibility of the Purchaser.

Failure of the municipal bond insurer to issue the policy after Certificates have been awarded to the Purchaser shall not constitute cause for failure or refusal by the Purchaser to accept delivery on the Certificates.

SETTLEMENT

Within 45 days following the date of their award, the Certificates will be delivered without cost to the Purchaser. Delivery will be subject to receipt by the Purchaser of the legal opinion of Kutak Rock LLP, and of customary closing papers, including non-litigation certificate. On the date of settlement, payment for the Certificates shall be made in federal or equivalent funds, which shall be received at the offices of the District, or its designee, not later than 11:00 A.M. Except as compliance with the terms of payment for the Certificates shall have been made impossible by action of the District or its agents, the Purchaser shall be liable to the District for any loss suffered by the District by reason of the Purchaser's non-compliance with said terms for payment. Delivery of the Certificates is anticipated to be on or about September 26, 2019.

LEGAL OPINION

An opinion as to the validity of the Certificates will be furnished by Kutak Rock LLP, Minneapolis, Minnesota. The legal opinion, in substantially the form included as Appendix B herein, will accompany the Certificates and will state that the Certificates are valid and binding general obligations of the District enforceable in accordance with their terms, except to the extent to which enforceability may be limited by principles of equity and by state or United States laws relating to bankruptcy, reorganization, moratorium or creditors' rights generally.

OFFICIAL STATEMENTS

The District has prepared an Official Statement dated September 9, 2019 which the District deems to be a preliminary or "near-final" Official Statement as that term is defined in Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). The Official Statement is available to prospective proposers who request copies from the District or its Municipal Advisor, PFM Financial Advisors LLC, 50 South Sixth Street, Suite 2250, Minneapolis, Minnesota 55402, 612-338-3535, 612-338-7264 FAX.

Not later than seven business days following the award of the Certificates, the District shall provide a reasonable number of copies of the Final Official Statement, as that term is used in the Rule, to the Purchaser of the Certificates. The Final Official Statement will be the Official Statement dated September 9, 2019, modified to include the maturity date and amount, interest rate and reoffering yield or price, and any other information required by law.

The Purchaser will be supplied with Final Official Statements in a quantity sufficient to meet their request. A reasonable number of copies (20) of the Final Official Statement will be furnished without cost.

BY ORDER OF THE SCHOOL BOARD
INDEPENDENT SCHOOL DISTRICT NO. 544
(FERGUS FALLS), MINNESOTA

By: /s/ Gerald Ness
Superintendent

Further information may be obtained from:

PFM Financial Advisors LLC
50 South Sixth Street, Suite 2250
Minneapolis, MN 55402
Tel: (612) 338-3535
Fax: (612) 338-7264
Attn. Arcelia Detert
Email: deterta@pfm.com

OFFICIAL PROPOSAL FORM

$6,010,000* Certificates of Participation, Series 2019A

(Electronic Proposals available via i-Deal/Parity®; see Request for Proposals)

Members of the School Board **Sale Date: Monday, September 16, 2019**
Independent School District No. 544, Minnesota
c/o PFM Financial Advisors LLC (612/338-7264 FAX)

Members of the Board of Education:

For all or none of the principal amount of $6,010,000* Certificates of Participation, Series 2019A, of the District, legally issued and as described in the terms and conditions for Request of Proposals, we will pay the District $____________________ (not less than $5,949,900) plus accrued interest on the total principal of $6,010,000* to date of delivery, provided the Certificates bear the following interest rates:

Year	Amount[(1)]	Interest Rate	Year	Amount[(1)]	Interest Rate
2020	$ 100,000	_______%	2030	$ 335,000	_______%
2021	220,000	_______%	2031	350,000	_______%
2022	235,000	_______%	2032	360,000	_______%
2023	245,000	_______%	2033	375,000	_______%
2024	255,000	_______%	2034	385,000	_______%
2025	270,000	_______%	2035	400,000	_______%
2026	285,000	_______%	2036	410,000	_______%
2027	295,000	_______%	2037	425,000	_______%
2028	310,000	_______%	2038	435,000	_______%
2029	320,000	_______%			

(1) The District reserves the right to adjust the issue size following the opening of proposals. See "Request for Proposals" herein.

The Certificates mature on February 1 in each of the years as indicated above and interest is payable on February 1, 2020, and semiannually thereafter on February 1 and August 1 of each year. We hereby designate that the following Certificates be aggregated into term bonds maturing on February 1 of the following years and in the following amounts (leave blank if no term bonds are specified):

Years Aggregated	Maturity Year	Amount	Interest Rate
________ through ________	___________	___________	___________
________ through ________	___________	___________	___________

In making this offer, we accept the terms and conditions as defined in the Request for Proposals published in the Official Statement dated September 9, 2019, and certify that we are an Underwriter and have an established industry reputation for underwriting new issuances of municipal certificates. Our good faith deposit in the amount of $60,000 will be filed according to the terms outlined in the Request for Proposals. All blank spaces of this offer are intentional and are not to be construed as an omission.

NOT PART OF THIS BID:

Explanatory Note: According to our computation, this proposal involves the following:

$______________________________
Net Interest Cost

______________________________%
True Interest Cost

Respectfully submitted,

____
Syndicate Manager

By____________________________________

(A list of the firms associated with us in this bid is on the reverse side of this proposal.)

* *

The foregoing offer is hereby accepted by and on behalf of Independent School District No. 544 (Fergus Falls), Minnesota, this 16th day of September, 2019.

____
Board Chair

____
Board Clerk

* Subsequent to the bid opening the par amount of the Certificates was changed to $______________, and the bid price to $____________, resulting in a net interest cost of $_____________ and true interest rate of ________%